

JOINT STOCK COMPANY ALLIANCE BANK

Consolidated Financial Statements
For the years ended 31 December 2006,
2005 and 2004

And Independent Auditors' Report

JOINT STOCK COMPANY ALLIANCE BANK

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Bank as at 31 December 2006, 2005 and 2004 the results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

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


- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the note to the consolidated financial statements; and
- preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

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


The consolidated financial statements for the years ended 31 December 2006, 2005 and 2004 were authorized for issue on 2 April 2007 by the Management Board of the Bank.

On behalf of the Management Board of the Bank:


Kereibayev D. Zh.
Chairman of the Management Board

6 April 2007
Almaty




Mamyrbekov A.T.
Chief Accountant

6 April 2007
Almaty

INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Joint Stock Company Alliance Bank and its subsidiary (together, the "Bank"), which comprise the consolidated balance sheets as at 31 December 2006, 2005 and 2004, the consolidated income statements, statements of changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 consolidated financial statements.

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

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

(in Kazakhstani tenge and in millions, except for earnings per share which is in tenge)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of JSC Alliance Bank and its subsidiary as at 31 December 2006, 2005 and 2004 and of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte, LLP

Deloitte, LLP
Audit license for Republic of Kazakhstan
№0000015, type MFU - 2, issued by the Ministry of
finance of the Republic of Kazakhstan dated
13 September 2006

6 April 2007
Almaty, Republic of Kazakhstan



Arman Chingilbayev
Engagement Partner
Qualified auditor
Qualification certificate №0000487,
Republic of Kazakhstan



Nurlan Bekenov
Nurlan Bekenov
General Director
Deloitte, LLP

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004

(in Kazakhstani tenge and in millions, except for earnings per share which is in tenge)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Interest income	5, 32	80,193	17,858	6,973
Interest expense	5, 32	(40,350)	(11,604)	(4,205)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		39,843	6,254	2,768
Provision for impairment losses on interest bearing assets	6	(14,032)	(4,921)	(1,305)
NET INTEREST INCOME		25,811	1,333	1,463
Net gain on financial assets at fair value through profit or loss	7	334	266	127
Net gain on foreign exchange operations	8	1,642	620	46
Fee and commission income	9, 32	6,019	2,942	1,380
Fee and commission expense	9, 32	(3,390)	(440)	(113)
Other income	10	853	846	247
NET NON-INTEREST INCOME		5,458	4,234	1,687
OPERATING INCOME		31,269	5,567	3,150
OPERATING EXPENSES	11, 32	(11,301)	(4,188)	(2,261)
OPERATING PROFIT		19,968	1,379	889
Other provisions	6	(356)	(139)	(28)
PROFIT BEFORE INCOME TAX		19,612	1,240	861
Income tax (expense)/benefit	12	(5,602)	356	-
NET PROFIT		14,010	1,596	861
Attributable to:				
Preference Shareholders		-	49	60
Ordinary Shareholders		14,010	1,547	801
		14,010	1,596	861
EARNINGS PER SHARE				
Basic and diluted (KZT)	13	4,623.67	903.73	1,715.98

On behalf of the Management Board of the Bank:


Kereibayev D. Zh.
Chairman of the Management Board

2 April 2007
Almaty




Mamyrbekov A.T.
Chief Accountant

2 April 2007
Almaty

The notes on pages 10-64 form an integral part of these consolidated financial statements. The Independent Auditors' Report is set out on pages 2-3.

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2006, 2005 AND 2004 (in Kazakhstani tenge and in millions)

	Notes	31 December 2006	31 December 2005	31 December 2004
ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	14	99,594	42,327	19,631
Financial assets at fair value through profit or loss	15	133,745	79,283	31,324
Due from banks	16, 32	23,951	10,238	2,198
Loans to customers	17, 32	634,547	184,079	58,424
Investments available-for-sale	18	5,176	11,109	5,467
Investments held-to-maturity	19	43	463	1,260
Property, equipment and intangible assets	20	12,782	2,181	1,036
Non-current assets held-for-sale	21	1,008	-	-
Income tax assets	12	-	559	116
Other assets	22	9,904	2,519	404
TOTAL ASSETS		920,750	332,758	119,860
LIABILITIES AND EQUITY				
LIABILITIES:				
Deposit from the National Bank of the Republic of Kazakhstan		2,000	6,000	4,000
Due to banks	23	363,005	98,780	26,056
Due to other financial institutions	24	25,174	987	-
Customer accounts	25	272,786	139,233	67,737
Debt securities issued	26	139,249	53,488	1,999
Income tax liabilities	12	2,012	-	-
Other liabilities	27	3,872	889	207
Subordinated debt	28	32,614	5,349	3,873
Total liabilities		840,712	304,726	103,872
EQUITY:				
Share capital	29	60,013	24,904	14,994
Additional paid-in-capital		1,222	-	-
Investments available-for-sale fair value reserve		80	204	38
Property revaluation reserve		2,255	491	73
Retained earnings		16,468	2,433	883
Total equity		80,038	28,032	15,988
TOTAL LIABILITIES AND EQUITY		920,750	332,758	119,860

On behalf of the Management Board of the Bank:


Kereibayev D. Zh.
Chairman of the Management Board

2 April 2007
Almaty




Mamyrbekov A.T.
Chief Accountant

2 April 2007
Almaty

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JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004 (in Kazakhstani tenge and in millions)

	Share capital	Additional paid-in-capital	Investments available-for-sale fair value reserve	Property revaluation reserve	Retained earnings	Total Equity
31 December 2003	<u>3,575</u>	<u>-</u>	<u>-</u>	<u>76</u>	<u>79</u>	<u>3,730</u>
Depreciation of property revaluation reserve	-	-	-	(3)	3	-
Gain on revaluation of investments available-for-sale	-	-	39	-	-	39
Gain transferred to income statement on sale of investments available-for-sale	-	-	(1)	-	-	(1)
Net recognized directly in equity	-	-	38	(3)	3	38
Net profit	-	-	-	-	861	861
Total recognised income and expense for the year	-	-	38	(3)	864	899
Dividends declared on preference shares	-	-	-	-	(60)	(60)
Issue of ordinary shares	11,049	-	-	-	-	11,049
Issue of preference shares	500	-	-	-	-	500
Ordinary share repurchased	(130)	-	-	-	-	(130)
31 December 2004	<u>14,994</u>	<u>-</u>	<u>38</u>	<u>73</u>	<u>883</u>	<u>15,988</u>
Gain on revaluation of property	-	-	-	421	-	421
Depreciation of property revaluation reserve	-	-	-	(3)	3	-
Gain on revaluation of investments available-for-sale	-	-	172	-	-	172
Gain transferred to income statement on sale of investments available-for-sale	-	-	(6)	-	-	(6)
Net recognized directly in equity	-	-	166	418	3	587
Net profit	-	-	-	-	1,596	1,596
Total recognised income and expense for the year	-	-	166	418	1,599	2,183
Dividends declared on preference shares	-	-	-	-	(49)	(49)
Issue of ordinary shares	9,918	-	-	-	-	9,918
Preference share repurchase	(8)	-	-	-	-	(8)
31 December 2005	<u>24,904</u>	<u>-</u>	<u>204</u>	<u>491</u>	<u>2,433</u>	<u>28,032</u>

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004 (in Kazakhstani tenge and in millions)

	Share capital	Additional paid-in-capital	Investments available-for-sale fair value reserve	Property revaluation reserve	Retained earnings	Total Equity
Gain on revaluation of property, net of deferred tax of KZT 766 million	-	-	-	1,789	-	1,789
Depreciation of property revaluation reserve	-	-	-	(25)	25	-
Gain transferred to income statement on sale of investments available-for-sale	-	-	(2)	-	-	(2)
Loss on revaluation of investments available-for-sale	-	-	(122)	-	-	(122)
Net recognized directly in equity	-	-	(124)	1,764	25	1,665
Net profit	-	-	-	-	14,010	14,010
Total recognised income and expense for the year	-	-	(124)	1,764	14,035	15,675
Reclassification of preference shares	(492)	1,222	-	-	-	730
Issue of ordinary shares	35,601	-	-	-	-	35,601
31 December 2006	60,013	1,222	80	2,255	16,468	80,038

On behalf of the Management Board of the Bank:


Kereibayev D. Zh.
Chairman of the Management Board

2 April 2007
Almaty




Mamyrbekov A.T.
Chief Accountant

2 April 2007
Almaty

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JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004 (in Kazakhstani tenge and in millions)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
CASH FLOWS FROM OPERATING ACTIVITIES:				
Profit before income tax		19,612	1,240	861
Adjustments for:				
Provision for impairment losses on interest bearing assets		14,032	4,921	1,305
Other provisions		356	139	28
Unrealized (gain)/loss and amortization of premiums on securities		(1,110)	132	72
Net change in fair value of derivative financial instruments		(2,198)	-	-
Amortization of discount on issued securities		235	92	33
Depreciation and amortization		696	271	155
Changes in interest accruals, net		(3,309)	(2,067)	(658)
Unrealized loss on foreign exchange operations		1,033	134	19
Changes in operating assets and liabilities:				
Due from banks		557	(5,955)	(336)
Financial assets at fair value through profit or loss		(53,116)	(47,682)	(29,667)
Loans to customers		(456,536)	(127,303)	(28,539)
Other assets		(7,339)	(1,293)	(106)
Deposit from the National Bank of the Republic of Kazakhstan		(4,000)	2,000	3,000
Due to banks		260,528	72,370	20,953
Due to other financial institutions		23,886	987	-
Customer accounts		134,744	70,534	30,464
Other liabilities		2,096	568	69
		<u>(69,833)</u>	<u>(30,912)</u>	<u>(2,347)</u>
Cash outflow from operating activities before taxation		(69,833)	(30,912)	(2,347)
Income tax paid		<u>(3,797)</u>	<u>(87)</u>	<u>(24)</u>
		<u>(73,630)</u>	<u>(30,999)</u>	<u>(2,371)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, equipment and intangible assets		(8,950)	(1,018)	(457)
Proceeds on sale of property, equipment and intangible assets		210	23	14
(Increase)/decrease in receivables of capital investments		(680)	(825)	15
Purchase of investments available-for-sale		(293,581)	(189,656)	(59,954)
Proceeds on sale of investments available-for-sale		299,301	184,101	59,373
Purchase of investments held-to-maturity		-	-	(3,016)
Proceeds on maturity of investments held-to-maturity		414	793	8,606
Sale of investments in associates		-	-	50
		<u>(3,286)</u>	<u>(6,582)</u>	<u>4,631</u>
Net cash (outflow)/inflow from investing activities		<u>(3,286)</u>	<u>(6,582)</u>	<u>4,631</u>

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004 (in Kazakhstani tenge and in millions)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issue of ordinary share capital		35,601	9,918	11,049
Ordinary share repurchase		-	-	(130)
Issue of preference share capital		-	-	500
Preference shares repurchased		-	(8)	-
Proceeds from debt securities issued		84,920	50,999	1,662
Issue of subordinated debt		27,810	1,445	1,149
Dividends paid		(49)	(60)	-
		<u>148,282</u>	<u>62,294</u>	<u>14,230</u>
Net cash inflow from financing activities				
<i>Effect of changes in foreign exchange rate on cash and cash equivalents</i>		151	32	(13)
NET INCREASE IN CASH AND CASH EQUIVALENTS		71,517	24,745	16,477
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	14	<u>45,192</u>	<u>20,447</u>	<u>3,970</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	14	<u><u>116,709</u></u>	<u><u>45,192</u></u>	<u><u>20,447</u></u>

Interest received and paid by the Bank during the year ended 31 December 2006 amounted to KZT 70,584 million and KZT 34,049 million, respectively.

Interest received and paid by the Bank during the year ended 31 December 2005 amounted to KZT 14,350 million and KZT 10,158 million, respectively.

Interest received and paid by the Bank during the year ended 31 December 2004 amounted to KZT 6,332 million and KZT 4,211 million, respectively.

On behalf of the Management Board of the Bank:


Kereibayev D. Zh.
Chairman of the Management Board

2 April 2007
Almaty




Mamyrbekov A.T.
Chief Accountant

2 April 2007
Almaty

The notes on pages 10-64 form an integral part of these consolidated financial statements. The Independent Auditors' Report is set out on pages 2-3.

