JSC ATFBank
Consolidated Financial Statements

31 December 2007
Together with Independent Auditors' Report

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of JSC ATFBank –

We have audited the accompanying consolidated financial statements of JSC ATFBank and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

17 March 2008

CONSOLIDATED BALANCE SHEET
As at 31 December 2007

(Thousands of Kazakh tenge)

	Notes	31 December 2007	31 December 2006
Assets			
Cash and cash equivalents	7	**57,759,513**	152,583,714
Obligatory reserves		**60,880,209**	65,463,692
Trading securities	8	**31,042,793**	169,649,201
Amounts due from credit institutions	9	**4,994,258**	71,857,687
Available-for-sale investment securities	10	**15,603,285**	21,456,924
Securities pledged under repurchase agreements		**–**	14,088,572
Loans to customers	11	**783,253,258**	523,653,161
Insurance reserve, reinsurance share		**–**	5,255,816
Current income tax assets		**1,063,011**	621,024
Property and equipment	12	**25,089,322**	16,802,169
Other assets		**4,968,772**	5,906,236
Total assets		**984,654,421**	1,047,338,196
Liabilities			
Amounts due to the Government and the NBRK	15	**412,062**	3,682,363
Amounts due to credit institutions	16	**293,755,417**	449,388,877
Amounts due to customers	17	**380,605,239**	360,379,801
Insurance reserves		**–**	6,300,991
Debt securities issued	18	**174,987,265**	137,608,310
Subordinated debt	19	**55,027,555**	30,507,560
Preferred shares		**1,754,773**	–
Deferred income tax liabilities	13	**595,759**	227,482
Provisions	14	**323,239**	521,065
Other liabilities		**2,292,648**	1,496,586
Total liabilities		**909,753,957**	990,113,035
Equity:			
Share capital:	20		
- common shares		**44,130,644**	30,200,005
- preferred shares		**13,766,963**	15,400,000
Treasury shares		**–**	(82,349)
Other reserves		**333,799**	879,035
Additional paid-in capital		**242,185**	242,185
Retained earnings		**15,823,873**	10,159,737
Total equity attributable to shareholders of the Bank		**74,297,464**	56,798,613
Minority interest		**603,000**	426,548
Total equity		**74,900,464**	57,225,161
Total liabilities and equity		**984,654,421**	1,047,338,196

Signed and authorized for release on behalf of the Board of Directors of the Bank

Alexander Picker — Chairman of the Board

Aida Derevyanko — Chief accountant

17 March 2008

The accompanying notes on pages 7 to 42 are integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2007

(Thousands of Kazakh tenge)

	Notes	*2007*	*2006*
Interest income			
Loans to customers		**98,544,913**	46,354,928
Amounts due from credit institutions		**3,650,440**	1,585,432
Available-for-sale investment securities		**1,538,730**	1,358,241
		103,734,083	49,298,601
Trading securities		**4,439,864**	3,225,111
		108,173,947	52,523,712
Interest expense			
Amounts due to credit institutions		**(25,102,807)**	(11,126,737)
Amounts due to customers		**(24,336,742)**	(9,159,941)
Debt securities issued		**(18,394,371)**	(12,692,961)
Subordinated debt		**(4,352,791)**	(1,903,454)
Preferred shares		**(121,736)**	–
		(72,308,447)	(34,883,093)
Net interest income		**35,865,500**	17,640,619
Allowance for loan impairment	11	**(11,844,174)**	(7,236,400)
Net interest income after allowance for loan impairment		**24,021,326**	10,404,219
Net fee and commission income	22	**7,817,834**	4,620,225
Net losses from trading securities		**(228,707)**	(592,788)
Net losses from available-for-sale investment securities		**(136,168)**	(15,206)
Net gains / (losses) from foreign currencies:			
- dealing		**5,432,932**	952,482
- translation differences		**(2,058,797)**	818,161
Gain on disposal of subsidiary	29	**1,913,400**	–
Net losses on derivative transactions	24	**(5,213,885)**	–
Insurance underwriting income		**1,332,785**	1,277,313
Other income		**786,444**	303,421
Non-interest income		**9,645,838**	7,363,608
Personnel expenses	23	**(8,277,537)**	(5,424,267)
Depreciation and amortization	12	**(1,444,556)**	(855,772)
Taxes other than income taxes		**(952,013)**	(618,355)
Other operating expenses	23	**(9,169,028)**	(3,430,174)
Reversal of other impairment and provisions / (other impairment and provisions)	14	**75,567**	(179,277)
Insurance claims incurred		**(520,810)**	(442,865)
Non-interest expense		**(20,288,377)**	(10,950,710)
Profit before income tax		**13,378,787**	6,817,117
Income tax expense	13	**(6,134,761)**	(2,521,707)
Profit for the year		**7,244,026**	4,295,410
Attributable to:			
- shareholders of the Bank		**7,203,625**	4,262,677
- minority interest		**40,401**	32,733
Earnings per share:	25		
Basic earnings per share		**360**	181
Diluted earnings per share		**308**	181

The accompanying notes on pages 7 to 42 are integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

(Thousands of Kazakh tenge)

	Attributable to shareholders of the Bank										
	Share capital										
	Common shares	*Preferred shares*	*Additional paid-in capital*	*Treasury shares*	*General reserves*	*Retained earnings*	*Unrealized losses on investment securities available-for-sale*	*Foreign currency translation reserve*	*Total*	*Minority interest*	*Total equity*
At 31 December 2006	**30,200,005**	**15,400,000**	**242,185**	**(82,349)**	**825,296**	**10,159,737**	**(162,494)**	**216,233**	**56,798,613**	**426,548**	**57,225,161**
Net unrealized losses on available-for-sale investment securities	–	–	–	–	–	–	**(825,227)**	–	**(825,227)**	**(7,284)**	**(832,511)**
Realised loss on available-for-sale investment securities	–	–	–	–	–	–	**136,168**	–	**136,168**	–	**136,168**
Currency translation reserve	–	–	–	–	–	–	–	**146,889**	**146,889**	**(7,370)**	**139,519**
Total income and expense recognized directly in equity	–	–	–	–	–	–	**(689,059)**	**146,889**	**(542,170)**	**(14,654)**	**(556,824)**
Profit for the year	–	–	–	–	–	**7,203,625**	–	–	**7,203,625**	**40,401**	**7,244,026**
Total income and expense for the year	–	–	–	–	–	**7,203,625**	**(689,059)**	**146,889**	**6,661,455**	**25,747**	**6,687,202**
Dividends on preferred shares *(Note 20)*	–	–	–	–	–	**(1,148,000)**	–	–	**(1,148,000)**	–	**(1,148,000)**
Dividends of subsidiaries to minority shareholders	–	–	–	–	–	–	–	–	–	**(2,632)**	**(2,632)**
Acquisition of minority interests in existing subsidiaries	–	–	–	–	–	**98,993**	–	–	**98,993**	**(147,322)**	**(48,329)**
Minority interest arising on acquisition of subsidiary *(Note 5)*	–	–	–	–	–	–	–	–	–	**300,659**	**300,659**
Sale of subsidiary	–	–	–	–	**(3,066)**	**(490,482)**	–	–	**(493,548)**	–	**(493,548)**
Treasury shares sold	–	–	–	**82,349**	–	–	–	–	**82,349**	–	**82,349**
Issue of share capital *(Note 20)*	**11,930,644**	–	–	–	–	–	–	–	**11,930,644**	–	**11,930,644**
Transfer of preferred shares from equity to liabilities	–	**(1,633,037)**	–	–	–	–	–	–	**(1,633,037)**	–	**(1,633,037)**
Transfer to equity of redeemable common shares previously recognised as a liability *(Note 16)*	**1,999,995**	–	–	–	–	–	–	–	**1,999,995**	–	**1,999,995**
At 31 December 2007	**44,130,644**	**13,766,963**	**242,185**	–	**822,230**	**15,823,873**	**(851,553)**	**363,122**	**74,297,464**	**603,000**	**74,900,464**

The accompanying notes on pages 7 to 42 are integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the year ended 31 December 2006
(Thousands of Kazakh tenge)

	Attributable to shareholders of the Bank										
	Share capital										
	Common shares	*Preferred shares*	*Additional paid-in capital*	*Treasury shares*	*General reserves*	*Retained earnings*	*Unrealized losses on investment securities available-for-sale*	*Foreign currency translation reserve*	*Total*	*Minority interest*	*Total equity*
At 31 December 2005	16,600,000	3,400,000	242,185	–	825,296	6,186,910	(144,309)	3,934	27,114,016	189,862	27,303,878
Net unrealized losses on available-for-sale investment securities	–	–	–	–	–	–	(33,391)	–	(33,391)	3,168	(30,223)
Realised loss on available-for-sale investment securities	–	–	–	–	–	–	15,206	–	15,206	–	15,206
Currency translation reserve	–	–	–	–	–	–	–	212,299	212,299	3,360	215,659
Total income and expense recognized directly in equity	–	–	–	–	–	–	(18,185)	212,299	194,114	6,528	200,642
Profit for the year	–	–	–	–	–	4,262,677	–	–	4,262,677	32,733	4,295,410
Total income and expense for the year	–	–	–	–	–	4,262,677	(18,185)	212,299	4,456,791	39,261	4,496,052
Dividends to shareholders of the Bank - preferred shares *(Note 20)*	–	–	–	–	–	(348,000)	–	–	(348,000)	–	(348,000)
Dividends of subsidiaries to minority shareholders	–	–	–	–	–	–	–	–	–	(8,616)	(8,616)
Acquisition of minority interests in existing subsidiaries	–	–	–	–	–	58,150	–	–	58,150	(89,791)	(31,641)
Minority interest arising on acquisition of subsidiary *(Note 5)*	–	–	–	–	–	–	–	–	–	295,832	295,832
Treasury shares purchased	–	–	–	(82,349)	–	–	–	–	(82,349)	–	(82,349)
Redeemable common shares recognized as liability *(Note 16)*	(1,999,995)	–	–	–	–	–	–	–	(1,999,995)	–	(1,999,995)
Issue of share capital	15,600,000	12,000,000	–	–	–	–	–	–	27,600,000	–	27,600,000
At 31 December 2006	30,200,005	15,400,000	242,185	(82,349)	825,296	10,159,737	(162,494)	216,233	56,798,613	426,548	57,225,161

The accompanying notes on pages 7 to 42 are integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 31 December 2007

(Thousands of Kazakh tenge)

