Joint Stock Company Zaman-Bank

Financial Statements
For the year ended 31 December 2006

and Independent Auditors' Report

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JOINT STOCK COMPANY ZAMAN-BANK

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

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

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

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

Management is also responsible for:

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

The financial statements for the year ended 31 December 2006 were authorized for issue on 25 January 2007 by the Management Board of the Bank.

On behalf of the Management Board:

Gupalo E.A.	**Seitova R.S.**
Chairwoman	**Chief Accountant**
29 March 2007	29 March 2007
Ekibastuz	Ekibastuz

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Joint Stock Company Zaman-Bank (the "Bank"), which comprise the balance sheet as at 31 December 2006, and the income statement, statements of changes in equity and 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 of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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 financial statements present fairly, in all material respects the financial position of Bank as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Nurlan Bekenov
Sertified auditor of the Republic of Kazakhstan
General Director
Deloitte, LLP

29 March 2007
Almaty

JOINT STOCK COMPANY ZAMAN-BANK

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006
(in thousands tenge)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
Interest income	4, 19	140,256	145,670
Interest expense	4	(6,491)	(8,883)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		133,765	136,787
Provision for impairment losses on interest bearing assets	5	(4,617)	(38,129)
NET INTEREST INCOME		129,148	98,658
Net gain on foreign exchange operations	6	7,220	2,841
Fee and commission income	7, 19	20,460	11,316
Fee and commission expense	7	(1,678)	(1,577)
Net loss on investments available-for-sale		(44)	(8)
Other income		44	154
NET NON-INTEREST INCOME		26,002	12,726
OPERATING INCOME		155,150	111,384
OPERATING EXPENSES	8, 19	(67,578)	(64,511)
OPERATING PROFIT		87,572	46,873
Provision for impairment losses on other transactions	5	(3)	-
Provision for impairment losses on guaranties and other off balance liabilities	5	(30,303)	-
PROFIT BEFORE INCOME TAX		57,266	46,873
Income tax expense	9	(17,110)	(14,040)
NET PROFIT		40,156	32,833

On behalf of the Management Board:

Gupalo E.A.
Chairwoman

25 January 2007
Ekibastuz

Seitova R.S.
Chief Accountant

25 January 2007
Ekibastuz

The notes on pages 9-32 form an integral part of these financial statements. The Independent Auditors' Report is presented on pages 2-3.

JOINT STOCK COMPANY ZAMAN-BANK

BALANCE SHEET
AS AT 31 DECEMBER 2006
(in thousands tenge)

	Notes	31 December 2006	31 December 2005
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	10	96,758	59,182
Due from banks	11	34,889	74,934
Loans to customers	12, 19	1,117,169	1,044,553
Investments available-for-sale	13	49,939	84,884
Property, equipment and intangible assets	14	15,647	16,203
Deferred income tax assets	9	-	22
Other assets		985	838
TOTAL ASSETS		1,315,387	1,280,616
LIABILITIES AND EQUITY			
LIABILITIES:			
Customer accounts	15, 19	82,072	240,282
Provisions	5	30,303	-
Deferred income tax liabilities	9	95	-
Other liabilities	10	6,954	4,867
Total liabilities		119,424	245,149
EQUITY:			
Share capital	17	1,005,000	884,631
Investments available-for-sale fair value reserve		(40)	(11)
Retained earnings		191,003	150,847
Total equity		1,195,963	1,035,467
TOTAL LIABILITIES AND EQUITY		1,315,387	1,280,616

On behalf of the Management Board:

Gupalo E.A.	**Seitova R.S.**
Chairwoman	**Chief Accountant**
25 January 2007	25 January 2007
Ekibastuz	Ekibastuz

The notes on pages 9-34 form an integral part of these financial statements. The Independent Auditors' Report is presented on pages 2-3

JOINT STOCK COMPANY ZAMAN-BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006
(in thousands tenge)