JOINT STOCK COMPANY ALLIANCE BANK

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006, 2005 AND 2004 (in Kazakhstani tenge and in millions)

1. ORGANISATION

Joint Stock Company (“JSC”) Alliance Bank was incorporated in the Republic of Kazakhstan in 1999 under the name of Open Joint Stock Company (“OJSC”) Irtyshbusinessbank as a result of a merger of (“OJSC”) Semipalatinsk Municipal Joint-Stock Bank and OJSC Irtyshbusinessbank. In accordance with a decision made by Shareholders Alliance Bank was renamed from Irtyshbusinessbank to Alliance Bank on 30 November 2001 with a subsequent registration on 13 March 2002 as Open Joint Stock Company Alliance Bank. On 13 March 2004 Alliance Bank was re-registered as Joint Stock Company Alliance Bank.

The registered address of JSC Alliance Bank’s Head Office is 80, Satpayev St., 050046, Almaty, the Republic of Kazakhstan. JSC Alliance Bank’s activity is regulated by the National Bank of the Republic of Kazakhstan (“NBRK”) and the Agency of the Republic of Kazakhstan on Financial Market and Financial Organizations Supervision and Regulation (“Supervisory Agency”). JSC Alliance Bank conducts its business under the license No. 250 issued by Supervisory Agency on 24 January 2006 for performing operations in tenge and foreign currencies stipulated by the banking legislation.

JSC Alliance Bank’s primary business is related to commercial banking activity, originating loans and guarantees, accepting deposits, exchanging foreign currencies, dealing with securities, transferring cash payments, as well as providing other banking services.

In 2002, Alliance Bank joined the Kazakhstan Deposits Insurance Fund (“KDIF”). The primary goal of the KDIF is to protect interests of depositors in the event of forcible liquidation of a member-bank. Depositors can receive limited insurance coverage for the deposit, which fluctuates from 100% to 20%, depending on the amount of the deposit.

At the end of 2006, JSC Alliance Bank had 21 branches and 162 mini-branches in the Republic of Kazakhstan.

JSC Alliance Bank is a parent company of the ALB Finance B.V (together, the “Bank”) and it owns 100% of shares of the subsidiary.

ALB Finance B.V. is a limited liability partnership (B.V.) and operates under laws of the Kingdom of Netherlands since October 2005. The Company was established for the primary purpose of raising funds for the Bank on foreign capital markets.

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

Shareholders	2006 %	2005 %	2004 %
Ultimate shareholders:			
Margulan Seisembayev	25.32	10.89	3.24
Erlan Seisembayev	25.32	10.88	3.23
Askar Galin	25.31	10.88	3.23
Total ultimate shareholders	75.95	32.65	9.70
JSC Rakhat	-	9.80	-
Other (individually hold less than 5%)	24.05	57.55	90.30
Total	100.00	100.00	100.00

These financial statements were authorized for issue by the Management Board of the Bank on 2 April 2007.

2. BASIS OF PRESENTATION

Accounting basis

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

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

The Bank maintains their accounting records in accordance with IFRS, while its foreign subsidiary maintains accounting records in accordance with the requirements of the Kingdom of Netherlands where this subsidiary operates. These consolidated financial statements have been prepared based on accounting records of the Bank, and financial statements of foreign subsidiary, which have been adjusted to conform to IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Key assumptions

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

The following estimates and judgements are considered important to the portrayal of the Bank’s financial condition:

(a) Provisions for loans

The Bank estimates provisions for loans with the objective of maintaining balance sheet provisions at the level believed by management to be sufficient to absorb losses incurred and inherent losses in the Bank’s loan portfolio from homogeneous portfolios of assets and individually identified loans in connection with loans to banks and loans to customers. The calculation of provisions on impaired loans is based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using statistical techniques based on historic experience. These determinations are supplemented by various formulaic calculations and the application of management judgement.

The Bank considers accounting estimates related to provisions for loans “critical accounting estimates” because: (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans are based on recent performance experience, and (ii) any significant difference between the Bank’s estimated losses (as reflected in the provisions) and actual losses will require the Bank to take provisions which, if significantly different, could have a material impact on its future income statement and its balance sheet. The Bank’s assumptions about estimated losses are based on past performance, past customer behaviour, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

Provisions for loans, less amounts released and recoveries of amounts written off in previous years are charged to the line item “Provision for impairment losses on interest bearing assets” in the income statement. The provisions are deducted from the “Due from banks” and the “Loans to customers” line items on the balance sheet. If the Bank believes that additions to the provisions for such credit losses are required, then the Bank records additional provisions for credit losses, which would be treated as a charge in the line item “Provision for impairment losses on interest bearing assets” in the income statement.

(b) Fair value of investments available-for-sale

The fair value of investments available-for-sale that are not traded on an active market involves an exercise of judgment. It is impracticable to assess the extent of possible effects of key assumptions or other sources of uncertainty on the estimates of fair value of certain investments available-for-sale at the balance sheet date.

(c) Revaluation of property

Properties owned by the Bank were revalued by independent appraisers using the comparative method. The estimation of their fair value involves an exercise of judgment. It is impracticable to assess the extent of the possible effects of this key assumption or other sources of uncertainty on the balances of properties at the balance sheet date.

Taxation is discussed in Note 30.

Functional currency

The functional currency of these consolidated financial statements is the Kazakhstani Tenge (“KZT”).

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

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

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

Recognition and measurement of financial instruments

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan with original maturity within 90 days, advances to banks in countries included in the Organization for Economic Co-operation and Development (“OECD”).

Due from banks

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of allowance for impairment losses, if any.

Financial assets at fair value through profit or loss

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

Derivative financial instruments are entered into by the Bank principally for trading purposes and include forwards on foreign currency, precious metals and securities. No derivatives are used by the Bank for hedging purposes.

Repurchase and reverse repurchase agreements

The Bank enters into sale and repurchase agreements (“repos”) and purchase and resale agreements (“reverse repos”) in the normal course of its business. Repos and reverse repos are utilized by the Bank as an element of its treasury management and for trading purposes.

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

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

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

Loans to customers

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

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus directly related transaction costs. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans

Loans are written off against allowance for impairment losses in case of uncollectibility of loans, including through repossession of collateral. Loans are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral. The decision on writing off bad debt against allowance for impairment losses for all major, preferential and unsecured loans should necessarily be confirmed with a procedural document of judicial bodies certifying that at the time of the decision the debt could not be repaid (partially repaid) with the debtor’s funds.

Allowance for impairment losses

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

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

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

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

Finance leases

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

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

The Bank as a lessor presents finance leases as loans and initially measures them in the amount equal to net investment in the lease. Subsequently the recognition of finance income is based on a pattern reflecting a constant periodic rate of return on the Bank's net investment in the finance lease.

Initial direct costs are often incurred in connection with specific leasing activities, such as negotiating and securing leasing arrangements. For finance leases, initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. The interest rate implicit in the lease is defined in such a way that the initial direct costs are included automatically in the finance lease receivable.

At the commencement of the lease term, the Bank as a lessee recognizes finance leases as assets and liabilities in its balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the periods in which they are incurred. Depreciation of the lease property is charged in accordance with depreciation policy that is applied to property owned by the Bank.

Investments available-for-sale

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

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

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

Investments held-to-maturity

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

Non-current assets held-for-sale

A non-current asset is classified as held-for-sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use. Such sale transaction shall be principally completed within one year from the date of classification of an asset as held-for-sale.

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

Property, equipment and intangible assets

Property, equipment and intangible assets, except for land and buildings, are carried at historical cost less accumulated depreciation and recognized impairment loss, if any.

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

	Years
Building	25
Computers	3-4
Vehicles	5-7
Other	2-15
Intangible assets	1-8

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

Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

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

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

Land and buildings held-for-use in supply of services, or for administrative purposes, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

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

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

Taxation

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

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

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

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

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

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

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

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

Deposits from banks and customers

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

Debt securities issued

Debt securities issued represent eurobonds and bonds issued by the Bank. They are accounted for according to the same principles used for customer and bank deposits.

Subordinated debt

Subordinated debt is initially recognized at fair value which usually amounts to net proceeds from the issue less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between carrying and redemption value is recognized in the consolidated income statement over the period of the loan using the effective interest method.

Provisions

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

Financial guarantee contracts issued and letters of credit

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

Share capital

Share capital is recognized at cost. Treasury stock represents shares of the Bank which have been issued and subsequently reacquired by the Bank for sale at a later date. Gains and losses on sales of treasury stock are charged or credited to share premium.

External costs directly attributable to the issue of new shares are deducted from equity net of any related income taxes.

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

Preference shares

Preference shares which carry a mandatory dividend payment are classified as a subordinated debt. On initial recognition the fair value of the debt is equivalent to the present value of the mandatory dividend obligations over the term of the preferred share discounted at the market interest rate for a similar instrument that does not retain a residual benefit to discretionary dividends.

Dividends on preference shares are classified as an expense and are recognized in the consolidated income statement with interest expense.

Retirement and defined contribution plans

In accordance with the requirements of the legislation of the countries in which the Bank and its subsidiaries operate, the Bank withholds amounts of pension contributions from employee salaries and pays them to the pension funds. This pension system provides for the calculation of current payments by the employer as a percentage of current total disbursements to employees. Such expense is charged in the period the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds selected by employees. The Bank does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan and countries where its subsidiaries operate. In addition, the Bank has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of interest income and expense

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

Interest income also includes income earned on investments in securities. Other income is credited to consolidated income statement when the related transactions are completed.

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

Foreign currency translation

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

Rates of exchange

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

	31 December 2006	31 December 2005	31 December 2004
KZT/USD	127.00	133.77	130.00
KZT/EURO	167.12	158.54	177.10
KZT/RUR	4.82	4.65	4.67

Offset of financial assets and liabilities

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

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 per cent or more of all the segments are reported separately. Geographical segments of the Bank have been reported separately within these consolidated financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

Adoption of new standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2006. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years. The following standards were adopted in 2006:

The IASB's amendment to IAS 39, 'Cash Flow Hedge Accounting of Forecast Intragroup Transactions', published in April 2005, amended IAS 39 to permit the foreign currency risk of a highly probable forecast intragroup transaction to qualify as a hedged item in consolidated financial statements. The amendment, effective for annual periods beginning on or after 1 January 2006, had no material effect on the financial statements of the Bank.

The IASB's amendment to IAS 39, 'Financial Guarantee Contracts', published in August 2005, amended IAS 39 and IFRS 4. The amendment defines a financial guarantee contract and requires such contracts to be recorded initially at fair value and subsequently at higher of the provision determined in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less amortisation. The amendment, effective for annual periods beginning on or after 1 January 2006, had no material effect on the Bank.

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

The IASB issued IFRS 7 'Financial Instruments: Disclosures' in August 2005. The standard replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure provisions in IAS 32. IFRS 7 requires disclosure of the significance of financial instruments for an entity's financial position and performance and of qualitative and quantitative information about exposure to risks arising from financial instruments. The standard is effective for annual periods beginning on or after 1 January 2007.

In August 2005, the IASB issued an amendment, 'Capital Disclosures', to IAS 1 'Presentation of Financial Statements'. It requires disclosures about an entity's capital and the way it is managed. This amendment is also effective for annual periods beginning on or after 1 January 2007.

The IFRIC issued interpretation IFRIC 9 'Reassessment of Embedded Derivatives' in March 2006. Entities are required to assess financial instruments for the existence of embedded derivatives; this interpretation prohibits subsequent reassessment unless there is a change of terms that significantly changes the terms of the financial instrument. The interpretation is effective for accounting periods starting on or after 1 June 2006.

The IASB issued IFRS 8 ‘Operating Segments’ in December 2006. This will replace IAS 14 ‘Segment Reporting’ for accounting periods beginning on or after 1 January 2009. IFRS 8 requires entities to report segment information as reported to management and reconcile it to the financial statements.

Management of the Bank is currently assessing the impact of the adoption of these new and revised Standards and Interpretations in future periods.