	Notes	*2007*	*2006*
Cash flows from operating activities			
Profit before income tax		**13,378,787**	6,817,117
Adjustments for:			
Depreciation and amortization	12	**1,444,556**	855,772
Allowance for impairment and other provisions	11, 14	**11,768,607**	7,415,677
Provision for claims, net of reinsurance		**321,606**	695,930
Gain on disposal of subsidiary		**(1,913,400)**	–
Net (gain) / loss on sale of property and equipment		**(709,086)**	35,014
Unrealized foreign exchange (gain) / loss		**(1,797,734)**	(827,153)
Unrealized net gains from foreign currency dealing		**(451,705)**	–
Net (gain) / loss from trading securities		**(137,287)**	590,634
Other income		**(20,202)**	(133,424)
Operating income before changes in net operating assets		**21,884,142**	15,449,567
(Increase) decrease in operating assets:			
Obligatory reserves		**4,583,483**	(61,199,437)
Trading securities		**134,611,231**	(146,706,070)
Other assets		**442,094**	(1,302,857)
Securities pledged under repurchase agreements		**14,088,572**	(14,088,572)
Loans to customers		**(291,001,039)**	(299,543,811)
Due from credit institutions		**64,444,574**	(68,414,290)
Increase (decrease) in operating liabilities			
Amounts due to the Government and the NBRK		**(3,153,368)**	1,066,139
Amounts due to credit institutions		**(140,065,952)**	367,919,976
Amounts due to customers		**26,303,456**	247,396,414
Claims paid, net of reinsurance		**–**	(331,023)
Other liabilities		**1,377,053**	146,221
Net cash flows (used in) / from operating activities before income tax		**(166,485,754)**	40,392,257
Income tax paid		**(6,208,471)**	(2,426,477)
Net cash flows (used in) / from operating activities		**(172,694,225)**	37,965,780
Cash flows from investing activities:			
Net cash received / (paid) on acquisition of subsidiaries		**64,827**	(57,958)
Increase of share in associate		**(60,623)**	(127,500)
Acquisition of associate		**(146,518)**	(146,518)
Acquisition of minority interest in subsidiary		**(48,329)**	(31,641)
Cash received for subsidiary disposed, net of its cash and cash equivalents		**3,531,093**	–
Purchases of property and equipment		**(14,682,865)**	(12,410,474)
Proceeds from sale of property and equipment		**6,009,382**	166,205
Purchases of available-for-sale investment securities		**(32,656,091)**	(11,486,173)
Proceeds from sale of available-for-sale investment securities		**37,149,457**	22,366,502
Net cash used in investing activities		**(839,667)**	(1,727,557)

The accompanying notes on pages 7 to 42 are integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the years ended 31 December
(Thousands of Kazakh tenge)

	Notes	2007	2006
Cash flow from financing activities:			
Proceeds from subordinated debt issued		**25,186,677**	12,683,819
Proceeds from debt securities issued		**45,622,672**	45,275,637
Proceeds from common shares issued		**11,930,644**	15,600,000
Proceeds from preferred shares issued		**–**	12,000,000
Sale / (Purchase) of treasury shares		**82,349**	(82,349)
Dividends on redeemable preferred shares - liabilities		**121,736**	–
Dividends paid		**(1,150,631)**	(356,616)
Net cash flow from financing activities		**81,793,447**	85,120,491
Effects of exchange rates changes on cash and cash equivalents		**(3,083,756)**	(1,824,949)
Net change in cash and cash equivalents		**(94,824,201)**	119,533,765
Cash and cash equivalents at the beginning of year		**152,583,714**	33,049,949
Cash and cash equivalents at the end of year	7	**57,759,513**	152,583,714
Supplementary information:			
Interest received		**99,685,403**	42,444,690
Interest paid		**75,417,130**	31,219,245

The accompanying notes on pages 7 to 42 are integral part of these consolidated financial statements

(Thousands of Kazakh tenge)

1. Principal activities

JSC ATFBank (the "Bank") is the parent company in the Group. It was formed on 3 November 1995 as a closed joint stock company under the laws of the Republic of Kazakhstan and re-registered as a joint stock company on October 2003. The Bank operates under a general banking license issued on 28 December 2007 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Institutions ("FMSA"). The license supersedes all previously issued general banking and other licenses.

JSC ATFBank and its subsidiaries (together "the Group") provide retail and corporate banking services in Kazakhstan, Russia, Kyrgyzstan and Tajikistan and pension asset management, cash collection and investment management services in Kazakhstan. The Bank accepts deposits from the public, extends credit, transfers payments in Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The Bank's registered legal address is 100 Furmanov Avenue, Almaty, Republic of Kazakhstan.

The Bank is a member of the obligatory deposit insurance system. The system operates under the Law of the Republic of Kazakhstan on "Obligatory insurance of second tier banks deposits" dated 7 July 2006 and is governed by the FMSA. Insurance covers Bank's liabilities to individual depositors for amounts up to Kazakh Tenge 700 thousand for each individual in the event of business failure and revocation of the National Bank's of the Republic of Kazakhstan ("NBRK") banking license.

The Bank has a primary listing on the Kazakhstani Stock Exchange ("KASE") and certain of its debt securities are listed on the Luxemburg and London Stock Exchanges. As at 31 December 2007, the Bank had 20 branches located throughout Kazakhstan (2006: 22 branches).

As at 31 December, the following shareholders own more than 5% of the outstanding shares:

Shareholder	***2007***	***2006***
	%	*%*
Bank Austria Creditanstalt AG	**99.7**	–
The Bank of New York (nominee holder)	**–**	23.4
Mr. B. Zh. Utemuratov	**–**	21.6
Mr. Al. B. Utemuratov	**–**	15.2
Mr. An. B. Utemuratov	**–**	15.2
JSC Kazzink	**–**	6.8
Astana Motors LLP	**–**	5.0
Others, individually less than 5%	**0.3**	12.8
	100.0	100.0

In November 2007, Bank Austria Creditanstalt AG (the "BA-CA"), a part of UniCredit Group, finalized the acquisition of 95.6% of the total issued common shares of JSC ATFBank and 84.9% of total issued preferred shares. In December 2007, BA-CA acquired additional minority interest of 4.1%.

As at 31 December 2007, certain members of the Board of Directors and Management Board held 740 shares of the Bank. (2006: 3,948,250).

Political and economic environment

Whilst there have been certain improvements in the Kazakhstani economy, such as an increase in the gross domestic product, the Republic of Kazakhstan continues to implement economic reforms and improve development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

(Thousands of Kazakh tenge)

2. Basis of preparation

General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements have been prepared under the historical cost convention except as disclosed in the significant accounting policies below. For example, trading securities and available-for-sale investment securities have been measured at fair value.

These consolidated financial statements are presented in thousands of Kazakh tenge ("KZT"), except per share amounts and unless otherwise indicated.

Reclassification

The following reclassification has been made to 2006 balances to conform to the 2007 presentation.

In 2006 consolidated financial statements KZT 401,997 thousand of unamortized transaction costs related to subordinated debt were included into amounts due to credit institutions. This amount was reclassified to subordinated debt as follows:

2006	*Previously reported*	*Reclassification*	*As reclassified and reported herein*
Amounts due to credit institutions	449,790,874	(401,997)	449,388,877
Subordinated debt	30,105,563	401,997	30,507,560

3. Summary of significant accounting policies

Changes in accounting policies

During the year, the Group has adopted the following new and amended IFRS. Adoption of these standards did not have any effect on the financial performance or position of the Group.

The principal effects of these changes are as follows:

IFRS 7 "Financial Instruments: Disclosures"

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements.

Subsidiaries

Subsidiaries, which are those entities in which the Bank has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Bank and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies for subsidiaries have been changed, where necessary to ensure consistency with the policies adopted by the Bank.

Acquisition of subsidiaries

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of purchase consideration over the Bank's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill.

If the cost of the acquisition is less than the Bank's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired the difference is recognised directly in the consolidated income statement.

Minority interest is the interest in subsidiaries not held by the Bank. Minority interest at the balance sheet date represents the minority shareholders' share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date and the minorities' share in movements in equity since the acquisition date. Minority interest is presented within equity.

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiary unless there is a binding obligation of the minority to fund the losses. All such losses are allocated to the Bank.

(Thousands of Kazakh tenge)

3. Summary of significant accounting policies (continued)

Subsidiaries (continued)

Increases in ownership interests in subsidiaries

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases are charged or credited to retained earnings.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

'Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated income statement. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

Trading securities

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the consolidated income statement.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method.

Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investment securities

Available-for-sale investment securities are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale investment securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. However, interest calculated using the effective interest method is recognised in the consolidated income statement.

Determination of fair value

The fair value for financial instruments traded in active market at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

(Thousands of Kazakh tenge)

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Offsetting

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amount due from the NBRK, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Obligatory reserves

Obligatory reserves represent funds on correspondent accounts with National/Central banks of Group entities and/or cash on hand which are not available to finance the Bank's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated balance sheet and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate.

The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the consolidated balance sheet. Securities borrowed are not recorded in the consolidated balance sheet, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated income statement. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments, mainly currency swaps and forwards. Such financial instruments are held for trading and are recorded at fair value.

The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated income statement as gains less losses from trading securities or gains less losses from foreign currencies dealing, depending on the nature of the instrument.

Derivatives embedded in other financial instruments are treated as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contract, and the host contract is not itself held for trading or designated at fair value through profit or loss. The embedded derivatives separated from the host are carried at fair value on the trading portfolio with changes in fair value recognised in the consolidated income statement.

Borrowings

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to the Government of Kazakhstan, amounts due to credit institutions, amounts due to customers, debt securities issued and subordinated debt.

After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the borrowings are derecognised as well as through the amortisation process.

Borrowings include redeemable preferred shares, which have not applied for conversion into common shares. Dividends accrued on these preferred shares are shown within interest expenses.

If the Group purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated income statement.

(Thousands of Kazakh tenge)

3. Summary of significant accounting policies (continued)

Leases

Operating - Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risks characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Bank. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the consolidated income statement.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Bank's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(Thousands of Kazakh tenge)

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Available-for-sale investment securities

For available-for-sale investment securities, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is removed from equity and recognised in the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in equity.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due.

Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Derecognition of financial assets and liabilities

Financial assets

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

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

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

(Thousands of Kazakh tenge)

3. Summary of significant accounting policies (continued)

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortised premium and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement. The premium received is recognised in the consolidated income statement on a straight-line basis over the life of the guarantee.

Taxation

The current income tax charge is calculated in accordance with regulations of the Republic of Kazakhstan, Russian Federation, Republic of Kyrgyzstan and Republic of Tajikistan.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

The Republic of Kazakhstan also has various operating taxes, which are assessed on the Group's activities. These taxes are disclosed as taxes other than income tax in the consolidated income statement.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	25
Vehicles	7
Computer equipment	2.5 - 5
Other	10

Land is not subject to depreciation and construction-in-progress is not depreciated until it is transferred to any of the above categories.

The carrying amounts of property and equipment 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. Impairment is recognized in the respective period and is included in administrative and operating expenses. Costs related to repairs and renewals are charged when incurred and included in administrative and operating expenses, unless they qualify for capitalization.

Provisions

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

(Thousands of Kazakh tenge)

3. Summary of significant accounting policies (continued)

Retirement and other employee benefit obligations

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

Share capital

Share capital is recognized at cost. Additional paid-in capital represents the excess of contributions over the nominal value of shares issued.

Preferred shares applied for conversion into common shares are included in share capital. Redeemable preferred shares not applied for conversion into common shares are included in borrowings ("Borrowings").

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

Dividends on common shares and dividends on preferred shares applied for conversion into common shares are recognised 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.

Treasury shares

Where the Bank or its subsidiaries purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued.

Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Fiduciary assets

Assets held in a fiduciary capacity are not reported in the consolidated financial statements, as they are not the assets of the Group.

Segment reporting

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

Contingencies

Contingent liabilities are not recognised in the consolidated balance sheet but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated balance sheet but disclosed when an inflow of economic benefits is probable.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(Thousands of Kazakh tenge)

3. Summary of significant accounting policies (continued)

Recognition of income and expenses (continued)

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Fee and commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include asset management fees, and fees for issuance of guarantees and letters of credit. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

Revenue is recognised when the Bank’s right to receive the payment is established.

Foreign currency translation

The consolidated financial statements are presented in KZT which is the Bank's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognized in the consolidated income statement as gains less losses from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the KASE exchange rate on the date of the transaction are included in gains less losses from foreign currencies dealing. The official KASE exchange rates as at 31 December 2007 and 2006 were KZT 120.30 and KZT 127.00 to 1 USD, respectively.

As at the balance sheet date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into KZT at the rate of exchange ruling at the balance sheet date and, their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in equity relating to that particular entity is recognised in the consolidated income statement. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

(Thousands of Kazakh tenge)

3. Summary of significant accounting policies (continued)

Future changes in accounting policies

Standards and interpretations issued but not yet effective

IAS 23 "Borrowing Costs"

A revised IAS 23 Borrowing costs was issued in March 2007, and becomes effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Group will adopt this as a prospective change. Accordingly, borrowing costs will be capitalised on qualifying assets with a commencement date after 1 January 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IFRIC 12 "Service Concession Arrangements"

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. The interpretation will have no impact on the Group.

IFRIC 13 "Customer Loyalty Programmes"

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Group expects that this interpretation will have no impact on the Group's consolidated financial statements as no such schemes currently exist.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after 1 January 2008.

This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. The Group expects that this Interpretation will have no impact on the financial position or performance of the Group.

4. Significant accounting judgments and estimates

Judgments and estimation uncertainty

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements:

- Allowances for impairment of assets and other provisions; and
- Deferred taxes.

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Allowance for impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group.

Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

(Thousands of Kazakh tenge)

4. Significant accounting judgments and estimates (continued)

Judgments and estimation uncertainty (continued)

Taxation

Kazakh tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and state authorities. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five preceding calendar years. The review may cover longer periods under certain circumstances.

As at 31 December 2007 management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

5. Business combination

As at 31 December 2006 the Bank had a shareholding of 24.1% in OJSC Sohibkorbank, which was accounted for under an equity method. On 20 February 2007, the Bank acquired additional 11.0% of the voting shares of OJSC Sohibkorbank for KZT 60,623. The Bank commenced consolidating OJSC Sohibkorbank within its consolidated financial statements from 1 March 2007, when additional shares comprising 15.8% of total voting shares were acquired for KZT 86,947 and the Bank started to control operations of OJSC Sohibkorbank. Subsequently, the Bank increased its holding to 75.1%.

The fair value of the identifiable assets and liabilities of OJSC Sohibkorbank as at the date of acquisition were:

	1 March 2007 (50.9%)
Cash and cash equivalents	**151,774**
Loans to customers	**793,395**
Property and equipment and intangible assets	**222,089**
Other assets	**168,054**
Total liabilities	**(723,808)**
Net assets	**611,504**
Less minority interest	**(300,659)**
Share in net assets at the date of acquisition	**(214,442)**
Consideration paid	**(86,947)**
Excess of share in the net fair value / carrying value of the identifiable assets and liabilities over consideration paid	**9,456**

As at the date of acquisition of OJSC Sohibkorbank shares, the estimated fair value of its net assets approximated its carrying values.

The financial results of OJSC Sohibkorbank for the period from 1 March 2007, the date of acquisition, to 31 December 2007 were a net loss of KZT 179,794. Had the Bank consolidated in its income statement the results of OJSC Sohibkorbank starting from 1 January 2007, Sohibkorbank's revenue and net loss would have been KZT 189,953 and 147,734, respectively.

(Thousands of Kazakh tenge)

5. Business combination (continued)

Excess of share in the net fair value of the identifiable assets and liabilities over the consideration paid is included within other income in time the consolidated income statement.

In 2006 the Bank owned 24.3% of JSC Open accumulating pension fund Otan ("Pension fund"). In July 2006, the Bank acquired additional 18.2% of the voting shares of the Pension Fund for KZT 127,500 and increased its holding up to 42.5%. The Bank commenced consolidating the Pension Fund within its consolidated financial statements starting from 5 December 2006 when additional shares comprising 19.4% of total voting shares were acquired for KZT 97,000.

During 2007, the Bank increased its holding in Pension Fund by 21.2% from 61.9% to 83.1% for a consideration of KZT 1,043,860.

As at the acquisition date, the fair value of the identifiable assets and liabilities of Pension Fund were as follows:

	5 December 2006 61.9%
Cash and cash equivalents	**39,042**
Amounts due from credit institutions	**354,859**
Trading securities	**1,120**
Available-for-sale investment securities	**318,729**
Property and equipment and intangible assets	**30,849**
Other assets	**53,458**
Total liabilities	**(21,595)**
Net assets	**776,462**
Less other / minority interest	**(295,832)**
Share in net assets at the date of acquisition	**(329,996)**
Consideration paid	**(97,000)**
Excess of share in the net fair value / carrying value of the identifiable assets and liabilities over consideration paid	**53,634**

During 2006, the Bank increased its holding in OJSC ATFBank-Kyrgyzstan by 20.3% from 73.9% to 94.2% through capitalisation of dividends of KZT 20,027, purchase of shares from the secondary market KZT 31,641 and contribution to the share capital of KZT 1,116,342. During 2005, the Bank increased its holding in the share capital of OJSC ATFBank-Kyrgyzstan from 34.4% to 73.9% for KZT 135,378 and acquired 100% of share capital of CJSC Omsk Commercial Bank Sibir ("Bank Sibir") for KZT 58,699.

6. Segment information

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Group is organised into the following business segments:

Retail banking	Principally handling individual customers' deposits, and providing consumer loans and mortgages, overdrafts, credit cards facilities and funds transfer facilities.
Corporate banking	Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers.
Other	Treasury functions, including balances and transactions with trading securities and available-for-sale investment securities.

The Group's geographical segments are based on the location of the Group's assets. Income from external customers disclosed in geographical segments is based on the geographical location of its customers.

Where the Group cannot directly attribute or reasonably allocate items of revenue and operating expense to segments, it reports them as unallocated.

(Thousands of Kazakh tenge)

6. Segment information (continued)

Primary Segment information- business segments

The following table presents income and profit and certain asset and liability information regarding the Group's business segments for the years ended 31 December 2007 and 2006.

2007	*Retail banking*	*Corporate banking*	*Other*	*Unallocated*	*Total*
Revenues					
Interest income	**27,413,516**	**74,781,837**	**5,978,594**	**–**	**108,173,947**
Net losses from trading securities	**–**	**–**	**(228,707)**	**–**	**(228,707)**
Net losses from available-for-sale investment securities	**–**	**–**	**(136,168)**	**–**	**(136,168)**
Net gains from foreign currencies	**–**	**–**	**–**	**3,374,135**	**3,374,135**
Net losses on derivative transactions	**–**		**(5,213,885)**	**–**	**(5,213,885)**
Fee and commission income	**1,540,910**	**7,176,563**	**–**	**–**	**8,717,473**
Other income	**–**	**2,699,844**	**–**	**1,332,785**	**4,032,629**
Total revenues	**28,954,426**	**84,658,244**	**399,834**	**4,706,920**	**118,719,424**
Expenses					
Interest expense on amounts due to customers	**(10,350,724)**	**(13,986,018)**	**–**	**–**	**(24,336,742)**
Interest expense on due to credit institutions	**–**	**(25,102,807)**	**–**	**–**	**(25,102,807)**
Debt securities issued and subordinated debt	**–**	**–**	**–**	**(22,747,162)**	**(22,747,162)**
Preferred shares	**–**	**–**	**–**	**(121,736)**	**(121,736)**
Fee and commission expense	**(220,394)**	**(679,245)**	**–**	**–**	**(899,639)**
Other operating expenses	**(1,217,452)**	**–**	**–**	**(19,146,492)**	**(20,363,944)**
Impairment and provisions	**(3,296,565)**	**(8,472,042)**	**–**	**–**	**(11,768,607)**
Total expenses	**(15,085,135)**	**(48,240,112)**	**–**	**(42,015,390)**	**(105,340,637)**
Profit before income tax	**13,869,291**	**36,418,132**	**399,834**	**(37,308,470)**	**13,378,787**
Income tax expense	**–**	**–**	**–**	**(6,134,761)**	**(6,134,761)**
Profit for the year	**13,869,291**	**36,418,132**	**399,834**	**(43,443,231)**	**7,244,026**
Total assets	**127,623,854**	**718,383,175**	**46,646,078**	**92,001,314**	**984,654,421**
Total liabilities	**(138,681,394)**	**(536,091,323)**	**–**	**(234,981,240)**	**(909,753,957)**
Credit related commitments	**–**	**(203,186,916)**	**–**	**–**	**(203,186,916)**
Capital expenditures	**–**	**–**	**–**	**(14,682,865)**	**(14,682,865)**
Depreciation and amortization	**–**	**–**	**–**	**(1,444,556)**	**(1,444,556)**

2006	*Retail Banking*	*Corporate Banking*	*Other*	*Unallocated*	*Total*
Revenues					
Interest income	5,138,802	42,801,558	4,583,352	–	52,523,712
Net loss from trading securities	–	–	(592,788)	–	(592,788)
Net loss from available-for-sale investment securities	–	–	(15,206)	–	(15,206)
Net gain from foreign currencies	–	–	–	1,770,643	1,770,643
Fee and commission income	856,744	4,219,161	–	–	5,075,905
Other income	–	303,421	–	1,277,313	1,580,734
Total revenues	5,995,546	47,324,140	3,975,358	3,047,956	60,343,000
Expenses					
Interest expense on amounts due to customers	(3,309,299)	(5,850,642)	–	–	(9,159,941)
Interest expense on due to credit institutions	–	(11,126,737)	–	–	(11,126,737)
Debt securities issued and subordinated debt	–	–	–	(14,596,415)	(14,596,415)
Fee and commission expense	(140,871)	(314,809)	–	–	(455,680)

(Thousands of Kazakh tenge)

6. Segment information (continued)

Primary Segment information- business segments (continued)

2006	Retail Banking	Corporate Banking	Other	Unallocated	Total
Other operating expenses	(98,362)	–	–	(10,673,071)	(10,771,433)
Impairment and provisions	(42,271)	(7,373,406)	–	–	(7,415,677)
Total expenses	(3,590,803)	(24,665,594)	–	(25,269,486)	(53,525,883)
Profit before income tax	2,404,743	22,658,546	3,975,358	(22,221,530)	6,817,117
Income tax expense	–	–	–	(2,521,707)	(2,521,707)
Profit for the year	2,404,743	22,658,546	3,975,358	(24,743,237)	4,295,410
Total assets	83,480,805	678,848,847	191,106,125	93,902,419	1,047,338,196
Total liabilities	(66,578,836)	(747,393,270)	–	(176,140,929)	(990,113,035)
Credit related commitments	–	(130,678,102)	–	–	(130,678,102)
Capital expenditures	–	–	–	(12,410,474)	(12,410,474)
Depreciation and amortization	–	–	–	(855,772)	(855,772)

Secondary Segment Information- geographical segments

The Group operates in three geographic markets: Kazakhstan, OECD and CIS countries. The following tables show the distribution of the Group's external net operating income, total assets and capital expenditure by geographic segments, allocated based on the location in which the transactions and assets are recorded, for the years ended 31 December 2007 and 2006.