	Share capital	Investments available-for-sale fair value reserve	Retained earnings	Total equity
31 December 2004	884,631	-	118,014	1,002,645
Net profit	-	-	32,833	32,833
Loss on revaluation of investments available-for-sale	-	(11)	-	(11)
31 December 2005	884,631	(11)	150,847	1,035,467
Share capital increase of ordinary shares	120,369	-	-	120,369
Net profit	-	-	40,156	40,156
Loss on revaluation of investments available-for-sale	-	(29)	-	(29)
31 December 2006	1,005,000	(40)	191,003	1,195,963

On behalf of the Management Board:

Gupalo E.A. **Chairwoman**	**Seitova R.S.** **Chief Accountant**
25 January 2007 Ekibastuz	25 January 2007 Ekibastuz

The notes on pages 9-34 form an integral part of these financial statements. The Independent Auditors' Report is presented on pages 2-3.

JOINT STOCK COMPANY ZAMAN-BANK

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2006
(in thousands tenge)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		57,266	46,873
Adjustments for:			
Provision for impairment losses on interest bearing assets	5	4,617	38,129
Provision for impairment losses on other transactions	5	3	-
Provision for impairment losses on guarantees and other off balance liabilities	5	30,303	-
Unrealized gain and amortization of discounts on investments available- for-sale		(278)	(248)
Unrealized loss on foreign exchange operations		118	-
Depreciation and amortization	8	3,199	3,182
Change in interest accruals, net		3,654	(3,622)
Loss on sale of fixed assets and intangible assets		60	2
Cash flow from operating activities before changes in operating assets and liabilities		98,942	84,316
Changes in operating assets and liabilities			
Decrease in operating assets:			
Due from banks		42,026	55,270
Loans to customers		(80,872)	(112,086)
Other assets		(175)	(471)
(Decrease) /increase in operating liabilities:			
Customer accounts		(158,210)	83,782
Other liabilities		2,087	1,284
Cash (outflow)/inflow from operating activities before taxation		(96,202)	112,095
Income tax paid		(16,968)	(13,468)
Net cash (outflow)/inflow from operating activities		(113,170)	98,649
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(2,703)	(5,373)
Proceeds on sale of property, equipment and intangible assets		-	91
Net proceeds on sale of investments available-for-sale		35,194	(84,647)
Net cash inflow/(outflow) from investing activities		32,491	(89,929)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2006
(in thousands tenge)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary share capital		120,369	-
Net cash inflow from financing activities		120,369	-
Effect of changes in foreign exchange rate on cash and cash equivalent		(10)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		39,690	8,698
CASH AND CASH EQUIVALENTS, beginning of year	10	62,255	53,557
CASH AND CASH EQUIVALENTS, end of year	10	101,935	62,255

Interest paid and received by the Bank in cash during the year ended 31 December 2006 amounted to KZT 6,491 thousand and KZT 139,080 thousand, respectively.

Interest paid and received by the Bank in cash during the year ended 31 December 2005 amounted to KZT 8,883 thousand and KZT 140,840 thousand, respectively.

On behalf of the Management Board:

Gupalo E.A.
Chairwoman

25 January 2007
Ekibastuz

Seitova R.S.
Chief Accountant

25 January 2007
Ekibastuz

The notes on pages 9-34 form an integral part of these financial statements. The Independent Auditors' Report is presented on pages 2-3.

(in thousands tenge)

1. ORGANISATION

Zaman-Bank (the "Bank") is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 1991. The Bank is regulated by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "Supervisory agency") and conducts its business under license number 11 issued on 06 October 2006.

The Bank's primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at 111A Lenin Avenue, Ekibastuz, 141206, the Republic of Kazakhstan.

As at 31 December 2006 the Bank has 1 branch operating in Almaty.

The number of employees of the Bank as of 31 December 2006 and 2005 was 37 and 35, respectively.

As of 31 December 2006 and 2005, the following shareholders owned the outstanding shares.