4. RECLASSIFICATIONS

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

Nature of reclassification	Amount	Income statement line as per the previous report	Income statement line as per the current report
Amortization of discount on loans to customers	469	commission income	interest income
Interest income on debt securities	(173)	interest expense	interest income

5. NET INTEREST INCOME

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Interest income			
Interest on loans to customers	74,609	14,946	5,997
Interest on debt securities	4,776	2,421	916
Interest on due from banks	620	253	29
Interest on reverse repurchase transactions	188	238	31
Total interest income	<u>80,193</u>	<u>17,858</u>	<u>6,973</u>
Interest expense			
Interest on due to banks	16,657	2,031	557
Interest on customer accounts	12,004	7,168	3,112
Interest on debt securities issued	9,886	1,806	174
Interest on subordinated debt	959	537	238
Interest on repurchase transactions	608	47	93
Other	236	15	31
Total interest expense	<u>40,350</u>	<u>11,604</u>	<u>4,205</u>
Net interest income before provision for impairment losses on interest bearing assets	<u>39,843</u>	<u>6,254</u>	<u>2,768</u>

6. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

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

	Due from banks	Loans to customers	Total
31 December 2003	1	1,631	1,632
Provision	-	1,305	1,305
Write-off of assets	(1)	(333)	(334)
Recoveries of assets previously written off	-	3	3
31 December 2004	-	2,606	2,606
Provision	-	4,921	4,921
Write-off of assets	-	(39)	(39)
Recoveries of assets previously written off	-	67	67
31 December 2005	-	7,555	7,555
Provision	-	14,032	14,032
Write-off of assets	-	(534)	(534)
Recoveries of assets previously written off	-	60	60
31 December 2006	-	21,113	21,113

The movements in other provisions were as follows:

	Other assets	Guarantees and other commitments	Total
31 December 2003	21	20	41
Provision	2	26	28
31 December 2004	23	46	69
Provision	9	130	139
Write-off of assets	(10)	-	(10)
31 December 2005	22	176	198
Provision	26	330	356
Write-off of assets	(3)	-	(3)
31 December 2006	45	506	551

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

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Debt securities	303	259	127
Equity securities	31	7	-
Total net gain on financial assets at fair value through profit or loss	334	266	127

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Dealing, net	1,359	1,109	203
Translation differences, net	<u>283</u>	<u>(489)</u>	<u>(157)</u>
Total net gain on foreign exchange operations	<u><u>1,642</u></u>	<u><u>620</u></u>	<u><u>46</u></u>

9. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Fee and commission income:			
Cash operations	1,75	701	293
Lending operations	1,47	599	254
Documentary operations	1,02	609	321
Settlements	849	488	242
Foreign currency and securities operations	473	242	144
Trust operations	76	78	58
Other	<u>371</u>	<u>225</u>	<u>68</u>
Total fee and commission income	<u><u>6,01</u></u>	<u><u>2,94</u></u>	<u><u>1,380</u></u>

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Fee and commission expense:			
Insurance premium to related party	2,56	-	-
Plastic cards operations	193	20	8
Customer accounts services by financial agents	155	-	-
Eurobonds and syndicated loans	137	229	55
Settlement bank services	111	54	30
Foreign currency and security operations	104	78	14
Documentary operations	58	4	1
Other	<u>63</u>	<u>55</u>	<u>5</u>
Total fee and commission expense	<u><u>3,39</u></u>	<u><u>440</u></u>	<u><u>113</u></u>

10. OTHER INCOME

Other income includes mainly imposition of fines and penalties received from customers.

11. OPERATING EXPENSES

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Staff costs	4,443	1,581	772
Advertising and marketing expenses	1,207	551	396
Operating lease	846	283	123
Depreciation and amortization	696	271	155
Taxes, other than income tax	642	266	129
Expenses on insurance	598	29	19
Social tax	514	200	96
Repair and maintenance	435	69	43
Telecommunication expenses	311	102	61
Consulting	245	59	47
Business trip and related expenses	186	105	57
Stationery	120	41	14
Security service	114	45	25
Buildings maintenance	97	49	34
Transportation costs	75	32	17
Legal services expenses	73	53	26
Cash collection	61	55	29
Training	47	25	8
Information services	46	23	14
Representative expenses	15	73	10
Other	530	276	186
	<hr/>	<hr/>	<hr/>
Total operating expenses	<u>11,301</u>	<u>4,188</u>	<u>2,261</u>

12. INCOME TAX

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

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2006, 2005 and 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2006, 2005 and 2004 comprise:

	31 December 2006	31 December 2005	31 December 2004
Deferred assets:			
Commission prepayments	-	1,493	-
Accrued interests on loans, written off	<u>1,303</u>	<u>296</u>	<u>148</u>
Total deferred assets	<u>1,303</u>	<u>1,789</u>	<u>148</u>
Deferred liabilities:			
Loans and advances to banks and customers	(1,867)	-	-
Property, equipment and intangible assets, net	<u>(3,104)</u>	<u>(229)</u>	<u>(114)</u>
Total deferred liabilities	<u>(4,971)</u>	<u>(229)</u>	<u>(114)</u>
Net deferred (liabilities) / assets	<u>(3,668)</u>	<u>1,560</u>	<u>34</u>
Deferred tax (liabilities)/ assets at the statutory rate (30%)	(1,100)	468	10
Valuation allowance	<u>-</u>	<u>-</u>	<u>(10)</u>
Net deferred tax (liabilities)/ assets	<u>(1,100)</u>	<u>468</u>	<u>-</u>

Relationships between tax expenses and accounting profit for the years ended 31 December 2006, 2005 and 2004 are explained as follows:

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Profit before income tax	<u>19,612</u>	<u>1,240</u>	<u>861</u>
Statutory tax rate	30%	30%	30%
Tax at the statutory tax rate	5,884	372	258
Tax effect of permanent differences	<u>(282)</u>	<u>(728)</u>	<u>(258)</u>
Income tax expense/(benefit)	<u>5,602</u>	<u>(356)</u>	<u>-</u>
Current income tax expense	4,800	112	-
Deferred income tax expense/ (income)	1,568	(468)	-
Deferred income tax through property revaluation reserve	<u>(766)</u>	<u>-</u>	<u>-</u>
Income tax expense/(benefit)	<u>5,602</u>	<u>(356)</u>	<u>-</u>
	31 December 2006	31 December 2005	31 December 2004
Deferred income tax assets/(liabilities)			
Beginning of the period	468	-	(29)
(Decrease)/ increase in income tax assets/(liabilities) for the period	<u>(1,568)</u>	<u>468</u>	<u>29</u>
End of the period	<u>(1,100)</u>	<u>468</u>	<u>-</u>

Income tax assets and liabilities consist of the following:

	31 December 2006	31 December 2005	31 December 2004
Current income tax (liabilities)/ assets	(912)	91	116
Deferred income tax (liabilities)/ assets	<u>(1,100)</u>	<u>468</u>	<u>-</u>
Income tax (liabilities)/ assets	<u><u>(2,012)</u></u>	<u><u>559</u></u>	<u><u>116</u></u>

13. EARNINGS PER SHARE

	Year ended 31 December 2006	Year ended 31 December 2005	Year ended 31 December 2004
Profit:			
Net profit for the year	14,010	1,596	861
Less:			
Dividends on preference shares	<u>-</u>	<u>49</u>	<u>60</u>
Net profit less dividends on preference shares	<u>14,010</u>	<u>1,547</u>	<u>801</u>
Weighted average number of ordinary shares			
For basic and diluted earnings per share	<u>3,030,063</u>	<u>1,711,841</u>	<u>466,556</u>
Earnings per share – basic and diluted (KZT)	<u><u>4,623.67</u></u>	<u><u>903.73</u></u>	<u><u>1,715.98</u></u>

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

	31 December 2006	31 December 2005	31 December 2004
Balance with the National Bank of the Republic of Kazakhstan	85,030	36,612	17,387
Cash on hand	<u>14,564</u>	<u>5,715</u>	<u>2,244</u>
Total cash and balances with the National Bank of the Republic of Kazakhstan	<u><u>99,594</u></u>	<u><u>42,327</u></u>	<u><u>19,631</u></u>

Minimum reserve requirements are determined as a percentage from deposits, external due to banks in accordance with the requirements of the NBRK and as of 31 December 2006, 2005 and 2004. They amounted to KZT 56,663 million, KZT 20,563 million and KZT 1,614 million, respectively. The Bank was in compliance with the NBRK requirements by maintaining an average balance in the Balance with the National Bank of the Republic of Kazakhstan and therefore was able to use the amounts without any restrictions.

Cash and cash equivalents for the purposes of the consolidated statement of cash flows are comprised of the following:

	31 December 2006	31 December 2005	31 December 2004
Cash and balances with the National Bank of the Republic of Kazakhstan	99,594	42,327	19,631
Due from banks in OECD countries	<u>17,115</u>	<u>2,865</u>	<u>816</u>
Total cash and cash equivalents	<u><u>116,709</u></u>	<u><u>45,192</u></u>	<u><u>20,447</u></u>

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2006	31 December 2005	31 December 2004
Debt securities of central governments	100,88	67,27	29,75
Debt securities of financial institutions	26,11	9,85	1,34
Debt securities of corporates	4,53	2,15	223
Derivative financial instruments	<u>2,21</u>	<u>-</u>	<u>-</u>
Total financial assets at fair value through profit or loss	<u><u>133,74</u></u>	<u><u>79,28</u></u>	<u><u>31,32</u></u>

	Interest to nominal %	31 December 2006	Interest to nominal %	31 December 2005	Interest to nominal %	31 December 2004
Debt securities of central governments:						
Bonds of the Government of the United States of America	3.50-4.13	83,172	3.50-4.10	36,887	-	-
Notes of the National Bank of the Republic of Kazakhstan	-	10,979	-	23,414	-	25,728
Bonds of the Ministry of finance of the Republic of Kazakhstan	3.35-8.20	6,295	3.80-7.00	6,201	6.00-8.00	3,523
Euronotes of the Ministry of finance of the Republic of Kazakhstan	11.13	434	11.13	484	11.00-13.00	506
Bonds of the Government of Poland	-	-	6.00	129	-	-
Bonds of the Government of Germany	-	<u>-</u>	3.25	<u>161</u>	-	<u>-</u>
Total debt securities of central governments		<u><u>100,880</u></u>		<u><u>67,276</u></u>		<u><u>29,757</u></u>

	Interest to nominal %	31 December 2006	Interest to nominal %	31 December 2005	Interest to nominal %	31 December 2004
Debt securities of financial institutions:						
Bonds of JSC Bank TuranAlem	7.00-10.50	8,262	9.90	297	-	-
Bonds of JSC ATF Bank	8.13-10.90	2,814	8.13-8.50	1,476	-	-
Bonds of JSC Kazkommerts International B. V.	5.13-8.50	2,719	9.00	741	9.00	443
Bonds of JSC BTA Mortgage	9.20-9.90	2,705	8.30-8.90	2,671	-	-
Bonds of JSC HSBC	7.00	2,620	-	-	-	-
Bonds of JSC Bank CenterCredit	8.50-10.00	2,236	7.00-9.40	1,669	9.00	156
Bonds of JSC Kazakhstani Mortgage Company	4.90-7.50	1,106	7.50	105	-	-
Bonds HSBK Europe BV	7.75	944	-	-	-	-
Bonds of JSC Nurbank	9.00	391	9.00	696	-	-
Bonds of JSC Halyk Bank Kazakhstan	5.00-11.80	688	5.00-11.80	682	5.00-12.00	374
Bonds of JSC Banque Europeene D'Inves	4.63	629	4.60	672	-	-
Bonds of JSC TexakaBank	11.00	472	11.00	472	11.00	224
Bonds of TuranAlem Finance B.V.	8.00	393	10.00	142	10.00	147
Bonds of JSC Kazkommertsbank	8.00	135	8.00	144	-	-
Bonds of JSC ValutTransit Bank	-	-	9.00	89	-	-
		<u>26,114</u>		<u>9,856</u>		<u>1,344</u>
Total debt securities of financial institutions						

	Interest to nominal %	31 December 2006	Interest to nominal %	31 December 2005	Interest to nominal %	31 December 2004
Debt securities of corporates						
Bonds of JSC Ulbinsky Metallurgical Plant	8.25	1,500	8.25	100	-	-
Bonds of JSC Doszhan Temir Zholi	9.45	1,080	-	-	-	-
Bonds of JSC Kazakhstan Temir Zholi	6.50	1,037	-	-	-	-
Bonds of JSC KazTransCom	8.00	433	8.00	435	8.00	71
Bonds of JSC KazAtomprom	8.50	332	8.5	341	-	-
Bonds of JSC KazPost	8.00	153	8.00	149	8.00	152
Bonds of JSC Almaty Kus	-	-	10.00	1,126	-	-
		<u>4,535</u>		<u>2,151</u>		<u>223</u>
Total debt securities of corporates						

	31 December 2006		
	Nominal Amount	Net fair value Asset	Liability
Foreign currency contracts			
Forwards	78,996	970	-
Swaps	3,430	383	-
Spot	1,905	2	-
FRA (Note 27)	360	-	(18)
Securities contracts			
Forward	73,928	861	-
Total derivative financial instruments	158,619	<u>2,216</u>	<u>(18)</u>

As of 31 December 2005 and 2004 balances of derivative financial instruments are nil.

As of 31 December 2006, 2005 and 2004 included in financial assets at fair value through profit or loss was accrued interest income amounting to KZT 594 million, KZT 381 million and KZT 83 million, respectively.

As at 31 December 2006, 2005 and 2004 financial assets at fair value through profit or loss included debt securities of central governments and financial institutions totally amounting to KZT 47,130 million, KZT 6,711 million and KZT 17,498 million, respectively, pledged under repurchase agreements (Note 23, 25). All the agreements have maturity within 1 month.