2007	Kazakhstan	OECD	CIS	Total
Total assets	**899,655,819**	**49,658,245**	**35,340,357**	**984,654,421**
External revenues	**108,640,200**	**5,773,109**	**4,306,115**	**118,719,424**
Capital expenditures	**(13,948,722)**	**–**	**(734,143)**	**(14,682,865)**
Credit related commitments	**(190,995,701)**	**(4,063,738)**	**(8,127,477)**	**(203,186,916)**

2006	Kazakhstan	OECD	CIS	Total
Total assets	858,458,670	174,094,537	14,784,989	1,047,338,196
External revenues	55,440,901	3,851,052	1,051,047	60,343,000
Capital expenditures	(11,921,803)	–	(488,671)	(12,410,474)
Credit related commitments	(130,078,405)	–	(599,697)	(130,678,102)

7. Cash and cash equivalents

Cash and cash equivalents consist of the following at 31 December:

	2007	2006
Cash on hand	**4,283,563**	11,067,627
Correspondent accounts with the NBRK	**–**	23,637,729
Correspondent accounts with other banks	**53,475,950**	42,975,655
Time deposits with the NBRK up to 90 days	**–**	60,020,000
Time deposits with other banks up to 90 days	**–**	14,882,703
Cash and cash equivalents	**57,759,513**	152,583,714

(Thousands of Kazakh tenge)

8. Trading securities

Trading securities at 31 December consist of the following:

	2007	*2006*
Debt securities:		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**19,828,186**	3,605,007
US Treasury bills	**4,201,749**	12,539,155
Bonds of local financial institutions	**2,227,203**	9,343,054
Government securities of OECD countries	**2,193,699**	9,093,812
Corporate bonds	**1,605,605**	3,334,706
Bonds of the Central Bank of the Russian Federation	**891,396**	283,271
Bonds of foreign financial institutions	**–**	73,596,522
Notes of the NBRK	**–**	57,657,298
Euro-notes of the Republic of Kazakhstan	**–**	60,109
	30,947,838	169,512,934
Equity securities:		
Corporate shares	**90,150**	–
Shares of Kazakh financial institutions	**4,805**	136,267
	94,955	136,267
Trading securities	**31,042,793**	169,649,201
Subject to repurchase agreements	**–**	18,979,770
Pledged as collateral against inter-bank borrowings	**5,193,635**	70,791,878

9. Amounts due from credit institutions

Amounts due from credit institutions at 31 December comprise:

	2007	*2006*
Time deposits	**4,675,722**	69,072,369
Loans to local credit institutions	**318,536**	2,785,318
Amounts due from credit institution	**4,994,258**	71,857,687
Subject to repurchase agreements pledged as collateral against inter-bank borrowings	**–**	60,365,950

10. Available-for-sale investment securities

Available-for-sale investment securities at 31 December comprise:

	2007	*2006*
Debt securities:		
Government securities of OECD countries	**5,112,509**	4,515,737
Corporate bonds	**3,284,028**	4,144,551
Bonds of foreign financial institutions	**2,262,394**	6,269,369
Bonds of local financial institutions	**2,173,027**	1,228,714
Sovereign bonds of the Republic of Kyrgyzstan	**1,832,371**	327,161
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**403,603**	4,950,002
Notes of the NBRK	**63,456**	–
	15,131,388	21,435,534
Equity securities:		
Shares of Kazakh financial institutions	**323,319**	16,519
Corporate shares	**148,578**	4,871
	471,897	21,390
Available-for-sale investment securities	**15,603,285**	21,456,924
Subject to repurchase agreements	**–**	1,379,488
Pledged as collateral against inter-bank borrowings	**3,031,607**	7,262,251

(Thousands of Kazakh tenge)

11. Loans to customers

Loans to customers consist of the following at 31 December:

	2007	***2006***
Individually significant corporate borrowers	**340,339,291**	271,805,385
Individually insignificant corporate and medium size borrowers	**338,251,447**	184,251,330
Residential mortgages	**85,411,430**	58,765,423
Retail loans	**43,953,084**	23,693,409
Gross loans to customers	**807,955,252**	538,515,547
Less - Allowance for impairment	**(24,701,994)**	(14,862,386)
Loans to customers	**783,253,258**	523,653,161

Allowance for impairment of loans to customers

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

	Individually significant impaired corporate borrowers	***Individually significant unimpaired, insignificant corporate and medium size borrowers***	***Retail loans***	***Residential mortgages***	***Total***
At 1 January 2007	**(8,592,081)**	**(6,228,034)**	**(42,271)**	**–**	**(14,862,386)**
(Charge)/reversal for the year	**3,571,048**	**(12,118,658)**	**(101,653)**	**(3,194,911)**	**(11,844,174)**
Recoveries	**–**	**(645,425)**	**(17,465)**	**(3,329)**	**(666,219)**
Amounts written off		**2,635,446**	**14,839**	**20,500**	**2,670,785**
At 31 December 2007	**(5,021,033)**	**(16,356,671)**	**(146,550)**	**(3,177,740)**	**(24,701,994)**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**27,220,457**				
At 1 January 2006	(3,671,551)	(3,977,256)	–	–	(7,648,807)
Charge for the year	(4,920,530)	(2,273,599)	(42,271)	–	(7,236,400)
Recoveries	–	(858,108)	–	–	(858,108)
Amounts written off	–	880,929	–	–	880,929
At 31 December 2006	(8,592,081)	(6,228,034)	(42,271)	–	(14,862,386)
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	88,480,552				

The Group created individual allowance against individually significant corporate borrowers, whereas the remaining classes of loans were assessed collectively for impairment.

Individually impaired loans

Interest income accrued on loans, for which individual impairment allowances have been recognized, as at 31 December 2007, comprised KZT 1,171,037 (2006: KZT 3,883,281).

The estimated value of collateral that the Group holds relating to loans individually determined to be impaired at 31 December 2007, amounts to KZT 26,521,478 (2006: KZT 29,945,679). In accordance with Bank's policies, loans may only be written off upon approval by the Board of Directors and, in certain cases, with respective decision of the Court.

Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

(Thousands of Kazakh tenge)

11. Loans to customers (continued)

Collateral and other credit enhancements (continued)

The main types of collateral obtained are as follows:

- For securities lending and reverse repurchase transactions, cash or securities,
- For commercial and SME lending, charges over real estate properties, inventory and equipment,
- For retail lending, mortgages over residential properties and vehicles and third party guarantees.

Management regularly monitors the value of collateral and requests additional collateral in accordance with the underlying agreement.

Concentration of loans to customers

As at 31 December 2007, the Bank had a concentration of loans represented by KZT 163,619,035 due from the ten largest borrowers (20.25% of gross loan portfolio or 218.45% of total equity) (2006: KZT 126,159,016 (23.43% of gross loan portfolio or 220.46% of total equity)). An allowance of KZT 576,621 (2006: KZT 424,322) was recognised against these loans.

The Group's gross loan portfolio is concentrated in the following main sectors at 31 December:

	2007	*%*	*2006*	*%*
Individuals:	**129,364,514**	**16.0**	82,458,832	15.3
-Mortgages	*85,411,430*	*10.6*	*58,765,423*	*10.9*
-Consumer loans	*40,471,341*	*5.0*	*21,000,432*	*3.9*
-Car loans	*3,481,743*	*0.4*	*2,692,977*	*0.5*
Construction	**107,346,114**	**13.3**	113,761,062	21.1
Retail trade	**100,875,439**	**12.5**	31,150,425	5.8
Wholesale trade	**94,170,153**	**11.7**	73,075,260	13.6
Real estate	**74,262,440**	**9.2**	13,030,630	2.4
Food	**65,777,631**	**8.1**	27,123,361	5.0
Investments	**50,016,858**	**6.2**	74,779,725	13.9
Agriculture	**29,227,508**	**3.6**	23,650,072	4.4
Transport	**20,860,404**	**2.6**	15,211,248	2.8
Hotel services	**14,695,274**	**1.8**	7,253,701	1.3
Textile	**13,037,386**	**1.6**	7,960,651	1.5
Entertainment	**9,524,535**	**1.2**	1,200,342	0.2
Oil and gas	**9,136,155**	**1.1**	5,557,058	1.0
Chemical	**5,170,973**	**0.6**	5,177,560	1.0
Repair and maintenance services	**5,093,520**	**0.6**	–	–
Metallurgy	**3,905,955**	**0.5**	1,446,525	0.3
Communications	**2,794,069**	**0.3**	1,324,840	0.2
Mining	**2,115,550**	**0.3**	1,557,577	0.4
Other	**70,580,774**	**8.7**	52,796,678	9.8
	807,955,252	**100.0**	538,515,547	100.0

(Thousands of Kazakh tenge)

12. Property and equipment

The movements on the Group's property and equipment during the year were as follows:

Cost	*Land and Buildings*	*Vehicles*	*Computer equipment*	*Other*	*Construction in progress*	*Total*
At 31 December 2005	3,160,192	626,127	626,444	2,032,182	110,192	6,555,137
Acquisition of subsidiary	–	10,554	8,797	7,979	–	27,330
Additions	3,527,352	301,220	427,871	649,053	7,504,978	12,410,474
Disposals	(120,713)	(57,442)	(39,687)	(71,212)	(25,778)	(314,832)
At 31 December 2006	6,566,831	880,459	1,023,425	2,618,002	7,589,392	18,678,109
Acquisition of subsidiary	**168,781**	**15,519**	**8,421**	**31,278**	**–**	**223,999**
Disposal of subsidiary	**–**	**(17,780)**	**(39,939)**	**(15,909)**	**–**	**(73,628)**
Additions	**10,715,601**	**174,918**	**1,247,946**	**940,495**	**1,603,905**	**14,682,865**
Disposals	**(1,078,467)**	**(183,721)**	**(41,041)**	**(94,734)**	**(4,155,753)**	**(5,553,716)**
Transfers	**1,838,019**	**–**	**447,179**	**432**	**(2,285,630)**	**–**
At 31 December 2007	**18,210,765**	**869,395**	**2,645,991**	**3,479,564**	**2,751,914**	**27,957,629**
Accumulated depreciation						
At 31 December 2005	(251,538)	(185,899)	(329,601)	(547,685)	–	(1,314,723)
Charge	(119,339)	(105,849)	(228,823)	(220,819)	–	(674,830)
Disposals	405	18,494	33,241	61,473	–	113,613
At 31 December 2006	(370,472)	(273,254)	(525,183)	(707,031)	–	(1,875,940)
Acquisition of subsidiary	**(10,706)**	**(3,729)**	**(1,564)**	**(3,007)**	**–**	**(19,006)**
Disposal of subsidiary	**–**	**3,498**	**12,846**	**5,842**	**–**	**22,186**
Charge	**(430,134)**	**(119,704)**	**(374,979)**	**(324,150)**	**–**	**(1,248,967)**
Disposals	**160,192**	**61,331**	**11,386**	**20,511**	**–**	**253,420**
At 31 December 2007	**(651,120)**	**(331,858)**	**(877,494)**	**(1,007,835)**	**–**	**(2,868,307)**
At 31 December 2007	**17,559,645**	**537,537**	**1,768,497**	**2,471,729**	**2,751,914**	**25,089,322**
At 31 December 2006	**6,196,359**	**607,205**	**498,242**	**1,910,971**	**7,589,392**	**16,802,169**

Depreciation and amortization in the consolidated statements of income also include amortization of intangible assets of KZT 195,589 and KZT 180,942 for 2007 and 2006 respectively.