Shareholder	**31 December 2006, %**	**31 December 2005, %**
Abguzhinov B.S.	14.5%	16.5%
Kuanyshev A.V.	10.0%	9.5%
Gabdullin S.A.	9.7%	9.5%
Abguzhinov A.T.	7.1%	0.0%
Pavlishev V.N.	4.9%	5.6%
Kashaganov B.Z.	4.9%	0.0%
Kalivina G.V.	4.0%	4.6%
Duginov V.A.	3.7%	4.2%
Ryabikov V.E.	4.0%	4.5%
Voronov A.S.	3.5%	4.0%
Temirgaliev Z.K.	3.5%	4.0%
Other shareholders (individually hold less than 4%)	30.2%	37.8%
Total	100.00	100.00

These financial statements were authorized for issue by the Management Board of the Bank on 25 January 2007.

2. BASIS OF PRESENTATION

Accounting basis

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

These financial statements are presented in thousand of Kazakhstani tenge (KZT), unless otherwise indicated. These financial statements have been prepared under the historical cost conversion, except for the measurement at fair value of certain financial instruments

The Bank maintains its accounting records in accordance with Kazakhstani law. These financial statements have been prepared from the Kazakhstani statutory accounting records and have been adjusted to conform with IFRS. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Key assumptions

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

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 period include:

	31 December 2006	31 December 2005
Loans to customers	1,117,169	1,044,553
Investments available-for-sale	49,939	84,884

Loans to customers and investments available-for-sale are measured at amortized cost/cost less allowance for impairment losses. The estimation of allowance for impairment losses involves an exercise of judgment. It is impracticable to assess the extent of the possible effects of key assumptions or other sources of uncertainty on these balances at the balance sheet date.

Functional currency

The functional currency of these financial statements is Kazakhstani tenge (“KZT”).

3. SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

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

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

Cash and cash equivalents

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

Due from banks

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost based on expected maturities.

Repurchase and reverse repurchase agreements

The Bank enters into sale and purchase back agreements ("repos") and purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Bank as an element of its liquidity management and trading business.

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

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

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

Loans to customers

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

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the income statement according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

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

Allowance for impairment losses

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

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

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

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

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity and interest income accrued. The Bank uses quoted market prices to determine the fair value for the Bank's investments available-for-sale. If the market for investments is not active, the Bank establishes fair value by using a valuation technique. Dividends received are included in dividend income and income statement.

Property, equipment and intangible assets

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

Depreciation of property, equipment and intangible assets is charged on the carrying value of property and equipment and is designed to allocate depreciable amount of asset on a systematic basis over its useful life. It is calculated on a straight line basis at the following annual prescribed rates:

Computers	28%
Other fixed assets	15%
Intangible assets	10%

The carrying amounts of property, equipment and intangible assets are reviewed by the Bank at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

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

Taxation

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

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

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

Deferred income tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

Deposits from customers

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

Provisions

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

Share capital

Share capital is recognized at cost.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared.

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.

Retirement and other benefit obligations

In accordance with the requirements of the Kazakhstani legislation, state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Bank does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan. In addition, the Bank has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

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

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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

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

Foreign currency translation

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

Rates of exchange

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

	31 December 2006	**31 December 2005**
Kazakhstan tenge / US dollar	127.00	133.77
Kazakhstan tenge / Euro	167.12	158.54
Kazakhstan tenge / Russian ruble	4.82	4.65

Offset of financial assets and liabilities

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

4. NET INTEREST INCOME

	Year ended 31 December 2006 KZT'000	Year ended 31 December 2005 KZT'000
Interest income		
Interest on loans to customers	139,501	145,290
Interest on debt securities	249	237
Interest on due to banks	506	143
Total interest income	140,256	145,670
Interest expense		
Interest on customer accounts	(6,491)	(8,883)
Total interest expense	(6,491)	(8,883)
Net interest income before provision for impairment losses on interest bearing assets	133,765	136,787

5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

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

	Loans to customers KZT'000	Guaranties and other liabilities KZT'000	Other assets KZT'000
31 December 2004	81,414	-	-
Provisions	38,129	-	-
31 December 2005	119,543	-	-
Provisions	4,617	30,303	3
Write-off of assets	(24,915)	-	-
31 December 2006	99,245	30,303	3

6. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2006 KZT'000	Year ended 31 December 2005 KZT'000
Dealing, net	6,805	3,082
Translation differences, net	415	(241)
Total net gain on foreign exchange operations	7,220	2,841

7. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2006 KZT'000	Year ended 31 December 2005 KZT'000
Fee and commission income on:		
Guarantee issuance	6,393	2,644
Cash operations	4,855	3,770
Transfer operations	4,716	2,478
Foreign exchange operations	3,470	1,496
Documentary operations	374	298
Other	652	630
Total fee and commission income	20,460	11,316
Fee and commission expense on:		
Transfer operations	909	715
Cash operations	749	825
Correspondent banks services	11	24
Other	9	13
Total fee and commission expense	1,678	1,577

8. OPERATING EXPENSES

	Year ended 31 December 2006 KZT'000	Year ended 31 December 2005 KZT'000
Staff costs and other payments	23,197	19,852
Rent expenses	12,905	12,905
Professional services	6,363	5,934
Communication expenses	4,716	6,556
Taxes, other than income tax	3,549	2,914
Security expenses	3,314	2,341
Depreciation and amortization	3,199	3,182
Other expenses on non-banking activity	2,553	2,582
Administrative expensess	2,430	2,363
Business trip expensess	863	1,915
Advertising and marketing costs	848	888
Cash collection expensess	779	563
Other	2,862	2,516
Total operating expenses	67,578	64,511

9. INCOME TAXES

The Bank provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Bank and its subsidiaries operate and which may differ from International Financial Reporting Standards. For the year ended at 31 December 2006 and 2005, income tax rate for the legal entities was 30% at the territory of Republic of Kazakhstan.

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

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

Temporary differences as at 31 December 2006 and 2005 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2006 and 2005 comprise:

	31 December 2006 KZT'000	**31 December 2005 KZT'000**
Deferred income tax assets:		
Fixed assets and intangible assets	-	18
Other assets	59	4
Total deferred income tax assets	59	22
Deferred income tax liabilities:		
Fixed assets and intangible assets	(98)	-
Loans to customers	(15)	-
Total deferred income tax liabilities	(113)	-
Net deferred income tax (liability)/asset	(95)	22

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

	Year ended 31 December 2006 KZT'000	**Year ended 31 December 2005 KZT'000**
Profit before income tax	57,266	46,873
Statutory tax rate	30%	30%
Tax at the statutory tax rate	17,180	14,062
Tax effect of permanent differences	47	(594)
Change in deferred income tax (liabilities)/ assets	(117)	572
Income tax expense	17,110	14,040
Current income tax expense	16,993	13,468
Deferred income tax expense	117	572
Income tax expense	17,110	14,040

	31 December 2006 KZT'000	**31 December 2005 KZT'000**
Deferred income tax (liabilities)/assets:		
Beginning of the year	22	594
Decrease in income tax liability for the period charged to profit	(117)	(572)
End of the year	(95)	22

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

	31 December 2006 KZT'000	31 December 2005 KZT'000
Cash	4,855	3,167
Balances with the National Bank of the Republic of Kazakhstan	91,903	56,015
Total cash and balances with the National Bank of the Republic of Kazakhstan	96,758	59,182

The balances with the National Bank of the Republic of Kazakhstan as at 31 December 2006 and 2005 include KZT 4,945 thousand and KZT 7,999 thousand, respectively, which represent the obligatory minimum reserve deposits with the National Bank of Kazakhstan of the Republic of Kazakhstan. The Bank is required to maintain the reserve balance at the National Bank of Kazakhstan of the Republic of Kazakhstan at all times. However the Bank has the right to use those reserves in case of meeting certain requirements.

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

	31 December 2006 KZT'000	31 December 2005 KZT'000
Cash and balances with the National Bank of the Republic of Kazakhstan	96,758	59,182
Due from banks in OECD countries	5,177	3,073
Total cash and cash equivalents	101,935	62,255

11. DUE FROM BANKS

	31 December 2006 KZT'000	31 December 2005 KZT'000
Correspondent accounts with other banks	9,886	9,915
Loans under reverse repurchase agreements	25,003	65,019
Total due from banks, net	34,889	74,934

Included in due from banks is accrued interest in the amount of KZT 5 thousand and KZT 20 thousand as at 31 December 2006 and 2005, respectively.