As at 31 December 2005 financial assets at fair value through profit or loss included bonds of the Ministry of finance of the Republic of Kazakhstan, notes of National Bank of the Republic of Kazakhstan, bonds of Banque Europeene D'Inves and bonds of the Government of the United States of America totally amounting to KZT 28,893 million pledged in favour of different banks (Note 23). All the agreements have maturity within 1-9 month.

16. DUE FROM BANKS

	31 December 2006	31 December 2005	31 December 2004
Correspondent accounts with other banks	8,156	3,999	892
Overnight deposits to banks	9,690	1,473	-
Short-term deposits to banks	324	4,680	-
Long-term deposit to banks	1,794	30	-
Long-term loans to other banks	635	-	-
Loans under reverse repurchase agreements	<u>3,352</u>	<u>56</u>	<u>1,306</u>
Total due from banks	<u><u>23,951</u></u>	<u><u>10,238</u></u>	<u><u>2,198</u></u>

Included in due from banks is accrued interest of KZT 83 million, KZT 19 million and KZT 2 million as at 31 December 2006, 2005 and 2004, respectively.

As at 31 December 2006 and 2005 the Banks had due from Kazkommertsbank and HypoVeriensbank, Raiffeisen Zentrabank, Halyk bank, respectively, which individually exceeded 10% of the Bank's equity.

As at 31 December 2006, 2005 and 2004 the maximum credit risk exposure on due from banks amounted to KZT 23,951 million, KZT 10,238 million and KZT 2,198 million, respectively.

Fair value of pledged assets and carrying value of loans under reverse repurchase agreements as at 31 December 2006, 2005 and 2004 are presented as follows:

Collateral	31 December 2006		31 December 2005		31 December 2004	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Bonds of banks	2,853	3,159	56	54	-	-
Shares of banks	499	548	-	-	-	-
Notes of National Bank of the Republic of Kazakhstan	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,306</u>	<u>1,374</u>
Total	<u><u>3,352</u></u>	<u><u>3,707</u></u>	<u><u>56</u></u>	<u><u>54</u></u>	<u><u>1,306</u></u>	<u><u>1,374</u></u>

17. LOANS TO CUSTOMERS

	31 December 2006	31 December 2005	31 December 2004
Originated loans	632,876	184,822	55,890
Net investments in finance lease	8,037	2,830	25
Loans under reverse repurchase agreements	<u>14,747</u>	<u>3,982</u>	<u>5,115</u>
	655,660	191,634	61,030
Less allowance for impairment losses	<u>(21,113)</u>	<u>(7,555)</u>	<u>(2,606)</u>
Total loans and advances to customers	<u><u>634,547</u></u>	<u><u>184,079</u></u>	<u><u>58,424</u></u>

As at 31 December 2006, 2005 and 2004 accrued interest income included in loans to customers amounted to KZT 13,770 million, KZT 4,420 million and KZT 1,239 million respectively.

Movements in allowances for impairment losses for the years ended 31 December 2006, 2005 and 2004 are disclosed in Note 6.

	31 December 2006	31 December 2005	31 December 2004
Loans collateralized by real estate	311,645	112,454	32,773
Loans insured by related party	162,454	-	-
Loans collateralized by transport vehicles	37,098	19,130	3,198
Loans collateralized by deposits	26,654	6,324	1,316
Loans collateralized by securities	24,019	12,254	7,349
Loans collateralized by guarantees	22,260	5,418	4,140
Loans collateralized by goods	9,191	5,465	3,180
Finance lease	8,037	2,830	25
Loans collateralized by equipment	1,853	4,706	2,183
Uncollateralized consumer loans	602	14,564	880
Other	<u>30,734</u>	<u>934</u>	<u>3,380</u>
Total loans and advances to customers	<u><u>634,547</u></u>	<u><u>184,079</u></u>	<u><u>58,424</u></u>

The loans insured by related party are express consumer loans to individuals. The related party reinsured its insurance risk with an international reinsurance company.

Customer concentration per economic sector is presented as follows:

	31 December 2006	31 December 2005	31 December 2004
Analysis by sector:			
Individuals	269,351	49,222	9,010
Construction	73,720	18,719	7,941
Wholesale	64,530	34,630	10,570
Population related services	47,642	12,468	3,376
Real estate operations	29,169	13,667	3,046
Finance services	29,167	3,467	2,892
Transportation	19,731	18,358	1,903
Paper manufacturing	19,526	7,295	1,319
Retail	13,625	4,743	1,258
Services related to oil and gas extraction	11,301	406	14
Food	11,299	3,222	2,298
Finance lease	8,037	2,830	25
Agriculture	7,846	3,649	1,825
Entertainment and recreational activities	3,530	991	1,097
Chemical industry	3,298	911	736
Coal mining	2,035	1,836	2,005
Government administration	1,439	378	5,045
Mass media	1,424	1,223	61
Heavy industry	1,013	1,055	246
Post and Communications	736	612	109
Production of metal goods	621	1,126	325
Metallurgy industry	-	2	28
Other	15,507	3,269	3,295
	<u>634,547</u>	<u>184,079</u>	<u>58,424</u>
Total loans and advances to customers	<u>634,547</u>	<u>184,079</u>	<u>58,424</u>

Loans to individuals comprise the following products:

	31 December 2006	31 December 2005	31 December 2004
Consumer loans	226,696	37,362	6,06
Mortgage loans	34,675	10,119	2,44
Car credits	7,980	1,741	499
	<u>269,351</u>	<u>49,222</u>	<u>9,01</u>
Total loans to individuals	<u>269,351</u>	<u>49,222</u>	<u>9,01</u>

As of 31 December 2006 the Bank had loans to four customers totalling KZT 45,888 million, as of 31 December 2005 the Bank had loans to five customers totalling KZT 23,490 million and as of 31 December 2004 to 16 customers totalling KZT 9,831 million, which exceeded 10% of the Bank's equity, individually and in aggregate.

As at 31 December 2006, 2005 and 2004 a maximum credit risk exposure of loans to customers amounted to KZT 655,660 million, KZT 191,634 million and KZT 61,030 million, respectively.

As of 31 December 2006, 2005 and 2004 the Bank had loans originated in Almaty totalling KZT 382,982 million, KZT 128,444 million and KZT 40,899 million, respectively, which represent significant geographical concentration in this region forming 60.2 per cent, 68 per cent, and 73 per cent of the loan portfolio, respectively.

Fair value of pledged assets and carrying value of loans under reverse repurchase agreements as at 31 December 2006, 2005 and 2004 are presented as follows:

Collateral	31 December 2006		31 December 2005		31 December 2004	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Bonds of Kazakhstani companies	13,308	15,536	3,604	3,597	70	-
Bonds of the Ministry of finance of the Republic of Kazakhstan	1,439	1,585	378	429	5,045	8,234
Total	<u>14,747</u>	<u>17,121</u>	<u>3,982</u>	<u>4,026</u>	<u>5,115</u>	<u>8,234</u>

Included in originated loans are the following amounts relating to finance leases:

	31 December 2006	31 December 2005	31 December 2004
Total minimum lease payments	10,382	3,505	34
Less: unearned finance income	<u>(2,345)</u>	<u>(675)</u>	<u>(9)</u>
Total	<u>8,037</u>	<u>2,830</u>	<u>25</u>
Minimum lease payments - current portion	3,188	1,017	13
Minimum lease payments - long-term portion	<u>7,194</u>	<u>2,488</u>	<u>21</u>
Total	<u>10,382</u>	<u>3,505</u>	<u>34</u>

The present value of future minimum lease payments due from customers under finance lease as at 31 January 2006, 2005 and 2004 are as follows:

	31 December 2006	31 December 2005	31 December 2004
Not later than one year	2,1	995	12
Later than one year not later than five years	5,7	1,7	13
After five years	<u>174</u>	<u>100</u>	<u>-</u>
Total	<u>8,6</u>	<u>2,8</u>	<u>25</u>

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 13.75% per cent per annum. Material leasing arrangements were concluded with customers for purchases of vehicles and equipments, which represent the collateral for such arrangements.

18. INVESTMENTS AVAILABLE-FOR-SALE

	Interest to nominal %	31 December 2006	Interest to nominal %	31 December 2005	Interest to nominal %	31 December 2004
Debt securities						
Euronotes of the Ministry of finance of the Republic of Kazakhstan	11.13	1,336	11.13	1,490	11.13	1,950
Bonds of the Ministry of finance of the Republic of Kazakhstan	6.09-6.44	1,064	5.7-6.09	1,444	6.1-6.5	1,559
JSC Kazakhstan Kagazi bonds	11.3	615	10.4	611	-	-
JSC Kazakhstani Mortgage Company bonds	9-9.5	445	8.9-9.7	501	8.2-9.5	596
JSC ATF Bank bonds	8.5	420	8.5	417	9	28
JSC Nurbank bonds	9.0-9.9	321	8.3-9	278	8-9	494
JSC Bank CenterCredit bonds	14.4	312	13.5	313	12.80	310
JSC Halyk Bank Kazakhstan Euronotes	8.13	272	8.1	291	-	-
JSC RG Brand bonds	10	265	10	269	10	271
JSC Development Bank of Kazakhstan bonds	8.5	41	8.5	43	8.5	42
JSC Bank TuranAlem bonds	10.7	9	9.9	10	8	10
JSC Almaty Kus bonds	-	-	-	-	10	159
KFW structural notes	-	-	7.1-8	5,366	-	-
		<u>5,100</u>		<u>11,033</u>		<u>5,419</u>
Equity securities						
	Share %		Share %		Share %	
LLP First credit Office	18.4	37	18.4	37	14.28	4
JSC Alliance Policy	5.4	27	5.4	27	9	27
JSC Processing Center	1.37	10	1.37	10	1.37	10
JSC Kazakhstan Stock Exchange	1.49	2	1.37	2	2.32	2
JSC FK Alliance Capital	-	-	-	-	9	5
		<u>76</u>		<u>76</u>		<u>48</u>
Total investments available-for-sale		<u><u>5,176</u></u>		<u><u>11,109</u></u>		<u><u>5,467</u></u>

As of 31 December 2006, 2005 and 2004 included in investments available-for-sale was accrued interest income on debt securities amounting to KZT 99 million, KZT 104 million and KZT 95 million, respectively.

As at 31 December 2005 investments available-for-sale included KFW structural notes amounting to KZT 2,676 million pledged in Hypo Bank with maturity June 2006 (Note 23).

19. INVESTMENTS HELD-TO-MATURITY

	Interest to nominal %	31 December 2006	Interest to nominal %	31 December 2005	Interest to nominal %	31 December 2004
Astana municipal bonds	8.5	43	8.5	45	8.5	44
Bonds of the Ministry of finance of the Republic of Kazakhstan	-	-	6.6-7.0	418	6.1-8.3	822
Notes of National Bank of the Republic of Kazakhstan	-	-	-	-	-	394
Total investments held-to- maturity		<u>43</u>		<u>463</u>		<u>1,260</u>

As of 31 December 2005 and 2004 included in investments held-to-maturity was accrued interest income on debt securities amounting to KZT 6 million and KZT 10 million, respectively.

20. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Land and building	Computers	Vehicles	Construction in progress	Other	Intangible assets	Total
At cost							
At 31 December 2003	254	132	53	-	375	61	875
Additions	95	82	42	7	173	58	457
Transfers	-	(38)	-	-	38	-	-
Disposals	(12)	(14)	(5)	-	(7)	-	(38)
At 31 December 2004	337	162	90	7	579	119	1,294
Additions	246	197	90	-	364	121	1,018
Revaluation	421	-	-	-	-	-	421
Disposals	(59)	(1)	(5)	(1)	(15)	-	(81)
At 31 December 2005	945	358	175	6	928	240	2,652
Additions	4,657	611	227	1,185	2,112	158	8,950
Revaluation	2,555	-	-	-	-	-	2,555
Disposals	(137)	(27)	(16)	(51)	(62)	(22)	(315)
At 31 December 2006	8,020	942	386	1,140	2,978	376	13,842
Accumulated depreciation and amortization							
At 31 December 2003	23	38	11	-	46	9	127
Charge for the year	10	28	11	-	90	16	155
Transfers	-	(9)	-	-	9	-	-
Disposals	(3)	(14)	(3)	-	(4)	-	(24)
At 31 December 2004	30	43	19	-	141	25	258
Charge for the year	10	49	18	-	161	33	271
Disposals	(40)	(1)	(1)	-	(16)	-	(58)
At 31 December 2005	-	91	36	-	286	58	471
Charge for the year	79	171	41	-	346	59	696
Disposals	(53)	(11)	(6)	-	(34)	(3)	(107)
At 31 December 2006	26	251	71	-	598	114	1,060
Net book value							
At 31 December 2004	307	119	71	7	438	94	1,036
At 31 December 2005	945	267	139	6	642	182	2,181
At 31 December 2006	7,994	691	315	1,140	2,380	262	12,782

In 2006 land and buildings of the Bank were revalued to market prices according to the opinion of the independent appraiser, LLP Consulting Company “Kenes”, registration number UL-00630, the legal address: the Republic of Kazakhstan, Almaty, Otegen Batyr street, 76-d. The revaluations were performed with the purpose to record their fair value and amounted to KZT 2,555 million. Appraiser used comparative approach –method of revaluation based on analysis of prices on judgment analogy of revaluation assets.