13. Taxation

The corporate income tax expense comprises:

	2007	*2006*
Current tax charge	**5,433,767**	2,294,225
Income tax of prior periods	**332,717**	–
Deferred tax charge – origination and reversal of temporary differences	**368,277**	227,482
Income tax expense	**6,134,761**	2,521,707

The Group and its subsidiaries, other than ATF Capital B.V., CJSC Bank Sibir, OJSC ATFBank-Kyrgyzstan and OJSC Sohibkorbank are subject to taxation in the Republic of Kazakhstan. ATF Capital B.V. is subject to income tax in the Netherlands. CJSC Bank Sibir is subject to income tax in the Russian Federation. OJSC ATFBank-Kyrgyzstan is subject to income tax in Kyrgyzstan. OJSC Sohibkorbank is subject to income tax in Tajikistan.

(Thousands of Kazakh tenge)

13. Taxation (continued)

	2007	*2006*
IFRS profit before income tax	**13,378,787**	6,817,117
Statutory tax rate	**30%**	30%
Theoretical income tax expense at the statutory rate	**4,013,636**	2,045,135
Tax exempt income:		
Mortgages	**(2,387,150)**	(1,266,000)
State and other qualifying securities	**(282,604)**	(248,592)
Annual bonuses	**(168,707)**	–
Income of subsidiaries taxed at different rates	**(93,341)**	(48,455)
Reversal of other impairment and provisions	**(22,670)**	–
Other	**(28,852)**	(51,322)
Non deductible expenses:		
Interest on external over the limit obligations	**3,179,867**	1,993,143
Net losses from derivative transactions	**1,135,208**	–
Professional services	**360,171**	–
Income tax of prior periods	**332,717**	–
Dividends on preferred shares	**36,521**	–
Over the limit business expenses	**13,644**	19,161
Other	**46,321**	78,637
Income tax expense	**6,134,761**	2,521,707

Deferred tax assets and liabilities as at 31 December comprised the following:

	2007	*2006*
Tax effect of deductible temporary differences:		
Loans	**481,728**	222,014
Other assets	**156,000**	–
Deferred tax assets	**637,728**	222,014
Tax effect of deductible temporary differences:		
Property and equipment	**(1,233,487)**	(443,344)
Other	**–**	(6,152)
Deferred tax liabilities	**(1,233,487)**	(449,496)
Net deferred tax liabilities	**(595,759)**	(227,482)

14. Other impairment and provisions

The movement on the allowances for impairment of other assets is as follows:

	Other assets	*Letters of credit and guarantees*	*Total*
31 December 2005	(162,448)	(283,270)	(445,718)
Impairment (Charge) / Reversal	58,384	(237,661)	(179,277)
Write off	25,962	–	25,962
Translation	(563)	(134)	(697)
31 December 2006	(78,665)	(521,065)	(599,730)
Impairment (Charge) / Reversal	**(56,738)**	**132,305**	**75,567**
Write off	**102,264**	**–**	**102,264**
Recoveries	**(2,324)**	**–**	**(2,324)**
Translation	**295**	**65,521**	**65,816**
31 December 2007	**(35,168)**	**(323,239)**	**(358,407)**

Allowances for impairment of other assets are deducted from the related assets. Provisions for guarantees and commitments are disclosed as Other Impairment and Provisions.

(Thousands of Kazakh tenge)

15. Amounts due to the Government and the NBRK

As at 31 December amounts due to the Government of the Republic of Kazakhstan and the NBRK consisted of the following:

	2007	*2006*
Amounts due to the Government under international financing programs	**389,270**	560,136
Local municipal authorities	**22,792**	58,038
Time deposit from the NBRK	**–**	3,064,189
Amounts due to the Government and the NBRK	**412,062**	3,682,363

16. Amounts due to credit institutions

Amounts due to credit institutions consist of the following at 31 December:

	2007	*2006*
Loans, including syndicated loans	**235,090,117**	322,120,241
Time deposits	**56,995,120**	31,629,144
Repurchase agreements	**1,525,687**	93,517,235
Current accounts	**144,493**	122,262
Redeemable common shares	**–**	1,999,995
Amounts due to credit institutions	**293,755,417**	449,388,877

Redeemable common shares as at 31 December 2006 represent the amount which would have been paid by the Group under an agreement (the "Agreement") with a counterparty bank (the " Holder") at the Holder's discretion for 266,666 of Bank's shares, in case their market price falls below KZT 7.5 for a share. The shares were redeemable during a period of 5 years starting from 27 September 2006. All shares were KZT denominated and have a nominal value of KZT 1 each. As at 31 December 2006, the market price of the Bank's share was KZT 10.2. In January 2007 the Agreement was canceled, and the Bank's obligations in that regard were terminated and, as a result, the amount under the Agreement of KZT 1,999,995 was reclassified from liabilities to common share capital in equity.

Financial Covenants

In accordance with the contractual terms of certain long-term loans, the Bank is required to maintain certain financial ratios, including with regard to its capital adequacy and lending exposures. Management believes that the Bank was in compliance with these ratios as at the 31 December 2007.

17. Amounts due to customers

The amounts due to customers include the following at 31 December:

	2007	*2006*
Customer current accounts:		
Legal entities	**54,750,677**	65,142,213
Individuals	**7,334,385**	5,627,995
	62,085,062	70,770,208
Term deposits:		
Legal entities	**168,008,977**	218,112,366
Individuals	**131,347,009**	60,950,841
Held as security against letters of credit and guarantees	**19,164,191**	10,546,386
	318,520,177	289,609,593
Amounts due to customers	**380,605,239**	360,379,801

As at 31 December 2007, amounts due to customers of KZT 147,373,317 (38.7%) were due to the ten largest third party customers (2006: KZT 185,595,598 (51.5%)).

Included in time deposits are deposits of individuals, including deposits for KZT 43,129,104 of top three individual depositors. In accordance with the Kazakh Civil Code, the Group is obliged to repay such deposits upon demand of a depositor. In case of a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

(Thousands of Kazakh tenge)

17. Amounts due to customers (continued)

An analysis of customer accounts by economic sector follows:

	2007		2006	
	Amount	*%*	*Amount*	*%*
Individuals	**138,681,394**	**36.4**	66,578,836	18.5
Non-banking financial institutions	**75,855,136**	**19.9**	61,210,735	17.0
Oil and gas	**47,662,375**	**12.5**	80,114,553	22.2
Trade	**18,033,322**	**4.7**	45,589,427	12.7
Metallurgy	**17,311,677**	**4.5**	11,466,506	3.2
Construction	**13,470,055**	**3.5**	15,301,915	4.2
Public activities	**22,921,829**	**6.0**	3,686,824	1.0
Transport and communication	**8,421,198**	**2.2**	44,154,493	12.3
Manufacturing	**7,548,813**	**2.0**	18,280,695	5.1
Energy	**3,787,166**	**1.0**	1,783,413	0.5
Agriculture	**2,061,766**	**0.5**	2,395,543	0.7
Others	**24,850,508**	**6.8**	9,816,861	2.6
Total	**380,605,239**	**100.0**	360,379,801	100.0

18. Debt securities issued

Securities issued at 31 December comprised:

	2007	*2006*
USD Eurobonds	**170,847,898**	134,104,500
KZT notes	**4,530,738**	4,512,069
RUR notes	**854,526**	54,795
	176,233,162	138,671,364
Less unamortized cost of issuance	**(1,245,897)**	(1,063,054)
Debt securities issued	**174,987,265**	137,608,310

In accordance with the terms of USD Eurobonds the Bank is required to maintain certain financial ratios, particularly with regard to liquidity, capital adequacy and lending exposures. Management believes that the Bank was in compliance with these ratios as at 31 December 2007.

19. Subordinated debt

	2007	*2006*
KZT bonds	**30,760,656**	17,698,155
USD bonds	**12,218,799**	14,180,471
KZT debt	**12,351,851**	–
	55,331,306	31,878,626
Less: KZT bonds held by the Group	**(25,712)**	(77,877)
Less: USD bonds held by the Group	**–**	(1,023,584)
Less: unamortized cost of issuance	**(278,039)**	(269,605)
Subordinated debt	**55,027,555**	30,507,560

The subordinated bonds and debt as at 31 December 2007 and 2006 are unsecured obligations of the Group and are subordinated in right of payment to all present and future senior indebtedness and certain other obligations of the Group.

(Thousands of Kazakh tenge)

20. Share capital

As at 31 December 2007 the Bank had 20,603,922 (2006: 19,720,000) authorised common and 11,400,000 (2006: 11,400,000) preferred shares. Each common share is entitled to one vote and shares equally in dividends declared. Preferred shares carry a cumulative dividend of a minimum of KZT 100-120 per annum, but not less than declared dividends on common shares and do not have any voting rights unless payment of preferred dividends has been delayed for three months or more from the date they became due. All common and preferred shares are KZT denominated.

In 2007 the shareholders of the Bank made a decision to convert their preferred shares into common shares. Preferred shares that applied for conversion as at the date of the authorisation of these consolidated financial statements for issue are recognised in equity. Preferred shares that did not apply for conversion are disclosed in borrowings. The Bank will be mandated to buy back such shares that were presented by preferred shareholders, who disagree with conversion.

Movements of shares fully paid and outstanding follow:

	Number of shares		*Placement value*		
	Preferred	***Common***	***Preferred***	***Common***	***Total***
31 December 2005	3,400,000	16,600,000	3,400,000	16,600,000	20,000,000
Increase in share capital	8,000,000	3,120,000	12,000,000	15,600,000	27,600,000
	11,400,000	19,720,000	15,400,000	32,200,000	47,600,000
Reclassification of redeemable common shares to liabilities *(Note 16)*	–	(266,666)	–	(1,999,995)	(1,999,995)
Purchase of treasury shares	(50,519)	(45)	(81,944)	(405)	(82,349)
31 December 2006	11,349,481	19,453,289	15,318,056	30,199,600	45,517,656
Increase in share capital	**–**	**883,922**	**–**	**11,930,644**	**11,930,644**
Reclassification from liabilities to common share capital *(Note 16)*	**–**	**266,666**	**–**	**1,999,995**	**1,999,995**
Reclassification of preferred shares to liabilities	**(1,197,242)**	**–**	**(1,633,037)**	**–**	**(1,633,037)**
Sale of treasury shares	**50,519**	**45**	**81,944**	**405**	**82,349**
31 December 2007	**10,202,758**	**20,603,922**	**13,766,963**	**44,130,644**	**57,897,607**

In 2007 the Bank placed 883,264 common shares at KZT 13.5 per share and 658 common shares at KZT 10 per share (2006: 3,120,000 of common shares at KZT 5 per share and 8,000,000 of preferred shares at KZT 1.5 per share).