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

	31 December 2006 KZT'000		31 December 2005 KZT'000	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Notes of the National Bank of the Republic of Kazakhstan	25,003	26,328	-	-
Treasury notes issued by the Ministry of Finance	-	-	65,019	71,231
	25,003	26,328	65,019	71,231

12. LOANS TO CUSTOMERS

Loans to customers less allowance for impairment losses comprise:

	31 December 2006 KZT'000	31 December 2005 KZT'000
Loans to customers	1,216,414	1,164,096
Less allowance for impairment losses	(99,245)	(119,543)
Total loans to customers, net	1,117,169	1,044,553

As at 31 December 2006 and 2005 accrued interest income included in loans to customers amounted to KZT 1,171 thousand and KZT 4,810 thousand, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2006 and 2005 are disclosed in Note 5.

	31 December 2006 KZT'000	31 December 2005 KZT'000
Loans collateralized by inventories	691,771	448,892
Loans collateralized by equipment	255,963	237,481
Loans collateralized by real estate	213,738	164,411
Loans collateralized by mixed collateral	44,065	219,192
Loans collateralized by vehicles	9,980	9,728
Loans collateralized by guarantees	897	54
Loans collateralized by cash	-	84,338
	1,216,414	1,164,096
Less allowance for impairment losses	(99,245)	(119,543)
Total loans to customers, net	1,117,169	1,044,553

Analysis by sector:	31 December 2006 KZT'000	31 December 2005 KZT'000
Trade	1,002,510	866,152
Coal mining	97,751	97,751
Wooden goods manufacturing	44,065	70,000
Individuals	27,022	9,787
Construction and maintenance	12,700	2,100
Transport	12,600	28,150
Metal manufacturing	11,000	-
Food	7,733	-
Agriculture	1,033	36,580
Services	-	50,526
Sales and repair of vehicles	-	1,700
Other	-	1,350
	1,216,414	1,164,096
Less allowance for impairment losses	(99,245)	(119,543)
Total loans to customers, net	1,117,169	1,044,553

As at 31 December 2006 and 2005 the Bank provided loans to customers totaling KZT 137,955 thousand and KZT 139,500 thousand, respectively, which individually exceeded 10% of Bank's equity.

As at 31 December 2006 and 2005 loans to customers, included non accrual loans amounting to KZT 4,306 thousand and KZT 22,358 thousand, respectively.

13. INVESTMENTS AVAILABLE-FOR-SALE

	Interest to nominal %	31 December 2006 KZT'000	Interest to nominal %	31 December 2005 KZT'000
Notes issued by the National Bank of the Republic of Kazakhstan	1.50%-2.49%	49,939	1.50%-2.35%	84,884
Total investments available- for -sale		49,939		84,884

Investments available–for-sale represent notes issued by the National Bank of the Republic of Kazakhstan freely tradable on Kazakhstani market.

14. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Computers KZT'000	Other KZT'000	Intangible assets KZT'000	Total KZT'000
At cost				
31 December 2004	4,272	7,255	11,508	23,035
Additions	496	263	4,614	5,373
Transfers	50	(50)	-	-
Disposals	-	(101)	(223)	(324)
31 December 2005	4,818	7,367	15,899	28,084
Additions	1,524	1,179	-	2,703
Disposals	(210)	(191)	(69)	(470)
31 December 2006	6,132	8,355	15,830	30,317
Accumulated depreciation				
31 December 2004	2,795	3,283	2,852	8,930
Charge for the year	903	976	1,303	3,182
Disposals	-	(101)	(130)	(231)
31 December 2005	3,698	4,158	4,025	11,881
Charge for the year	878	937	1,384	3,199
Disposals	(208)	(156)	(46)	(410)
31 December 2006	4,368	4,939	5,363	14,670
Net book value				
31 December 2006	1,764	3,416	10,467	15,647
Net book value				
31 December 2005	1,120	3,209	11,874	16,203

15. CUSTOMER ACCOUNTS

	31 December 2006 KZT'000	31 December 2005 KZT'000
Repayable on demand	81,477	136,720
Customers deposits	595	103,562
Total customer accounts	82,072	240,282

As at 31 December 2005 customer accounts amounting to KZT 88,100 thousand were held as collateral against the loans to customers.