In 2005 land and buildings of the Bank were revalued to market prices according to the opinion of the independent appraiser, LLP “Spektr Audit”, registration number UL-0077, the legal address: the Republic of Kazakhstan, Almaty, Gagarina street, 236-b. The revaluations were performed with the purpose to record their fair value and amounted to KZT 421 million. Appraiser used comparative approach –method of revaluation based on analysis of prices on judgment analogy of revaluation assets.

In 2004 property and equipment of the Bank were not revalued.

As at 31 December 2006, 2005 and 2004 included in property and equipment were fully depreciated equipment at cost of KZT 112 million, KZT 37 million and KZT 2 million respectively.

Intangible assets include software, patents and licenses.

21. NON-CURRENT ASSETS HELD-FOR-SALE

Non-current assets held-for-sale represents 100% shares of JSC FinanceCreditBank (Kyrgyzstan). As at 31 December 2006 the Bank had 300 million shares of JSC FinanceCreditBank. During 2006 there were no material results from operations.

On 19 March 2007 all shares were sold for a realized loss of KZT 215 million.

22. OTHER ASSETS

	31 December 2006	31 December 2005	31 December 2004
Foreclosed assets	3,539	-	-
Unamortized insurance premium to related party	2,584	-	-
Debtors for capital investments	1,529	849	24
Tax settlements, other than income tax	847	118	-
Prepayments and other debtors	535	140	319
Prepaid expenses	194	730	-
Other inventory	66	441	44
Other	655	263	40
	<u>9,949</u>	<u>2,541</u>	<u>427</u>
Less allowance for impairment losses	<u>(45)</u>	<u>(22)</u>	<u>(23)</u>
Total other assets	<u><u>9,904</u></u>	<u><u>2,519</u></u>	<u><u>404</u></u>

Movements in allowances for impairment losses on other assets for the years ended 31 December 2006, 2005 and 2004 are disclosed in Note 6.

23. DUE TO BANKS

	31 December 2006	31 December 2005	31 December 2004
Correspondent accounts of other banks	1,523	104	13
Due to banks and financial institutions, including:			
Syndicated loan from a Bank of banks			
Standard Bank Tranche A due on 19/06/2007, coupon rate 6.67% annual	31,715	-	-
Standard Bank Tranche A due on 06/11/2007, coupon rate 6.45% annual	24,159	-	-
Standard Bank Tranche B due on 17/06/2008, coupon rate 7.17% annual	19,185	-	-
Standard Bank Tranche A due on 29/10/2008, coupon rate 6.65% annual	9,076	-	-
ING Bank NV Tranche B due on 07/11/2007, coupon rate 6.78% annual	6,555	6,794	-
Standard Bank Tranche C due on 28/10/2009, coupon rate 7.1% annual	5,291	-	-
Standard Bank 31/03/2008 coupon rate 7.87% annual	3,896	-	-
Wachovia Bank NA 18/05/2009 coupon rate 7.89% annual	2,052	-	-
SBL&RZB 27/05/2005 coupon rate 5.63% annual	-	-	3,071
ING Bank NV 31/05/2006 coupon rate 6.78% annual	-	10,771	-
ING Bank NV Tranche A due on 07/11/2007, coupon rate 6.78% annual	-	15,922	-
Loans from other banks	29,247	4,703	3,409
Alliance DPR Company	24,901	-	-
Time deposits of banks and other financial institutions	188,486	55,375	2,971
Loans under repurchase agreements	16,919	5,111	16,592
	<u>363,005</u>	<u>98,780</u>	<u>26,056</u>
Total due to banks	<u>363,005</u>	<u>98,780</u>	<u>26,056</u>

As at 31 December 2006, 2005 and 2004 accrued interest expenses included in due to banks amounted to KZT 3,532 million, KZT 428 million and KZT 75 million, respectively.

On 13 November 2006, Alliance Bank launched and priced a USD 200 million, dual tranche debt issuance off a newly established future flow Diversified Payment Rights (“DPR”) securitization program. The transaction is a true-sale securitization of the Bank’s dollar and euro denominated present and future diversified payment rights (SWIFT MT 100 and MT 202) to Alliance DPR company (special purpose vehicle created on Cayman Islands). The issuance consisted of a USD100 million Series 2006A tranche and a USD100 million Series 2006B tranche. Series 2006A was guaranteed by Asian Development Bank, the rate of which amounted to 3month LIBOR plus 0.15%.

Fair value of pledged assets and carrying value of loans under repurchase agreements as at 31 December 2006, 2005 and 2004 are presented as follows:

Collateral	31 December 2006		31 December 2005		31 December 2004	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Notes of the National Bank of the Republic of Kazakhstan	8,674	9,125	5,111	5,378	16,342	17,193
Bonds of Kazakhstani banks	4,980	5,410	-	-	250	305
Eurobonds of Kazakhstani banks	2,643	3,023	-	-	-	-
Bonds of foreign banks	622	625	-	-	-	-
	<u>16,919</u>	<u>18,183</u>	<u>5,111</u>	<u>5,378</u>	<u>16,592</u>	<u>17,498</u>
Total	<u>16,919</u>	<u>18,183</u>	<u>5,111</u>	<u>5,378</u>	<u>16,592</u>	<u>17,498</u>

As at 31 December 2006, 2005 and 2004 financial assets at fair value through profit or loss included debt securities of central governments and financial institutions totally amounting to KZT 18,183 million, KZT 5,378 million, KZT 17,498 million, respectively, pledged under repurchase agreements with other banks (Note 15, 18). All the agreements have maturity within 1 month.

As at 31 December 2005 included in due to banks are debt securities amounted to KZT 31,569 million (Note 15, 18). All agreements have maturity within 1-9 months.

24. DUE TO OTHER FINANCIAL INSTITUTIONS

	Currency	Maturity	Interest rate %	31 December 2006	Interest rate %	31 December 2005
TR Commodity Trading GMBH, Sweden	USD	08/02/2007-03/01/2008	7.18-7.67	7,892	-	-
Bunge SA, Geneva	USD	21/11/2007-17/04/2009	5.55-8.66	7,022	-	-
Cargill Financial Services International, Inc, USA	USD	20/06/2007-26/11/2007	7.17-7.64	4,484	-	-
Bunge SA, Geneva	USD	18/01/2007-23/03/2007	7.32-7.45	2,407	-	-
Cargill Financial Services International, Inc, USA	USD	15/03/2007-29/06/2007	7.37-7.71	1,930	-	-
Bunge HMBH	USD	15/06/2007-04/06/2007	8.64-8.66	761	-	-
Super-Trade Inc	USD	22/02/2007	7.44	678	-	-
JSC Rehabilitation fund	KZT	27/03/2006	5.8	-	-	30
JSC Rehabilitation fund	EUR	25/12/2006	7	-	-	543
LB Interfinanze AG	USD	02/02/2006	6.66	-	-	414
Total due to other financial institutions				<u>25,174</u>		<u>987</u>

As at 31 December 2004 balance of due to other financial institutions is nil.

As at 31 December 2006 accrued interest expenses included in due to other financial institutions amounted to KZT 301 million.

25. CUSTOMER ACCOUNTS

	31 December 2006	31 December 2005	31 December 2004
Time deposits	153,146	101,697	50,191
Repayable on demand	68,438	29,852	14,428
Guarantee deposits	23,677	6,534	3,118
Loans under repurchase agreements	<u>27,525</u>	<u>1,150</u>	-
Total customer accounts	<u>272,786</u>	<u>139,233</u>	<u>67,737</u>

As of 31 December 2006, 2005 and 2004, 10 customers approximated 7%, 16% and 21% of total liabilities, respectively, which represents significant concentration.

As at 31 December 2006, 2005 and 2004 accrued interest income included in customer accounts amounted to KZT 1,450 million, KZT 1,239 million and KZT 529 million, respectively.

	31 December 2006	31 December 2005	31 December 2004
Analysis by sector:			
Individuals	112,187	40,561	21,394
Finance services	60,806	30,100	10,105
Construction	28,178	4,351	2,130
Trade	20,308	13,084	7,515
Ancillary activity of service providers to customers	15,912	15,198	5,069
State administration	10,462	5,724	4,728
Agriculture	4,850	5,343	6,103
Transport and communication	4,674	4,664	5,296
Other fields of mineral resource industry	3,154	-	-
Metallurgy	2,307	13,610	443
Arts	1,334	1,091	-
Paper industry	1,185	-	-
Production of crude oil and natural gas	1,076	-	-
Machinery	1,010	200	58
Energy	847	557	1,742
Health care and social services	529	41	27
Production of coal, lignite and peat	467	-	-
Food production	383	306	207
Education	368	471	436
Real estate	285	1,841	41
Chemical industry	198	1	149
Consumer production	120	385	550
Hotel business	48	78	-
Other services	2,098	1,627	1,744
	<u>272,780</u>	<u>139,231</u>	<u>67,737</u>
Total customer accounts	<u>272,780</u>	<u>139,231</u>	<u>67,737</u>

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

Collateral	31 December 2006		31 December 2005	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
US treasury bills	13,203	13,356	-	-
Bonds of Kazakhstani companies	4,769	5,258	-	-
Bonds of the Ministry of finance of the Republic of Kazakhstan	4,679	5,230	1,150	1,333
Eurobonds of Kazakhstani companies	3,266	3,359	-	-
Euronotes of the Ministry of finance of the Republic of Kazakhstan	1,608	1,744	-	-
	<u>27,525</u>	<u>28,947</u>	<u>1,150</u>	<u>1,333</u>
Total	<u>27,525</u>	<u>28,947</u>	<u>1,150</u>	<u>1,333</u>

As at 31 December 2004 balance of loans under repurchase agreements is nil.

As at 31 December 2006 and 2005 financial assets at fair value through profit or loss included debt securities of central governments and financial institutions totally amounting to KZT 28,947 million and KZT 1,333 million, respectively, pledged under repurchase agreements (Note 15, 18). All the agreements have maturity within 1 month.

26. DEBT SECURITIES ISSUED

	Issue date dd/mm/yy	Maturity date dd/mm/yy	Annual coupon rate %	31 December 2006	31 December 2005	31 December 2004
Issued Eurobonds						
ALB Finance B.V. Eurobonds, <i>emission in USD</i>	26/09/2006	26/09/2013	9.00	44,835	-	-
ALB Finance B.V. Eurobonds, <i>emission in USD</i>	20/04/2006	20/04/2011	9.00	32,039	-	-
ALB Finance B.V. Eurobonds, <i>emission in USD</i>	22/11/2005	22/11/2010	8.75	25,699	26,355	-
Alliance Bank Eurobonds 1 Emission, <i>emission in USD</i>	27/06/2005	27/06/2008	9.25	<u>18,887</u>	<u>20,055</u>	<u>-</u>
				121,460	46,410	-
Tenge-denominated bonds						
Bonds of 6 emission	10/04/2006	10/04/2009	8.5	7,081	-	-
Bonds of 4 emission	23/04/2005	24/04/2008	7.0	4,894	4,701	-
Bonds of 8 emission	26/12/2006	26/12/2011	8.5	4,805	-	-
Bonds of 5 emission	01/09/2005	01/09/2008	7.0	1,009	411	-
Bonds of 2 emission	31/10/2003	31/10/2006	8.5	<u>-</u>	<u>1,966</u>	<u>1,999</u>
				<u>17,789</u>	<u>7,078</u>	<u>1,999</u>
Total debt securities issued				<u>139,249</u>	<u>53,488</u>	<u>1,999</u>

As at 31 December 2006, 2005 and 2004 accrued interest expense included in debt securities issued amounted to KZT 2,878 million, KZT 379 million and KZT 28 million, respectively.