At the General Shareholders' Meeting held in April 2007, the Bank declared preferred dividends in respect of the year ended 31 December 2006, totaling KZT 1,148,000. At the General Shareholders' Meeting held in April 2006, the Bank declared preferred dividends in respect of the year ended 31 December 2005, totaling KZT 348,000.

21. Commitments and contingencies

Taxation

Kazakhstan, Russian Federation, Kyrgyzstan and Tajikistan currently have a number of laws related to various taxes imposed by both federal and regional governmental authorities. Applicable taxes include value added tax, income tax, a number of turnover-based taxes, social taxes, and others. Implementation of regulations is often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (for example, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in these countries substantially more significant than typically found in countries with more developed tax systems.

Currently the Bank has been through the tax inspection covering 2004-2006 calendar years. The management believes that no material tax accruals will be made as a result of the inspection.

Legal

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Group.

(Thousands of Kazakh tenge)

21. Commitments and contingencies (continued)

Fiduciary activities

The Group provides fiduciary services to third parties which involve the Group making allocation, purchase and sales decisions in relation to the trust funds. Those funds that are held in a fiduciary capacity are not included in these consolidated financial statements. As at 31 December 2007, such funds amounted to KZT 29,963,698 (2006: KZT 19,681,313).

Financial commitments and contingencies

The Bank's financial commitments and contingencies at 31 December comprise the following:

	2007	*2006*
Credit related commitments		
Undrawn loan commitments	**176,662,212**	109,096,984
Guarantees	**21,177,974**	20,265,378
Letters of credit	**24,834,160**	12,383,191
	222,674,346	141,745,553
Less – Provisions	**(323,239)**	(521,065)
Less – Cash collateral	**(19,164,191)**	(10,546,386)
Financial commitments and contingencies	**203,186,916**	130,678,102

The loan commitment agreements stipulate the right of the Bank to unilaterally withdraw from the agreement should any conditions unfavorable to the Bank arise, including change of the refinance rate, inflation, exchange rates and others.

22. Net fee and commission income

Net fee and commission income comprises:

	2007	*2006*
Cash operations	**2,508,215**	1,528,004
Bank transfers	**2,392,918**	1,337,058
Foreign currency trading	**983,666**	584,569
Plastic cards	**754,352**	443,653
Guarantees	**723,738**	572,366
Pension asset management	**615,905**	100,327
Custodian services	**290,937**	114,403
Cash collection	**71,589**	66,439
Project management	**55,058**	71,147
Customer service	**49,379**	29,044
Other	**271,716**	228,895
Fee and commission income	**8,717,473**	5,075,905

Fee and commission expense comprises:

	2007	*2006*
Bank transfers	**(259,770)**	(115,651)
Plastic cards	**(175,488)**	(140,218)
Securities operations	**(105,377)**	(60,852)
Custodian services	**(47,356)**	(6,977)
Foreign currency trading	**(43,824)**	(35,187)
Other	**(267,824)**	(96,795)
Fee and commission expense	**(899,639)**	(455,680)
Net fee and commission income	**7,817,834**	4,620,225

(Thousands of Kazakh tenge)

23. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2007	*2006*
Personnel expenses and other benefits	**(7,569,755)**	(4,889,082)
Social security costs	**(707,782)**	(535,185)
Personnel expenses	**(8,277,537)**	(5,424,267)
Professional services	**(1,386,646)**	(70,188)
Advertising	**(1,428,180)**	(632,524)
Deposit insurance	**(1,217,452)**	(98,362)
Rent	**(1,189,310)**	(490,865)
Security	**(695,719)**	(70,123)
Maintenance and repairs	**(616,582)**	(372,863)
Stationery, publications, packaging, training	**(418,254)**	(301,584)
Communication	**(411,614)**	(326,416)
Business trip	**(330,377)**	(280,113)
Charity and sponsorship	**(293,316)**	(138,820)
Representation	**(159,866)**	(59,656)
Transportation	**(152,312)**	(102,850)
Other	**(869,400)**	(485,810)
Other operating expenses	**(9,169,028)**	(3,430,174)
Personnel and other operating expenses	**(17,446,565)**	(8,854,441)

Included in professional services for 2007 is KZT 1,135,571 related to arranging the sale of the Bank to the new shareholder.

Deposit insurance increased substantially year on year due to significant increase in amounts of term deposits of individuals and amendment of the individual deposits' insurance law that required all individual deposits to be insured and increased guaranteed reimbursable amount almost twofold.

24. Net losses on derivative transactions

In 2007 and 2006, the Bank entered into a number of speculative credit risk linked and other derivative transactions which were sold before maturity to third parties and an entity within UniCredit Group in December 2007 at a loss of KZT 5,213,885 to comply with the new shareholder's risk management policies and to reduce the Bank's risks.

25. Basic and diluted earnings per share

Basic earnings per share for 2007 is calculated by dividing the net profit for the year attributable to common shareholders of the Bank by the weighted average number of common shares (excluding treasury shares) (participating shares)) outstanding during the year. Basic and diluted earnings per share for 2006 is calculated by dividing the net profit for the year attributable to common and preferred shareholders of the Bank by the weighted average number of common and preferred shares (excluding treasury shares) (participating shares)) outstanding during the year.

Diluted earnings per share for 2007 is calculated by diving the net profit attributable to common shareholders of the Bank by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares.

The following table shows the profit and share data used in the basic and diluted earnings per share calculations:

	2007	*2006*
Net profit attributable to shareholders of the Bank	**7,203,625**	4,262,677
Weighted average number of participating shares for basic earnings per share	**20,023,093**	**19,596,796**
Effect of dilution:		
Convertible preferred shares *(Note 20)*	**3,400,919**	–
Weighted average number of participating shares adjusted for the effect of dilution	**23,424,012**	19,596,796

(Thousands of Kazakh tenge)

26. Risk management

Introduction

Risk is inherent in the Group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks.

The Bank is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Group.

Asset and Liability Committee

The Asset and Liability Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk Management

The Risk management department is responsible for monitoring compliance with risk principles, policies, and limits, across the Bank. Each business group has a decentralized unit which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

Bank treasury

Bank treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal audit

Risk management processes throughout the Bank are audited annually by the internal audit function, who examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management on a regular basis.

Risk measurement and reporting systems

The Bank's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The Bank also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Bank. These limits reflect the business strategy and market environment of the Bank as well as the level of risk that the Bank is willing to accept, with additional emphasis on selected industries. In addition the Bank monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk Management department, and the head of each business division. The report includes aggregate credit exposure, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Bank.

(Thousands of Kazakh tenge)

26. Risk management (continued)

Introduction (continued)

Risk measurement and reporting systems (continue)

For all levels throughout the Bank, specifically tailored to meet risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Bank on the utilisation of market limits, and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks and, credit risks. The Bank actively uses collateral to reduce its credit risks (see below for more detail).

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Bank's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Bank's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Credit risk

Credit risk is the risk that the Bank will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

The Bank has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Bank to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

Credit-related commitments risks

The Bank makes available to its customers guarantees which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the letters of credit. They expose the Bank to similar risks to loans and these are mitigated by the same control processes and policies.

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements.

	Notes	*Gross maximum exposure 2007*	*Gross maximum exposure 2006*
Cash and cash equivalents (excluding cash on hand)	7	**53,475,950**	141,516,087
Trading securities	8	**31,042,793**	169,649,201
Amounts due from credit institutions	9	**4,994,258**	71,857,687
Available-for-sale investment securities	10	**15,603,285**	21,456,924
Loans to customers	11	**783,253,258**	523,653,161
Other assets (excluding non-monetary items)		**2,796,619**	4,628,461
Financial commitments and contingencies	21	**222,351,107**	141,224,488
Total credit risk exposure		**1,113,517,270**	1,073,986,009

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references should be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown below.

(Thousands of Kazakh tenge)

26. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the internal credit ratings. The table below shows the credit quality by class of asset for loan-related balance sheet lines, based on the adopted classifications:

		31 December 2007				
	Notes	*Standard grade*	*Substandard grade*	*Loss grade*	*Past due or individually impaired*	*Total*
Amounts due from credit institutions	9	**4,994,258**	**–**	**–**	**–**	**4,994,258**
Loans to customers:	11					
Individually significant corporate borrowers		**313,118,834**	**–**	**–**	**27,220,457**	**340,339,291**
Individually insignificant corporate and medium size borrowers		**233,696,374**	**87,564,333**	**2,916,748**	**14,073,992**	**338,251,447**
Consumer and car loans		**40,100,523**	**2,715,147**	**96,982**	**1,040,432**	**43,953,084**
Residential mortgages		**73,423,310**	**10,222,544**	**281,092**	**1,484,484**	**85,411,430**
		665,333,299	**100,502,024**	**3,294,822**	**43,819,365**	**812,949,510**
Debt investment securities:						
Available-for-sale investment securities	10	**15,131,388**	**–**	**–**	**–**	**15,131,388**
Total		**680,464,687**	**100,502,024**	**3,294,822**	**43,819,365**	**828,080,898**

In accordance with the Bank's internal credit quality classifications, a current loan may be classified as a loss grade should the borrower have poor financial standing, inadequate collateral, prolongations and/or facts of no-purpose use of loaned funds.

		31 December 2006				
	Notes	*Standard grade*	*Substandard grade*	*Loss grade*	*Past due or individually impaired*	*Total*
Amounts due from credit institutions	9	71,857,687	–	–	–	71,857,687
Loans to customers:	11					
Individually significant corporate borrowers		183,324,833	–	–	88,480,552	271,805,385
Individually insignificant corporate and medium size borrowers		143,407,509	36,733,096	–	4,110,725	184,251,330
Consumer and car loans		20,052,421	3,539,077	–	101,911	23,693,409
Residential mortgages		47,484,444	10,948,588	–	332,391	58,765,423
		466,126,894	51,220,761	–	93,025,579	610,373,234
Debt investment securities:						
Available-for-sale investment securities	10	21,435,534	–	–	–	21,435,534
Total		487,562,428	51,220,761	–	93,025,579	631,808,768

Past due loans to customers include those that are only past due by a few days. An analysis of past due loans, by age, is provided below. The majority of the past due loans are not considered to be impaired.

It is the Bank's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products.

The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Bank's rating policy. The attributable risk ratings are assessed and updated regularly.