Analysis of customer accounts by industry:

	31 December 2006 KZT'000	31 December 2005 KZT'000
Trade	36,639	113,214
Coal mining industry	19,027	17,923
Machinery and equipment production	17,022	-
Construction	3,753	1,471
Individuals	1,596	88,975
Medicine	1,437	-
Services	1,221	2,473
Agriculture	140	49
Other	1,237	16,177
Total customer accounts	82,072	240,282

16. OTHER LIABILITIES

	31 December 2006 KZT'000	31 December 2005 KZT'000
Accrued audit and consulting expenses	5,500	3,605
Taxes payable, other than income tax	885	832
Settlements with employees	156	11
Other operating expenses	154	157
Accrued operating expenses	77	111
Other	182	151
Total other liabilities	6,954	4,867

17. SHARE CAPITAL

As of 31 December 2006 and 2005 authorized, of issued and fully paid share capital comprised 1,000,000 and 880,230 ordinary shares with par value KZT 1,005 each. All ordinary shares are ranked equally and carry one vote. No dividends were paid in 2006 and 2005.

18. FINANCIAL COMMITMENTS AND CONTINGENCIES

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

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

The Bank uses the same credit policy in undertaking off-balance sheet commitments as it does for on-balance instruments.

As at 31 December 2006 and 2005 provision for losses on letters of credit and guarantees amounted to KZT 33,303 thousand and KZT 0, respectively.

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

As at 31 December 2006 and 2005, the nominal or contract amounts and risk-weighted amounts of instruments with off balance sheet risk according to the credit risk group were as follows:

	31 December 2006 KZT'000		31 December 2005 KZT'000	
	Nominal amount	**Risk weighted amount**	**Nominal amount**	**Risk weighted amount**
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	151,515	151,515	160,600	160,600
Commitments on loans and unused credit lines	19,166	3,833	14,244	2,849
Total contingent liabilities and credit commitments	170,681	155,348	174,844	163,449

Capital commitments

The Bank had no material capital commitments as at 31 December 2006 and 2005.

Operating lease commitments

The Bank's future minimum operating lease payments under non cancelable operating leases of buildings as at 31 December 2006 and 2005 are as follows:

	31 December 2006 KZT'000	31 December 2005 KZT'000
Within 1 year	8,705	8,705
Between 1 year and 5 years	4,200	4,200
Total operating lease commitments	12,905	12,905

Operating environment

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

Legal proceedings

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

Taxes

Due to the presence in Kazakhstan commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Bank's business activities was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest. Such uncertainty may relate to the valuation of financial instruments, loss and impairment provisions and the market level for the pricing of deals. The Bank's management believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans

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

19. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

(a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank. (This includes holding companies, subsidiaries and fellow subsidiaries);

(b) Associates – enterprises in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;

(c) Individuals owning, directly or indirectly, an interest in the voting power of the Bank that gives them significant influence over the Bank;

(d) Key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Bank, including directors and officers of the Bank (also non-executive directors and close members of the families of such individuals);

(e) Enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such a person is able to exercise significant influence. This includes enterprises owned by directors or major shareholders of the Bank and enterprises that have a member of key management in common with the Bank;

(f) Parties with joint control over the Bank;

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

	31 December 2006 KZT'000		31 December 2005 KZT'000	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers	83,141	1,216,414	242,931	1,164,096
Allowance for impairment losses	50	99,245	20	119,543
Customer accounts	20,607	82,072	96,645	240,282

	Year ended 31 December 2006 KZT'000		Year ended 31 December 2005 KZT'000	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:				
Staff costs and other payments	9,364	23,197	6,748	19,852
	9,364	23,197	6,748	19,852

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

	Year ended 31 December 2006 KZT'000		Year ended 31 December 2005 KZT'000	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	10,679	140,256	12,423	145,670
-related companies	10,679	-	12,269	-
- directors	-	-	154	-
Fee and commissions	-	20,460	1,746	11,316
-related companies	-	-	1,746	-
Operating expenses	6,901	67,578	6,000	64,511
-related companies	6,901	-	6,000	-

All operations with related parties maintained by the Bank during the years ended 31December 2006 and 2005, mainly, was conducted during the general activity and under the conditions of the similar conditions of maintenance the operation with the third party.