27. OTHER LIABILITIES

	31 December 2006	31 December 2005	31 December 2004
Taxes payable, other than income tax	1,678	460	28
Other transit accounts	705	19	17
Creditors for capital lease	548	19	15
Other provisions	506	176	46
Dividends payable on preference shares	-	49	60
Derivative financial instruments (Note 15)	18	-	-
Other	<u>417</u>	<u>166</u>	<u>41</u>
Total other liabilities	<u>3,872</u>	<u>889</u>	<u>207</u>

Movements in provision for guarantees and other commitments for the years ended 31 December 2006, 2005 and 2004 are disclosed in Note 6.

28. SUBORDINATED DEBT

	Issue Date dd/mm/yy	Maturity date dd/mm/yy	Interest rate %	31 December 2006	31 December 2005	31 December 2004
Subordinated bonds of 7 <i>emission in KZT</i>	24/07/2006	24/07/2013	8.5	4,944	-	-
Subordinated bonds of 3 <i>emission in KZT</i>	29/10/2004	28/10/2011	10.8	2,863	2,826	1,435
Subordinated bonds of 1 <i>emission in KZT indexed to USD</i>	23/12/2002	23/12/2009	9.0	2,410	2,523	2,438
International Perpetual Subordinated bonds of ALB Finance B.V., <i>emission in USD</i>	19/04/2006	-	9.4	18,361	-	-
Preference shares, <i>Emission in KZT</i>	19/04/2006	-	-	4,036	-	-
Total subordinated debt				<u>32,614</u>	<u>5,349</u>	<u>3,873</u>

As at 31 December 2006, 2005 and 2004 accrued interest expense included in subordinated debt amounted to KZT 243 million, KZT 57 million and KZT 26 million, respectively.

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

Preference shares:

As of 31 December 2006, 400,000 preference shares of Alliance Bank were issued and fully paid. As of 31 December 2005, 50,000 shares were issued and fully paid, 740 shares were repurchased.

The preference shares are not mandatorily redeemable. They carry a mandatory dividend payment amounting to KZT 1,000 per share and are classified as a subordinated debt based on IAS 32 Financial instruments: Presentation.

IAS 32 Financial instruments: Presentation requires that preference shares or their component parts to be classified as a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. As of 31 December 2006 the Bank reclassified prior year and current period issuance of preference shares in amount of KZT 3,636 million as a subordinated debt to comply with the requirements of IAS 32.

29. SHARE CAPITAL

Ordinary shares: As of 31 December 2006 6,037,500 shares were authorized, 6,000,808 shares were issued and fully paid. As of 31 December 2005 2,750,000 shares were authorized, 2,440,715 shares were issued and fully paid. As of 31 December 2004 2,750,000 shares were authorized, 1,461,871 shares were issued and fully paid, 12,955 shares were repurchased.

The below table provides a reconciliation of the number of shares outstanding as of 31 December 2006, 2005 and 2004:

	Ordinary shares Share'000
31 December 2003	358
Issue of ordinary shares	<u>1,091</u>
31 December 2004	1,449
Issue of ordinary shares	<u>992</u>
31 December 2005	2,441
Issue of ordinary shares	<u>3,560</u>
31 December 2006	<u><u>6,001</u></u>

As of 31 December 2006 and 2004 400,000 and 50,000 preference shares of the Bank were issued and fully paid with par value KZT 12,450 and KZT 10,000 per share, respectively. During 2005, 740 shares were repurchased. As of 31 December 2006 the Bank reclassified preference shares in amount of KZT 3,636 million as a subordinated debt to comply with the requirements of IAS 32.

30. FINANCIAL COMMITMENTS AND CONTINGENCIES

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

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

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

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision ("Basle Committee").

As of 31 December 2006, 2005 and 2004, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	31 December 2006		31 December 2005		31 December 2004	
	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount
Contingent liabilities						
Guarantees and similar commitments issued	8,607	8,280	8,501	8,075	4,445	3,890
Letters of credit	<u>23,780</u>	<u>11,492</u>	<u>5,350</u>	<u>857</u>	<u>694</u>	<u>305</u>
Total contingent liabilities	<u><u>32,387</u></u>	<u><u>19,772</u></u>	<u><u>13,851</u></u>	<u><u>8,932</u></u>	<u><u>5,139</u></u>	<u><u>4,195</u></u>

As of 31 December 2006, 2005 and 2004, guarantees and similar commitments issued of KZT 158 million, KZT 286 million and KZT 509 million, respectively, were secured by cash deposited at customer accounts.

As of 31 December 2006, 2005 and 2004, standby letters of credit of KZT 61 million, KZT 1,782 million and KZT 42 million, respectively, were secured by cash deposited at customer accounts.

The Bank has made a provision of KZT 169 million, KZT 140 million and KZT 46 million against commitments under guarantees issued and KZT 337 million, KZT 36 million and nil against letter of credit as of 31 December 2006, 2005 and 2004, respectively.

Capital commitments

The Bank had no material capital commitments outstanding as of 31 December 2006, 2005 and 2004.

Operating lease commitments

Where the Bank is the lessee, the future minimum lease payments under non cancelable operating leases are as follows:

	31 December 2006	31 December 2005	31 December 2004
Not later than 1 year	1	2	-
Later than 1 year and not later than 5 years	473	734	476
Later than 5 years	<u>453</u>	<u>201</u>	<u>60</u>
Total operating lease commitments	<u><u>927</u></u>	<u><u>937</u></u>	<u><u>536</u></u>

Legal proceedings

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

Taxes

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

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2006, 2005 and 2004, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

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

31. SUBSEQUENT EVENTS

As of January 2007 the Bank paid dividends on preference shares for the year 2006 1,000 KZT per share. The total amount of dividends, paid, is KZT 400 million.

As of 30 January 2007 the Bank issued Eurobonds amounting to EURO 750 million with annual coupon of 7.875%. The maturity of the Eurobonds is 2012.

As of 7 February 2007 the Bank issued Eurobonds amounting to GBP 250 million with annual coupon of 9.750%. The maturity of the Eurobonds is 2011.

32. TRANSACTIONS WITH RELATED PARTIES

As defined by IAS 24 "Related party disclosures", a party is related to the Bank if:

- (a) directly, or indirectly through one or more intermediaries, the party:
 - (i) controls, is controlled by, or is under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries);
 - (ii) has an interest in the Bank that gives it significant influence over the Bank; or
 - (iii) has joint control over the Bank;
- (b) the party is an associate (as defined in IAS 28 Investments in Associates) of the Bank;
- (c) the party is a joint venture in which the Bank is a venturer (see IAS 31 Interests in Joint Ventures);
- (d) the party is a member of the key management personnel of the Bank or its parent;
- (e) the party is a close member of the family of any individual referred to in (a) or (d); or
- (f) the party is an entity that is controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding with related parties as of 31 December 2006, 2005 and 2004:

	31 December 2006		31 December 2005		31 December 2004	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Due from banks	608	23,951	753	10,238	139	2,198
- <i>key management personnel of the entity or its parent</i>	366		183		76	
- <i>other related parties</i>	242		570		63	
Loans to customers, gross	8,222	655,660	5,513	191,634	374	61,030
- <i>the parent</i>	6,877		4,060		159	
- <i>other related parties</i>	688		1,081		-	
- <i>key management personnel of the entity or its parent</i>	657		372		215	
Allowance for impairment losses	3	21,113	229	7,555	13	2,606
- <i>the parent</i>	2		191		2	
- <i>key management personnel of the entity or its parent</i>	1		3		11	
- <i>other related parties</i>	-		35		-	
Other assets	2,584	9,904	-	2,519	-	404
- <i>other related parties</i>	2,584		-		-	

Included in the income statement for the years ended 31 December 2006, 2005 and 2004 are the following amounts which arose due to transactions with related parties:

	31 December 2006		31 December 2005		31 December 2004	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Interest income	587	80,193	290	17,858	21	6,973
- <i>the parent</i>	393		162			
- <i>other related parties</i>	158		97		15	
- <i>key management personnel of the entity or its parent</i>	36		31		6	
Interest expense	(28)	(40,350)	(301)	(11,604)	(6)	(4,205)
- <i>the parent</i>	-		-			
- <i>other related parties</i>	(28)		(301)		(2)	
- <i>key management personnel of the entity or its parent</i>	-		-		(4)	
Operating expenses	(144)	(11,301)	(78)	(4,188)	(40)	(2,261)
- <i>key management personnel of the entity or its parent</i>	(144)		(78)		(40)	
Commission income	24	6,019	3	2,942	-	1,380
- <i>the parent</i>	15		2		-	
- <i>other related parties</i>	9		1		-	
Commission expense	(2,569)	(3,390)	-	(440)	-	(113)
- <i>other related parties</i>	(2,569)					

33. SEGMENT REPORTING

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

Business segments

The Bank is organized on the basis of three main business segments:

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

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

Investment banking – representing financial instruments trading, structured financing, corporate leasing, and merger and acquisitions advice.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Bank's cost of capital. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balances sheet, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment information about these businesses is presented below:

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	Year ended 31 December 2006
External operating income	32,213	21,183	(21,727)	(400)	-	31,269
Income from other segments	-	-	23,711	-	(23,711)	-
Expense on other segments	<u>(9,990)</u>	<u>(13,721)</u>	<u>-</u>	<u>-</u>	<u>23,711</u>	<u>-</u>
Total operating income	<u>22,223</u>	<u>7,462</u>	<u>1,984</u>	<u>(400)</u>	<u>-</u>	<u>31,269</u>
Operating expenses	<u>(7,700)</u>	<u>(2,872)</u>	<u>(729)</u>	<u>-</u>	<u>-</u>	<u>(11,301)</u>
Operating profit	<u>14,523</u>	<u>4,590</u>	<u>1,255</u>	<u>(400)</u>	<u>-</u>	<u>19,968</u>
Other provisions	-	(302)	-	(54)	-	(356)
Profit before tax	14,523	4,288	1,255	(454)	-	19,612
Income tax expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,602)</u>	<u>-</u>	<u>(5,602)</u>
Net profit	<u>14,523</u>	<u>4,288</u>	<u>1,255</u>	<u>(6,056)</u>	<u>-</u>	<u>14,010</u>
Segment assets	<u>286,235</u>	<u>440,204</u>	<u>181,529</u>	<u>255,507</u>	<u>(242,725)</u>	<u>920,750</u>
Segment liabilities, net of income tax liabilities	<u>112,052</u>	<u>320,186</u>	<u>408,474</u>	<u>219,613</u>	<u>(221,625)</u>	<u>838,700</u>
Other segment items						
Depreciation expense	(435)	(231)	(30)	-	-	(696)
External interest income	44,354	30,255	5,584	-	-	80,193
Internal interest income	-	-	23,711	-	(23,711)	-
External interest expense	(5,846)	(6,139)	(27,965)	(400)	-	(40,350)
Internal interest expense	(9,990)	(13,721)	-	-	23,711	-
Provision for impairment losses on interest bearing assets	(6,030)	(8,002)	-	-	-	(14,032)
Commission income	1,777	4,236	6	-	-	6,019
Commission expense	(3,031)	(277)	(82)	-	-	(3,390)
Loans to customers	269,351	365,196	-	-	-	634,547
Property, equipment and intangible assets	-	-	-	12,782	-	12,782
Customer accounts	107,886	164,900	-	-	-	272,786
Capital expenditure	2,994	4,604	2,032	-	-	9,630
Cash flow from:						
Operating activities	(22,889)	(35,202)	(15,539)	-	-	(73,630)
Investing activities	(1,022)	(1,571)	(693)	-	-	(3,286)

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	Year ended 31 December 2005
External operating income	1,655	5,683	(1,771)	-	-	5,567
Income from other segments	364	-	2,362	-	(2,726)	-
Expense on other segments	-	(2,726)	-	-	2,726	-
Total operating income	<u>2,019</u>	<u>2,957</u>	<u>591</u>	<u>-</u>	<u>-</u>	<u>5,567</u>
Operating expenses	(1,708)	(2,473)	(7)	-	-	(4,188)
Operating profit	<u>311</u>	<u>484</u>	<u>584</u>	<u>-</u>	<u>-</u>	<u>1,379</u>
Other provisions	-	(139)	-	-	-	(139)
Profit before tax	<u>311</u>	<u>345</u>	<u>584</u>	<u>-</u>	<u>-</u>	<u>1,240</u>
Income tax expense	-	-	-	356	-	356
Net profit	<u>311</u>	<u>345</u>	<u>584</u>	<u>356</u>	<u>-</u>	<u>1,596</u>
Segment assets, net of income tax assets	<u>50,753</u>	<u>187,231</u>	<u>92,593</u>	<u>56,791</u>	<u>(55,169)</u>	<u>332,199</u>
Segment liabilities	<u>40,238</u>	<u>135,127</u>	<u>129,361</u>	<u>39,554</u>	<u>(39,554)</u>	<u>304,726</u>
Other segment items						
Depreciation expense	(73)	(198)	-	-	-	(271)
External interest income	4,758	9,972	3,128	-	-	17,858
Internal interest income	364	-	2,362	-	(2,726)	-
External Interest expense	(2,939)	(4,219)	(4,446)	-	-	(11,604)
Internal Interest expense	-	(2,726)	-	-	2,726	-
Provision for impairment losses on interest bearing assets	(1,533)	(3,388)	-	-	-	(4,921)
Commission income	497	2,445	-	-	-	2,942
Commission expense	(90)	(350)	-	-	-	(440)
Loans to customers	49,222	134,857	-	-	-	184,079
Property, equipment and intangible assets	-	-	-	2,181	-	2,181
Customer accounts	37,158	102,075	-	-	-	139,233
Capital expenditure	285	1,187	371	-	-	1,843
Cash flow from:						
Operating activities	(4,804)	(19,969)	(6,226)	-	-	(30,999)
Investing activities	(1,020)	(4,239)	(1,323)	-	-	(6,582)