(Thousands of Kazakh tenge)

26. Risk management (continued)

Credit risk (continued)

Aging analysis of past due but not impaired loans per class of financial assets

	Less than 30 days 2007	*More than 30 days 2007*	*Total 2007*
Loans to customers:			
Individually insignificant corporate and medium size borrowers	**4,246,215**	**–**	**4,246,215**
Consumer and car loans	**352,985**	**–**	**352,985**
Residential mortgages	**829,454**	**–**	**829,454**
Total	**5,428,654**	**–**	**5,428,654**

	Less than 30 days 2006	*More than 30 days 2006*	*Total 2006*
Loans to customers:			
Individually insignificant corporate and medium size borrowers	2,245,792	–	2,245,792
Consumer and car loans	45,631	–	45,631
Residential mortgages	167,445	–	167,445
Total	2,458,868	–	2,458,868

For financial reporting purposes, individually insignificant loans past due by more than 30 days are considered impaired.

See Note 11 for more detailed information with respect to the allowance for impairment of loans to customers.

Carrying amount per class of financial assets whose terms have been renegotiated

The table below shows the carrying amount for renegotiated financial assets, by class.

	2007	*2006*
Loans to customers:		
Corporate lending	**74,478,698**	33,609,737
Small and medium size lending	**1,685,026**	235,693
Residential mortgages	**16,939**	62,620
Consumer and car loans	**11,006**	173,764
Total	**76,191,669**	34,081,814

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 30 days or there are any known difficulties in the cash flows of counterparties or infringement of the original terms of the contract.

The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining allowance amounts include the sustainability of the counterparty's business plan, its ability to improve performance once a financial difficulty has arisen, projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans to customers that are not individually significant (including consumer loans and residential mortgages) and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

(Thousands of Kazakh tenge)

26. Risk management (continued)

Credit risk (continued)

Collectively assessed allowances (continued)

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is not yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the times a loss is likely to have been incurred and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

Financial guarantees and letters of credit are assessed and provision is made in a similar manner as for loans.

The geographical concentration of Group's monetary assets and liabilities were as follows at 31 December:

2007	*Kazakhstan*	*OECD*	*CIS*	*Total*
Cash and cash equivalents	**3,559,651**	**49,244,154**	**4,955,708**	**57,759,513**
Obligatory reserves	**60,632,470**	**–**	**247,739**	**60,880,209**
Trading securities	**23,755,949**	**6,395,448**	**891,396**	**31,042,793**
Amounts due from credit institutions	**4,379,029**	**261,807**	**353,422**	**4,994,258**
Available-for-sale investment securities	**6,393,484**	**7,374,903**	**1,834,898**	**15,603,285**
Loans to customers	**757,293,869**	**–**	**25,959,389**	**783,253,258**
Current income tax assets	**1,063,011**	**–**	**–**	**1,063,011**
Other assets	**2,101,073**	**192,844**	**400,993**	**2,694,910**
	859,178,536	**63,469,156**	**34,643,545**	**957,291,237**
Amounts due to the Government and the NBRK	**412,062**	**–**	**–**	**412,062**
Amounts due to credit institutions	**14,662,723**	**270,810,328**	**8,282,366**	**293,755,417**
Amounts due to customers	**371,548,249**	**–**	**9,056,990**	**380,605,239**
Debt securities issued	**4,512,914**	**169,622,166**	**852,185**	**174,987,265**
Subordinated debt	**30,682,639**	**24,344,916**	**–**	**55,027,555**
Preferred shares	**1,754,773**	**–**	**–**	**1,754,773**
Deferred tax liabilities	**595,759**	**–**	**–**	**595,759**
Provisions	**323,239**	**–**	**–**	**323,239**
Other liabilities	**1,620,028**	**663,825**	**8,795**	**2,292,648**
	426,112,386	**465,441,235**	**18,200,336**	**909,753,957**
Net position	**433,066,150**	**(401,972,079)**	**16,443,209**	**47,537,280**

2006	*Kazakhstan*	*OECD*	*CIS*	*Total*
Cash and cash equivalents	102,736,980	47,396,085	2,450,649	152,583,714
Obligatory reserves	65,424,452	–	39,240	65,463,692
Amounts due from credit institutions	63,005,678	7,699,598	1,152,411	71,857,687
Trading securities	73,940,065	95,425,865	283,271	169,649,201
Available-for-sale investment securities	10,144,622	10,785,106	527,196	21,456,924
Securities pledged under repurchased agreements	1,300,690	12,787,882	–	14,088,572
Loans to customers	514,397,182	–	9,255,979	523,653,161
Insurance reserve, reinsurance share	5,255,816	–	–	5,255,816
Current tax assets	621,024	–	–	621,024
Other assets	2,652,883	1,332,711	771,003	4,756,597
	839,479,392	175,427,247	14,479,749	1,029,386,388
Amounts due to the Government and the NBRK	3,682,363	–	–	3,682,363
Amounts due to credit institutions	144,951,390	300,225,070	4,614,414	449,790,874
Amounts due to customers	356,137,043	–	4,242,758	360,379,801
Insurance reserves	6,300,991	–	–	6,300,991
Debt securities issued	4,512,069	133,041,447	54,794	137,608,310
Subordinated debt	18,022,275	12,485,285	–	30,507,560
Deferred tax liabilities	227,482	–	–	227,482
Provisions	521,065	–	–	521,065
Other liabilities	1,328,752	84,155	83,679	1,496,586
	535,683,430	445,835,957	8,995,645	990,515,032
Net position	303,795,962	(270,408,710)	5,484,104	38,871,356

(Thousands of Kazakh tenge)

26. Risk management (continued)

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. In order to control the liquidity risk, the Bank conducts daily monitoring of expected future outflow of funds, which is an integral part of asset and liability management. The Management Board establishes limits on maturity gaps between assets and liabilities.

The Bank maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, the Bank maintains correspondent account (obligatory reserve) with the NBRK, the amount of which depends on the level of certain liabilities of the Bank.

The liquidity position is assessed and managed by the Bank primarily on a standalone basis, based on certain liquidity ratios established by the NBRK. As at 31 December these ratios were included:

	2007, %	*2006, %*
K4 current liquidity ratio (average amount of highly liquid assets) / (average amount of demand liabilities) Minimum ratio: greater than 30%	**159%**	203%
K5 short-term liquidity ratio (average assets with remaining maturities up to 3 months, including highly liquid assets) / (average liabilities with remaining maturities up to 3 months, including demand liabilities) Minimum ratio: greater than 50%	**77%**	91%
Current liquidity in the aggregate of foreign currencies (average highly liquid assets) / (average demand liabilities) Minimum ratio: greater than 90%	**637%**	628%
Short-term liquidity in the aggregate of foreign currencies (average assets with remaining maturities up to 3 month, including highly liquid assets) / (average liabilities with remaining maturities up to 3 month, including demand liabilities) Minimum ratio: greater than 80%	**176%**	229%
Mid-term liquidity in the aggregate of foreign currencies (average assets with remaining maturities up to 1 year) / (average liabilities with remaining maturity up to 1 year) Minimum ratio: greater than 60%	**97%**	136%

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2007 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request repayment on the earliest date the Bank could be required to pay and the table does not reflect the expected cash flows indicated by the Bank's deposit retention history.

Financial liabilities As at 31 December 2007	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Amounts due to the Government and the NBRK	**–**	**210,832**	**201,409**	**–**	**412,241**
Amounts due to credit institutions	**52,967,243**	**150,349,674**	**92,110,506**	**481,745**	**295,909,168**
Amounts due to customers	**160,445,860**	**89,151,423**	**108,414,785**	**33,328,508**	**391,340,576**
Debt securities issued	**747,186**	**20,100,904**	**121,912,265**	**117,318,439**	**260,078,794**
Subordinated debt	**552,500**	**4,612,000**	**33,238,107**	**54,952,925**	**93,355,532**
Preferred shares	**–**	**1,754,773**	**–**	**–**	**1,754,773**
Other liabilities	**2,292,648**	**–**	**–**	**–**	**2,292,648**
Total undiscounted financial liabilities	**217,005,437**	**266,179,606**	**355,877,072**	**206,081,617**	**1,045,143,732**

Financial liabilities As at 31 December 2006	*Less than 3 months*	*3 to 12 months*	*1 to 5 years*	*Over 5 years*	*Total*
Amounts due to the Government and the NBRK	1,035,583	2,298,117	389,311	–	3,723,011
Amounts due to credit institutions	181,412,891	106,387,883	107,830,380	–	395,631,154
Amounts due to customers	184,089,258	123,619,541	40,568,065	43,478,875	391,755,739
Debt securities issued	12,586	24,330,868	97,236,660	84,386,741	205,966,855
Subordinated debt	257,485	2,767,609	13,825,768	37,529,404	54,380,266
Other liabilities	2,167,070	5,873	61,402	1,890	2,236,235
Total undiscounted financial liabilities	368,974,873	259,409,891	259,911,586	165,396,910	1,053,693,260

(Thousands of Kazakh tenge)

26. Risk management (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities (continued)

The Group's capability to repay its liabilities relies on its ability to realise an equivalent amount of assets within the same period of time. The Bank has a concentration of KZT 147,373,317 with top ten customers. Any significant withdrawal of these funds would have an adverse impact on the operations of the Group. Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realise its liquid assets to enable repayment.

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Included in due to customers are term deposits of individuals, including KZT 43,129,104 held by top three individuals. In accordance with the Kazakh legislation, the Bank is obliged to repay such deposits upon demand of a depositor.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The Group classifies exposures to market risk into either trading or non-trading portfolios. The market risk for the trading portfolio is managed and monitored based on sensitivities on market variables. Non-trading positions are managed and monitored using other sensitivity analyses.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Group's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2007. The sensitivity of equity is calculated by revaluing fixed rate investment securities available-for-sale at 31 December 2007 for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency 2007	*Increase in basis points*	*Sensitivity of net interest income*	*Sensitivity of equity*
KZT	**100**	**(69,952)**	**(150,125)**
EUR	**100**	**(173,106)**	**–**
USD	**100**	**(1,479,574)**	**(16,587)**

Currency 2007	*Decrease in basis points*	*Sensitivity of net interest income*	*Sensitivity of equity*
KZT	**100**	**69,952**	**150,125**
EUR	**100**	**177,106**	**–**
USD	**100**	**1,479,574**	**16,587**

Currency 2006	*Increase in basis points*	*Sensitivity of net interest income*	*Sensitivity of equity*
KZT	100	(72,924)	(235,161)
EUR	100	(1,066,292)	–
USD	100	(186,870)	(272,079)

Currency 2006	*Increase in basis points*	*Sensitivity of net interest income*	*Sensitivity of equity*
KZT	100	72,924	235,161
EUR	100	1,066,292	–
USD	100	186,870	272,079

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set limits on open positions by currency based on the NBRK regulations. Positions are monitored on a daily basis.