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

	31 December 2006 KZT'000		31 December 2005 KZT'000	
	Carrying value KZT'000	Fair value KZT'000	Carrying value KZT'000	Fair value KZT'000
Cash and balances with National Bank of the Republic of Kazakhstan	96,758	96,758	59,182	59,182
Due from banks	34,889	34,889	74,934	74,934
Loans to customers	1,117,169	1,117,169	1,044,553	1,044,553
Investments available-for-sale	49,939	49,939	84,884	84,884
Customer accounts	82,072	82,072	240,282	240,282

21. REGULATORY MATTERS

The following non-IFRS quantitative measures are established by regulation to ensure capital adequacy. The Bank is required to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk-weighted assets.

Capital is calculated as the amount of restricted and free components of the shareholders' capital and the Bank's provisions for the principal risks on condition that the general provision for losses does not exceed 1.25% of the risk weighted assets.

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

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

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

	Actual amount KZT'000	For capital adequacy purposes KZT'000	Ratio for capital adequacy purposes %	minimum required ratio %
As of 31 December 2006				
Total capital	1,195,96	1,195,96	87.87	8
Tier 1 capital	1,155,84	1,155,84	87.87	4
As of 31 December 2005				
Total capital	1,035,46	1,035,46	83.65	8
Tier 1 capital	1,035,47	1,035,48	83.65	4

22. RISK MANAGEMENT POLICIES

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

The Bank manages the following risks:

Liquidity risk

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

The following table presents an analysis of interest rate risk and liquidity risk on the balance sheet. Interest bearing assets and liabilities generally have relatively short maturities and interest rates are reprised only at maturity.

	Up to 1 month KZT'000	1-3 month KZT'000	3 month – 1 year KZT'000	1 year - 5 year KZT'000	Over 5 years KZT'000	Maturity undefined KZT'000	2006 year Total KZT'000
ASSETS							
Due from banks	34,889	-	-	-	-	-	34,889
Loans to customers	40,078	105,885	619,966	297,919	53,321	-	1,117,169
Investments available-for-sale	49,939	-	-	-	-	-	49,939
Total interest bearing assets	124,906	105,885	619,966	297,919	53,321	-	1,201,997
Cash and balances with National Bank of the Republic of Kazakhstan	96,758	-	-	-	-	-	96,758
Property, equipment and intangible assets	-	-	-	-	-	15,647	15,647
Other assets	985	-	-	-	-	-	985
TOTAL ASSETS	222,649	105,885	619,966	297,919	53,321	15,647	1,315,387
LIABILITIES							
Customer accounts	595	-	-	-	-	-	595
Total interest bearing liabilities	595	-	-	-	-	-	595
Customer accounts	81,477	-	-	-	-	-	81,477
Provisions	-	-	30,303	-	-	-	30,303
Deferred income tax liabilities	-	-	-	-	-	95	95
Other liabilities	569	6,385	-	-	-	-	6,954
TOTAL LIABILITIES	82,641	6,385	30,303	-	-	95	119,424
Liquidity gap	140,008	99,500	589,663	297,919	53,321	15,552	
Interest sensitivity gap	124,311	105,885	619,966	297,919	53,321		
Cumulative interest sensitivity gap	124,311	230,196	850,162	1,148,081	1,201,402		
Cumulative interest sensitivity gap as a percentage of total assets	9.5%	17.5%	64.6%	87.3%	91.3%		