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	Year ended 31 December 2004
External operating income	(516)	3,695	(29)	-	-	3,150
Income from other segments	-	-	590	-	(590)	-
Expense on other segments	-	(590)	-	-	590	-
Total operating income	<u>(516)</u>	<u>3,105</u>	<u>561</u>	<u>-</u>	<u>-</u>	<u>3,150</u>
Operating expenses	(832)	(1,429)	-	-	-	(2,261)
Operating profit	<u>(1,348)</u>	<u>1,676</u>	<u>561</u>	<u>-</u>	<u>-</u>	<u>889</u>
Other provisions	-	(28)	-	-	-	(28)
Profit before tax	<u>(1,348)</u>	<u>1,648</u>	<u>561</u>	<u>-</u>	<u>-</u>	<u>861</u>
Net profit	<u>(1,348)</u>	<u>1,648</u>	<u>561</u>	<u>-</u>	<u>-</u>	<u>861</u>
Segment assets, net of income tax assets	<u>9,919</u>	<u>52,507</u>	<u>56,398</u>	<u>45,989</u>	<u>(45,069)</u>	<u>119,744</u>
Segment liabilities	<u>21,453</u>	<u>35,348</u>	<u>47,071</u>	<u>35,571</u>	<u>(35,571)</u>	<u>103,872</u>
Other segment items						
Depreciation expense	(14)	(84)	(57)	-	-	(155)
External interest income	752	5,245	976	-	-	6,973
Internal interest income	-	-	-	590	(590)	-
External interest expense	(1,427)	(1,683)	(1,095)	-	-	(4,205)
Internal interest income	-	(590)	-	-	590	-
Provision for impairment losses on interest bearing assets	(321)	(984)	-	-	-	(1,305)
Commission income	216	1,164	-	-	-	1,380
Commission expense	(19)	(85)	(9)	-	-	(113)
Loans to customers	9,010	49,414	-	-	-	58,424
Property, equipment and intangible assets	-	-	-	1,036	-	1,036
Customer accounts	18,225	49,512	-	-	-	67,737
Capital expenditure	40	248	169	-	-	457
Cash flow from:						
Operating activities	(208)	(1,287)	(876)	-	-	(2,371)
Investing activities	407	2,514	1,710	-	-	4,631

Geographical segments

Segment information for the main geographical segments of the Bank is set out below as at 31 December 2006, 2005 and 2004 and for the years then ended.

	Kazakhstan	Other non-OECD countries	OECD Countries	31 December 2006 Total
External operating income	23,733	1,114	6,422	31,269
External net profit	10,714	482	2,814	14,010
Assets	752,517	28,898	139,335	920,750
Liabilities, net of income tax liabilities	335,625	33,753	469,322	838,700
Capital expenditure	9,630	-	-	9,630

	Kazakhstan	Other non-OECD countries	OECD Countries	31 December 2005 Total
External operating income	4,179	519	869	5,567
External net profit	1,198	149	249	1,596
Assets, net of income tax assets	278,072	7,017	47,110	332,199
Liabilities	168,234	3,199	133,293	304,726
Capital expenditure	1,843	-	-	1,843

	Kazakhstan	Other non-OECD countries	OECD Countries	31 December 2004 Total
External operating income	3,031	16	103	3,150
External net profit	828	4	29	861
Assets, net of income tax assets	117,840	524	1,380	119,744
Liabilities	98,323	238	5,311	103,872
Capital expenditure	457	-	-	457

External operating income, assets, capital expenditure have generally been allocated based on domicile of the counterparty. Tangible assets (cash on hand, precious metals, premises and equipment) have been allocated based on the country in which they are physically held.

34. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. As no readily available published price quotations in an active market exists for a large part of the Bank’s financial instruments, judgment is necessary in arriving at fair value using a valuation technique, based on current economic conditions and specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

	31 December 2006		31 December 2005		31 December 2004	
	Current value	Fair value	Current value	Fair value	Current value	Fair value
Cash and balances with the National bank of the Republic of Kazakhstan	99,594	99,594	42,327	42,327	19,631	19,631
Financial assets at fair value through profit or loss	133,745	133,745	79,283	79,283	31,324	31,324
Due from banks	23,951	23,951	10,238	10,238	2,198	2,198
Investment available-for-sale	5,176	5,176	11,109	11,109	5,467	5,467
Investment held-to-maturity	43	43	463	463	1,260	1,260
Due to banks	363,005	363,005	98,780	98,780	26,056	26,056
Due to other financial institutions	25,174	25,174	987	987	-	-
Customer accounts	272,786	272,786	139,233	139,233	67,737	67,737
Debt securities issued	139,249	138,331	53,488	54,412	1,999	1,978
Subordinated debt	32,614	33,266	5,349	5,801	3,873	5,603

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

35. REGULATORY MATTERS

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

The capital is calculated as the amount of restricted and free components of the equity.

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

Estimate	Description of position
0%	Cash and balances with the National Bank of the Republic of Kazakhstan
0%	State debt securities in KZT
20%	Loans and advances to banks for up to 1 year
100%	Loans and advances to customers
100%	Other assets
0%	Standby letters of credit secured by customer funds
	Other standby letters of credit and other transaction related contingent obligations and commitments on unused loans with the initial maturity of over 1 year
50%	
100%	Guarantees issued and similar commitments

The Bank actual capital amounts and ratios are presented in the following table:

Capital amounts and ratios	For Capital Adequacy purposes	Ratio For Capital Adequacy purposes	Minimum Required Ratio
As of 31 December 2006			
Total capital	105,784	15.62%	8%
Tier 1 capital	91,417	13.50%	4%
As of 31 December 2005			
Total capital	32,750	13.32%	8%
Tier 1 capital	27,336	11.12%	4%
As of 31 December 2004			
Total capital	19,813	27.06%	8%
Tier 1 capital	15,877	21.68%	4%

As of 31 December 2006, 2005 and 2004 the Bank included in the computation of total capital for capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank repayment of this debt is subordinated to the repayments of the Bank's liabilities to all other creditors.

36. RISK MANAGEMENT POLICIES

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

The Bank manages the following risks:

Liquidity risk

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

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimization. Risk Management Department performs determination of the optimal structure of balance, limits on liquidity ratios and gap-positions approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring of liquidity ratios.

Cash flow interest rate risk

Cash flow interest rate risk – the risk that the future cash flow of a financial instrument will fluctuate because of changes in market interest rates.

The Treasury Department performs management of interest rate risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the Bank to avoid negative interest margin. Risk Management Department develops limits for interest gaps and performs monitoring of spread level and net interest margin. Assets and Liabilities Management Committee approves limits on interest gaps, transferring rates and general interest rates for borrowed and allocated resources.

Currently, a considerable part of customer deposits are repayable on demand. However, the fact that these deposits are diversified by the number and type of customers and the Bank previous experience indicate that these deposits is a stable and long-term source of finance for the Bank.

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

	KZT	31 December 2006			Other Currencies
		USD	EURO	RUR	
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	2.90	-	-	-	-
Financial assets at fair value through profit or loss	4.90	4.50	5.20	-	1.90
Due from banks	1.70	4.70	2.70	0.90	-
Loans to customers	21.80	12.90	10.10	17.40	11.20
Investments available-for-sale	8.30	6.90	-	-	-
Investments held-to-maturity	6.30	-	-	-	-
LIABILITIES					
Due to banks	8.10	8.00	6.90	8.60	5.20
Due to other financial institutions	-	8.00	-	-	-
Customer accounts	6.10	6.10	7.30	0.10	-
Debt securities issued	9.30	10.80	-	-	-
Subordinated debt	10.70	11.50	-	-	-
31 December 2005					
	KZT	USD	EURO	RUR	
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	3.50	-	-	-	
Financial assets at fair value through profit or loss	3.40	6.10	3.54	-	
Due from banks	4.40	3.00	-	-	
Loans to customers	14.6	10.9	12.70	-	
Investments available-for-sale	2.10	12.2	-	-	
Investments held-to-maturity	5.90	-	-	-	
LIABILITIES					
Due to banks	7.10	6.02	4.82	-	
Due to other financial institutions	5.80	6.66	7.00	-	
Customer accounts	9.10	7.10	6.50	2.00	
Debt securities issued	8.50	10.2	-	-	
Subordinated debt	10.20	-	-	-	

		31 December 2004		
	KZT	USD	EURO	RUR
ASSETS				
Financial assets at fair value through profit or loss	7.16	5.33	3.85	-
Due from banks	5.56	-	-	-
Loans to customers	13.9	12.25	13.40	-
Investments available-for-sale	9.1	4.05	-	-
Investments held-to-maturity	5.39	8.5	-	-
LIABILITIES				
Due to banks	5.90	3.94	4.96	-
Customer accounts	9.70	7.35	6.57	1.00
Debt securities issued	9.30	-	-	-
Subordinated debt	9.32	-	-	-

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

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2006 Total
ASSETS							
Financial assets at fair value through profit or loss	107,802	325	537	7,312	17,769	-	133,745
Due from banks	15,950	1,121	600	665	-	-	18,336
Loans to customers	35,648	4,059	99,059	341,955	141,759	-	622,480
Investments available-for-sale	2,893	40	202	1,540	425	-	5,100
Investments held-to-maturity	-	-	43	-	-	-	43
Total interest bearing assets	162,293	5,545	100,441	351,472	159,953	-	779,704
Cash and balances with the National Bank of the Republic of Kazakhstan	99,594	-	-	-	-	-	99,594
Due from banks	5,615	-	-	-	-	-	5,615
Overdue loans to customers	339	61	450	10,359	858	-	12,067
Investments available-for-sale	-	-	-	-	-	76	76
Property, equipment and intangible assets	-	-	-	-	-	12,782	12,782
Non-current assets held-for-sale	-	1,008	-	-	-	-	1,008
Other assets	3,061	2,831	4,012	-	-	-	9,904
TOTAL ASSETS	270,902	9,445	104,903	361,831	160,811	12,858	920,750
LIABILITIES							
Deposit from the National Bank of the Republic of Kazakhstan	2,000	-	-	-	-	-	2,000
Due to banks	25,989	14,526	173,260	149,224	-	-	362,999
Due to other financial institutions	1,381	3,086	15,938	4,769	-	-	25,174
Customer accounts	51,034	10,871	65,932	82,580	3,182	-	213,599
Debt securities issued	6,260	-	-	89,355	43,634	-	139,249
Subordinated debt	653	-	-	5,213	4,351	22,397	32,614
Total interest bearing liabilities	87,317	28,483	255,130	331,141	51,167	22,397	775,635
Due to banks	6	-	-	-	-	-	6
Customer accounts	59,187	-	-	-	-	-	59,187
Income tax liabilities	-	-	2,012	-	-	-	2,012
Other liabilities	1,972	1,394	-	-	-	506	3,872
TOTAL LIABILITIES	148,482	29,877	257,142	331,141	51,167	22,903	840,712
Liquidity gap	122,420	(20,432)	(152,239)	30,690	109,644		
Interest sensitivity gap	74,976	(22,938)	(154,689)	20,331	108,786		
Cumulative interest sensitivity gap	74,976	52,038	(102,651)	(82,320)	26,466		
Cumulative interest sensitivity gap as a percentage of total assets	8.1%	5.7%	(11.1%)	(8.9%)	2.9%		