(Thousands of Kazakh tenge)

26. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2007 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the KZT, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the income statement. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Currency	*Change in currency rate in % 2007*	*Effect on profit before tax 2007*	*Change in currency rate in % 2006*	*Effect on profit before tax 2006*
USD/KZT	**+1.40%**	**(183,568)**	+1.22%	23,144
USD/KZT	**-1.40%**	**183,568**	-1.22%	(23,144)
EUR/KZT	**+1.42%**	**(13,639)**	+2.18%	(6,899)
EUR/KZT	**-1.42%**	**13,639**	-2.18%	6,899
JPY/KZT	**+2.23%**	**333,398**	–	–
JPY/KZT	**-2.23%**	**(333,398)**	–	–
RUR/KZT	**+1.21%**	**12,607**	+1.17%	19,871
RUR/KZT	**-1.21%**	**(12,607)**	-1.17%	(19,871)

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

27. Fair values of financial instruments

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are carried in the financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2007	*Fair value 2007*	*Unrecognised gain/(loss) 2007*	*Carrying value 2006*	*Fair value 2006*	*Unrecognised gain/(loss) 2006*
Financial assets						
Cash and cash equivalents	**57,759,513**	**57,759,513**	**–**	152,583,714	152,583,714	–
Trading securities	**31,042,793**	**31,042,793**	**–**	169,649,201	169,649,201	–
Amounts due from credit institutions	**4,994,258**	**4,842,364**	**(151,894)**	71,857,687	71,932,337	74,650
Available-for-sale investment securities	**15,603,285**	**15,603,285**	**–**	21,456,924	21,456,924	–
Loans to customers	**783,253,258**	**757,603,442**	**(25,649,816)**	523,653,161	527,707,952	4,054,791
Financial liabilities						
Amounts due to the Government and the NBRK	**412,062**	**357,872**	**54,190**	3,682,363	3,630,298	52,065
Amounts due to credit institutions	**293,755,417**	**290,552,472**	**3,202,945**	449,388,877	447,022,791	2,366,086
Amounts due to customers	**380,605,239**	**380,069,257**	**535,982**	360,379,801	358,326,157	2,053,644
Debt securities issued	**174,987,265**	**177,167,750**	**(2,180,485)**	137,608,310	139,599,475	(1,991,165)
Subordinated debt	**55,027,555**	**54,454,150**	**573,405**	30,507,560	30,168,135	339,425
Preferred shares	**1,754,773**	**6,912,426**	**(5,157,653)**	–	–	–
Total unrecognised change in unrealised fair value			**(28,773,326)**			6,949,496

(Thousands of Kazakh tenge)

27. Fair values of financial instruments (continued)

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and variable rate financial instruments.

Fixed rate financial instruments

The fair values of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

Financial instruments recorded at fair value

The Group's financial instruments for 2007 and 2006 recorded at fair value are based on quoted market prices.

28. Maturity analysis of financial assets and liabilities

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled. See Note 26 "Risk management" for the Group's contractual undiscounted repayment obligations.

	2007			*2006*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Financial assets						
Cash and cash equivalents	**57,759,513**	**–**	**57,759,513**	152,583,714	–	152,583,714
Obligatory reserves	**32,458,573**	**28,421,636**	**60,880,209**	65,463,692	–	65,463,692
Trading securities	**31,042,793**	**–**	**31,042,793**	145,370,788	24,278,413	169,649,201
Amounts due from credit institutions	**4,732,331**	**261,927**	**4,994,258**	71,149,434	708,253	71,857,687
Available-for-sale investment securities	**8,634,752**	**6,968,533**	**15,603,285**	21,456,924	–	21,456,924
Securities pledged under the repurchased agreements	**–**	**–**	**–**	9,028,213	5,060,359	14,088,572
Loans to customers	**166,390,428**	**616,862,830**	**783,253,258**	138,591,763	385,061,398	523,653,161
Insurance reserves, reinsurance share	**–**	**–**	**–**	5,255,816	–	5,255,816
Current tax assets	**1,063,011**	**–**	**1,063,011**	621,024	–	621,024
Other assets (monetary assets)	**2,270,647**	**424,263**	**2,694,910**	3,387,465	1,369,132	4,756,597
Total	**304,352,048**	**652,939,189**	**957,291,237**	612,908,833	416,477,555	1,029,386,388
Financial liabilities						
Amounts due to the Government and the NBRK	**85,143**	**326,919**	**412,062**	3,125,212	557,151	3,682,363
Amounts due to credit institutions	**222,401,575**	**71,353,842**	**293,755,417**	344,276,037	105,112,840	449,388,877
Amounts due to customers	**273,917,615**	**106,687,624**	**380,605,239**	249,003,732	111,376,069	360,379,801
Insurance reserves	**–**	**–**	**–**	6,300,991	–	6,300,991
Debt securities issued	**5,352,902**	**169,634,363**	**174,987,265**	12,559,268	12,049,042	24,608,310
Subordinated debt	**–**	**55,027,555**	**55,027,555**	259,339	30,248,221	30,507,560
Preferred shares	**1,754,773**	**–**	**1,754,773**	–	–	–
Deferred tax liabilities	**595,759**	**–**	**595,759**	227,482	–	227,482
Provisions	**323,239**	**–**	**323,239**	521,065	–	521,065
Other liabilities	**2,292,648**	**–**	**2,292,648**	1,404,434	92,152	1,496,586
Total	**506,723,654**	**403,030,303**	**909,753,957**	617,677,560	259,435,475	877,113,035
Net	**(202,371,606)**	**249,908,886**	**47,537,280**	(4,768,727)	157,042,080	152,273,353
Cumulative gap	**(202,371,606)**	**47,537,280**	**47,537,280**	(4,768,727)	152,273,353	152,273,353

(Thousands of Kazakh tenge)

28. Maturity analysis of financial assets and liabilities (continued)

The Group has a negative liquidity gap of KZT 202,371,606 within one year period. The Management of the Group and the Parent have an action plan in place that shall enable the Bank to meet its short term liquidity requirements. The plan includes the following measures:

- Amounts due to the Parent as of the balance sheet date maturing within 2008 comprise KZT 112,413,334. The Parent is able and is willing to roll over these obligations beyond 2008;
- In 2008 the Parent placed two deposits for KZT 66,000,000 maturing in 2009;
- In March 2008 the Bank issued 1,156,656 common shares at KZT 10 per share for KZT 11,566,560.

The Group is currently in the process of negotiating a syndicated loan from a syndicate of Western and Asian banks, including the Parent. Moreover, the Bank may dispose of its available-for-sale investment securities and borrow at local money markets to meet its liquidity needs.

The Group believes that these measures will enable the Group to manage its within one year negative liquidity position.

While trading securities are shown at demand, realizing such assets upon demand is dependent upon financial market conditions. Significant security positions may not be liquidated in a short period of time without adverse price effects.

Included in amounts due to customers are term deposits of individuals. In accordance with the Kazakh legislation, the Bank is obliged to repay such deposits upon demand of a depositor (Note 17).

(Thousands of Kazakh tenge)

29. Related party disclosures

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

At 31 December 2007 the Group had balances with related parties, which comprised the following:

	2007			*2006*		
	Shareholder	*Associates*	*Key management personnel*	*Shareholders*	*Associates*	*Key management personnel*
Loans outstanding, beginning of the period, gross, 1 January, 2007	**216,973**	**4,657,533**	**321,074**	270,035	774,942	362,140
Loans issued during the period	**–**	**–**	**116,153**	11,348	8,378,273	116,870
Loans repaid during the period	**(216,973)**	**(4,657,533)**	**(275,976)**	(64,410)	(4,479,414)	(157,936)
Loans outstanding, ending of the period, gross, 31 December 2007	**–**	**–**	**161,251**	216,973	4,673,801	321,074
Less: allowance for impairment	**–**	**–**	**–**	–	(16,268)	–
Loans outstanding, net, 31 December 2007	**–**	**–**	**161,251**	216,973	4,657,533	321,074
Interest income on loans	**–**	**–**	**13,436**	29,203	154,532	31,341
Deposits and current accounts, beginning of the period, 1 January 2007	**1,034,769**	**73,448,475**	**196,559**	131,937	306,328	254,820
Deposits and current accounts received during the period	**137,258,187**	**–**	**218,818**	2,358,753	73,975,515	279,710
Deposits and current account repaid during the period	**(1,027,153)**	**(73,448,475)**	**(60,703)**	(1,455,921)	(833,368)	(337,971)
Deposits and current accounts, ending of the period, 31 December 2007	**137,265,803**	**–**	**354,674**	1,034,769	73,448,475	196,559
Interest expense on deposits	**1,569,591**	**–**	**20,679**	34,310	8,814	8,587
Net losses from derivative transactions	**(2,646,774)**	**–**	**–**	–	–	–
Commitments and guarantees issued	**–**	**–**	**6,015**	–	3,703	–
Commitments and guarantees received	**–**	**–**	**271,778**	–	634,550	14,834

(Thousands of Kazakh tenge)

29. Related party disclosures (continued)

Salaries and other social security benefits paid to five members of the Board of Directors and six members of the Management Board for 2007 were KZT 443,525 (2006: KZT 328,652).

Related party transactions were effected at the following terms:

2007

	Rate of interest, %	*Maturity*
Loans:		
Management	**10.0-14.0**	**2008-2027**
Shareholders	**15.0**	**2008-2010**
Deposits:		
Management	**6.5-11.4**	**2008-2017**
Shareholders	**2.8-11.0**	**2008-2012**

2006

	Rate of interest, %	*Maturity*
Loans:		
Management	10.0-14.0	2007-2020
Shareholders	10.0-15.0	2007-2010
Deposits:		
Management	2.82-11.2	2007-2016
Shareholders	2.86-8.72	2007-2008

Subsidiaries

The consolidated financial statements include the following subsidiaries:

	Holding, %					
Subsidiary	*31 December 2007*	*31 December 2006*	*Country*	*Year of incorporation*	*Industry*	*Year of acquisition*
JSC ATF Finance	**100.0%**	–	Kazakhstan	2007	Investments	2007
LLP ATF Inkassatsiya	**100.0%**	–	Kazakhstan	2007	Cash collection	2007
CJSC Bank Sibir	**100.0%**	100.0%	Russia	1992	Banking	2005
ATF Capital B.V.	**100.0%**	100.0%	The Netherland	2006	SPE	2006
OJSC ATFBank - Kyrgyzstan	**94.2%**	94.2%	Kyrgyzstan	1991	Banking	2005
JSC Open Accumulating Pension Fund Otan	**83.1%**	61.9%	Kazakhstan	2001	Pension fund	2006
OJSC Sohibkorbank	**75.1%**	–	Tajikistan	1999	Banking	2007
JSC Insurance Company ATF Policy	**–**	100.0%	Kazakhstan	1999	Insurance	1999

In September 2007 the Bank sold its subsidiary, JSC ATF Policy to Allianz Group for KZT 3,638,400.

In July 2007 the Bank established a new wholly owned subsidiary, LLP ATF Inkassatsiya, providing cash transportation services.

In May 2007 the Bank established a new wholly owned subsidiary, JSC ATF Finance, providing investment services.

Special purpose entities

In April 2006 the Bank established a wholly owned special purpose entity ("SPE") ATF Capital B.V. SPE was created for the purpose of issuing Eurobonds.

The Bank consolidates special purpose entities that it controls. A judgment is made about the Bank's exposure to the risks, rewards and its ability to make operational decisions in assessing and determining Bank's control over such special purpose entities.

30. Events after the balance sheet date

In March 2008 the Bank issued 1,156,656 common shares at KZT 10 per share.