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2005 Total
ASSETS							
Cash and balances with the National Bank of the Republic of Kazakhstan	42,327	-	-	-	-	-	42,327
Financial assets at fair value through profit or loss	79,283	-	-	-	-	-	79,283
Due from banks	7,600	274	237	-	-	-	8,111
Loans to customers	7,617	8,063	30,830	117,787	18,242	-	182,539
Investments available-for-sale	-	-	57	3,324	7,652	-	11,033
Investments held-to-maturity	-	-	417	46	-	-	463
Total interest bearing assets	136,827	8,337	31,541	121,157	25,894	-	323,756
Investments available -for-sale	-	-	-	-	-	76	76
Due from banks	2,127	-	-	-	-	-	2,127
Overdue loans to customers	148	6	42	1,083	261	-	1,540
Property, equipment and intangible assets	-	-	-	-	-	2,181	2,181
Income tax assets	-	-	559	-	-	-	559
Other assets	2,519	-	-	-	-	-	2,519
TOTAL ASSETS	141,621	8,343	32,142	122,240	26,155	2,257	332,758
LIABILITIES							
Deposit from the National Bank of the Republic of Kazakhstan	4,000	2,000	-	-	-	-	6,000
Due to banks	9,428	11,031	43,258	35,037	-	-	98,754
Due to other financial institutions	-	414	573	-	-	-	987
Customer accounts	27,819	12,291	37,599	40,291	446	-	118,446
Debt securities issued	-	-	2,334	51,154	-	-	53,488
Subordinated debt	-	-	57	-	5,292	-	5,349
Total interest bearing liabilities	41,247	25,736	83,821	126,482	5,738	-	283,024
Due to banks	26	-	-	-	-	-	26
Customer accounts	20,787	-	-	-	-	-	20,787
Other liabilities	713	-	-	-	-	176	889
TOTAL LIABILITIES	62,773	25,736	83,821	126,482	5,738	176	304,726
Liquidity gap	78,848	(17,393)	(51,679)	(4,242)	20,417	-	-
Interest sensitivity gap	95,580	(17,399)	(52,280)	(5,325)	20,156	-	-
Cumulative interest sensitivity gap	95,580	78,181	25,901	20,576	40,732	-	-
Cumulative interest sensitivity gap as a percentage of total assets	28.7%	23.5%	7.8%	6.2%	12.2%	-	-

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2004 Total
ASSETS							
Financial assets at fair value							
through profit or loss	31,324	-	-	-	-	-	31,324
Due from banks	2,109	-	-	-	-	-	2,109
Loans to customers	7,195	5,236	10,798	30,228	4,020	-	57,477
Investments available-for-sale	-	2,827	2,592	-	-	-	5,419
Investments held-to-maturity	-	-	804	456	-	-	1,260
Total interest bearing assets	40,628	8,063	14,194	30,684	4,020	-	97,589
Cash and balances with the National Bank of the Republic of Kazakhstan	19,631	-	-	-	-	-	19,631
Due from banks	89	-	-	-	-	-	89
Overdue loans to customers	-	64	161	703	19	-	947
Investments available-for-sale	-	-	-	-	-	48	48
Property, equipment and intangible assets	-	-	-	-	-	1,036	1,036
Income tax assets	-	-	116	-	-	-	116
Other assets	404	-	-	-	-	-	404
TOTAL ASSETS	60,752	8,127	14,471	31,387	4,039	1,084	119,860
LIABILITIES							
Deposit from the National Bank of the Republic of Kazakhstan	-	4,000	-	-	-	-	4,000
Due to banks	19,794	1,246	4,761	190	-	-	25,991
Customer accounts	15,157	5,814	22,497	16,776	44	-	60,288
Debt securities issued	-	-	-	1,999	-	-	1,999
Subordinated debt	-	-	-	2,459	1,414	-	3,873
Total interest bearing liabilities	34,951	11,060	27,258	21,424	1,458	-	96,151
Due to banks	65	-	-	-	-	-	65
Customer accounts	7,449	-	-	-	-	-	7,449
Other liabilities	161	-	-	-	-	46	207
TOTAL LIABILITIES	42,626	11,060	27,258	21,424	1,458	46	103,872
Liquidity gap	18,126	(2,933)	(12,787)	9,963	2,581		
Interest sensitivity gap	5,677	(2,997)	(13,064)	9,260	2,562		
Cumulative interest sensitivity gap	5,677	2,680	(10,384)	(1,124)	1,438		
Cumulative interest sensitivity gap as a percentage of total assets	4.7%	2.2%	(8.7%)	(0.9%)	1.2%		

Currency risk

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

The Treasury Department performs currency risk management through management of open currency position, which enables the Bank to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. Risk Analysis and Management Department determines limits on open currency positions, arbitrary positions and stop-loss. All limits and restrictions are approved by the Assets and Liabilities Management Committee. Risk Analysis and Management Department performs monitoring.

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

	KZT	USD USD 1 = KZT 127.00	EURO EURO 1 = KZT 167.12	Other currencies	31 December 2006 Total
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	68,701	4,909	1,134	24,850	99,594
Financial assets at fair value through profit or loss	36,304	95,825	1,394	222	133,745
Due from banks	6,521	12,948	1,005	3,477	23,951
Loans to customers	350,854	270,211	12,908	574	634,547
Investments available-for-sale	3,408	1,768	-	-	5,176
Investments held-to-maturity	-	43	-	-	43
Property, equipment and intangible assets	12,782	-	-	-	12,782
Non-current assets held-for-sale	-	-	-	1,008	1,008
Other assets	8,140	1,625	116	23	9,904
TOTAL ASSETS	486,710	387,329	16,557	30,154	920,750
LIABILITIES					
Deposit from the National Bank of the Republic of Kazakhstan	2,000	-	-	-	2,000
Due to banks	113,751	235,430	13,465	359	363,005
Due to other financial institutions	-	25,174	-	-	25,174
Customer accounts	201,227	67,075	4,291	193	272,786
Debt securities issued	17,790	121,459	-	-	139,249
Income tax liabilities	2,012	-	-	-	2,012
Other liabilities	3,362	222	205	83	3,872
Subordinated debt	11,843	20,771	-	-	32,614
TOTAL LIABILITIES	351,985	470,131	17,961	635	840,712
NET POSITION	134,725	(82,802)	(1,404)	29,519	

Derivative financial instruments and spot contracts

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

Other currency	KZT	USD USD 1 = 127.00 KZT	EURO EURO 1 =167.12 KZT	Other currencies	31 December 2006 Total
Accounts payable on spot and derivative contracts	53,227	76,507	1,807	24,861	156,402
Accounts receivable on spot and derivative contracts	384	157,299	917	-	158,600
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(52,843)	80,792	(890)	(24,861)	
TOTAL NET POSITION	81,882	(2,010)	(2,294)	4,658	

	KZT	USD USD 1 =133.77 KZT	EURO EURO 1 = 158.54 KZT	Other currencies	31 December 2005 Total
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	38,754	3,047	420	106	42,327
Financial assets at fair value through profit or loss	35,997	42,996	160	130	79,283
Due from banks	2,229	6,383	635	991	10,238
Loans to customers	92,212	89,082	2,785	-	184,079
Investments available-for-sale	3,792	7,317	-	-	11,109
Investments held-to-maturity	418	45	-	-	463
Property, equipment and intangible assets	2,181	-	-	-	2,181
Income tax assets	559	-	-	-	559
Other assets	1,284	1,196	29	10	2,519
TOTAL ASSETS	177,426	150,066	4,029	1,237	332,758
LIABILITIES					
Deposit from the National Bank of the Republic of Kazakhstan	6,000	-	-	-	6,000
Due to banks	27,753	68,789	2,230	8	98,780
Due to other financial institutions	30	414	543	-	987
Customer accounts	106,711	31,117	1,255	150	139,233
Debt securities issued	7,144	46,344	-	-	53,488
Other liabilities	824	42	23	-	889
Subordinated debt	2,826	2,523	-	-	5,349
TOTAL LIABILITIES	151,288	149,229	4,051	158	304,726
NET POSITION	26,138	837	(22)	1,079	

	KZT	USD USD 1 = 130.00 KZT	EURO EURO 1 = 177.10 KZT	Other currencies	31 December 2004 Total
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	18,536	822	204	69	19,631
Financial assets at fair value through profit or loss	30,089	1,235	-	-	31,324
Due from banks	1,306	808	16	68	2,198
Loans to customers	38,288	18,688	1,448	-	58,424
Investments available-for-sale	3,333	2,134	-	-	5,467
Investments held-to-maturity	1,216	44	-	-	1,260
Property, equipment and intangible assets	1,036	-	-	-	1,036
Income tax assets	116	-	-	-	116
Other assets	317	83	2	2	404
TOTAL ASSETS	94,237	23,814	1,670	139	119,860
LIABILITIES					
Deposit from the National Bank of the Republic of Kazakhstan	4,000	-	-	-	4,000
Due to banks	18,113	7,621	322	-	26,056
Customer accounts	53,644	12,578	1,485	30	67,737
Debt securities issued	1,999	-	-	-	1,999
Other liabilities	203	2	2	-	207
Subordinated debt	1,435	2,438	-	-	3,873
TOTAL LIABILITIES	79,394	22,639	1,809	30	103,872
NET POSITION	14,843	1,175	(139)	109	

Price risk

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

The Bank manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

Fair value interest rate risk

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

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

Credit risk

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

Assets and Liabilities Management Committee sets limits on size and structure of risk assets. The Credit Committee approves each new loan and lease, and any changes and amendments to such agreements. The Credit Department performs current monitoring.

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, to industry and geographical segments. Limits on the level of credit risk by borrower, product, industry sector and by region are approved by the Credit Committee. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Bank obtains collateral and corporate and personal guaranties. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to inability of the counterparty to comply with the contractual terms and conditions. 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 applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

Geographical concentration

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

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2006 Total
ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	99,594	-	-	99,594
Financial assets at fair value through profit or loss	22,988	110,757	-	133,745
Due from banks	5,340	17,115	1,496	23,951
Loans to customers	597,178	11,224	26,145	634,547
Investments available-for-sale	5,176	-	-	5,176
Investments held-to-maturity	43	-	-	43
Property, equipment and intangible assets	12,782	-	-	12,782
Non-current assets held-for-sale	-	-	1,008	1,008
Other assets	9,632	23	249	9,904
TOTAL ASSETS	752,733	139,119	28,898	920,750
LIABILITIES				
Deposit from the National Bank of the Republic of Kazakhstan	2,000	-	-	2,000
Due to banks	45,479	284,971	32,555	363,005
Loans from other financial institutions	-	25,174	-	25,174
Customer accounts	252,289	19,338	1,159	272,786
Debt securities issued	17,790	121,459	-	139,249
Income tax liabilities	2,012	-	-	2,012
Other liabilities	3,814	19	39	3,872
Subordinated debt	14,253	18,361	-	32,614
TOTAL LIABILITIES	337,637	469,322	33,753	840,712
NET BALANCE SHEET POSITION	415,096	(330,203)	(4,855)	
	Kazakhstan	OECD countries	Non-OECD countries	31 December 2005 Total
ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	42,327	-	-	42,327
Financial assets at fair value through profit or loss	41,435	37,719	129	79,283
Due from banks	6,853	2,865	520	10,238
Loans to customers	177,495	216	6,368	184,079
Investments available-for-sale	5,742	5,367	-	11,109
Investments held-to-maturity	463	-	-	463
Property, equipment and intangible assets	2,181	-	-	2,181
Income tax assets	559	-	-	559
Other assets	1,576	943	-	2,519
TOTAL ASSETS	278,631	47,110	7,017	332,758
LIABILITIES				
Deposit from the National Bank of the Republic of Kazakhstan	6,000	-	-	6,000
Due to banks	11,925	85,929	926	98,780
Due to other financial institutions	573	414	-	987
Customer accounts	136,907	53	2,273	139,233
Debt securities issued	6,591	46,897	-	53,488
Other liabilities	889	-	-	889
Subordinated debt	5,349	-	-	5,349
TOTAL LIABILITIES	168,234	133,293	3,199	304,726
NET POSITION	110,397	(86,183)	3,818	

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2004 Total
ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	19,631	-	-	19,631
Financial assets at fair value through profit or loss	30,804	520	-	31,324
Due from banks	1,314	816	68	2,198
Loans to customers	57,975	-	449	58,424
Investments available-for-sale	5,467	-	-	5,467
Investments held-to-maturity	1,260	-	-	1,260
Property, equipment and intangible assets	1,036	-	-	1,036
Income tax assets	116	-	-	116
Other assets	353	44	7	404
TOTAL ASSETS	117,956	1,380	524	119,860
LIABILITIES				
Deposit from the National Bank of the Republic of Kazakhstan	4,000	-	-	4,000
Due to banks	21,653	4,319	84	26,056
Customer accounts	66,591	992	154	67,737
Debt securities issued	1,999	-	-	1,999
Other liabilities	207	-	-	207
Subordinated debt	3,873	-	-	3,873
TOTAL LIABILITIES	98,323	5,311	238	103,872
NET POSITION	19,633	(3,931)	286	