	Up to 1 month KZT'000	1-3 month KZT'000	3 month – 1 year KZT'000	1 year - 5 year KZT'000	Over 5 years KZT'000	Maturity undefined KZT'000	2005 year Total KZT'000
ASSETS							
Due from banks	74,934	-	-	-	-	-	74,934
Loans to customers	-	-	509,483	512,712	22,358	-	1,044,553
Investments available-for-sale	84,884	-	-	-	-	-	84,884
Total interest bearing assets	159,818	-	509,483	512,712	22,358	-	1,204,371
Cash and balances with National Bank of the Republic of Kazakhstan	59,182	-	-	-	-	-	59,182
Property, equipment and intangible assets	-	-	-	-	-	16,203	16,203
Deferred income tax assets	22	-	-	-	-	-	22
Other assets	838	-	-	-	-	-	838
TOTAL ASSETS	219,860	-	509,483	512,712	22,358	16,203	1,280,616
LIABILITIES							
Customer accounts	419	-	103,143	-	-	-	103,562
Total liabilities bearing interest	419	-	103,143	-	-	-	103,562
Customer accounts	136,720	-	-	-	-	-	136,720
Other liabilities	4,867	-	-	-	-	-	4,867
TOTAL LIABILITIES	142,006	-	103,143	-	-	-	245,149
Liquidity gap	77,854	-	406,340	512,712	22,358	16,203	
Interest sensitivity gap	159,399	-	406,340	512,712	22,358		
Cumulative interest sensitivity gap	159,399	159,399	565,739	1,078,451	1,100,809		
Cumulative interest sensitivity gap as a percentage of total assets	12.4%	12.4%	44.2%	84.2%	86.0%		

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The following table presents an analysis of interest rate risk and thus the potential of the Bank for gain or loss (IFRS 32 par. 58). Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Bank.

	31 December 2006 %				31 December 2005 %			
	KZT	**USD**	**EUR**	**RUR**	**KZT**	**USD**	**EUR**	**RUR**
ASSETS:								
Due from banks	-	0.2-0.4	0.2-0.4	0.03	1-5	0.2-0.4	0.2-0.4	0.03
Investments available-for-sale	1.5-2.49	-	-	-	1.5-2.35	-	-	-
Loans to customers	5.5 - 20	-	-	-	4-22	-	-	-
LIABILITIES:								
Customer accounts	8-10	-	-	-	8-10	-	-	-

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	USD USD 1 = 127 KZT	EUR EUR 1 = 167.12 KZT	RUR RUR 1 = 4.82 KZT	2006 Total KZT'000
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	96,573	108	53	24	96,758
Due from banks	25,005	4,514	1,650	3,720	34,889
Loans to customers	1,117,169	-	-	-	1,117,169
Investments available-for-sale	49,939	-	-	-	49,939
Property, equipment and intangible assets	15,647	-	-	-	15,647
Other assets	985	-	-	-	985
TOTAL ASSETS	1,305,318	4,622	1,703	3,744	1,315,387
LIABILITIES					
Customer accounts	78,081	2,307	-	1,684	82,072
Provisions	30,303	-	-	-	30,303
Deferred income tax liabilities	95	-	-	-	95
Other liabilities	6,899	-	55	-	6,954
TOTAL LIABILITIES	115,378	2,307	55	1,684	119,424
NET BALANCE SHEET POSITION	1,189,940	2,315	1,648	2,060	

	KZT	USD USD 1 = 133.77 KZT	EUR EUR 1 = 158.54 KZT	RUR RUR 1 = 4.65 KZT	2005 Total KZT'000
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	57,170	1,714	122	176	59,182
Due from banks	65,020	2,932	194	6,788	74,934
Loans to customers	1,044,553	-	-	-	1,044,553
Investments available-for-sale	84,884	-	-	-	84,884
Property, equipment and intangible assets	16,203	-	-	-	16,203
Deferred income tax assets	22	-	-	-	22
Other assets	838	-	-	-	838
TOTAL ASSETS	1,268,690	4,646	316	6,964	1,280,616
LIABILITIES					
Customer accounts	240,282	-	-	-	240,282
Other liabilities	4,867	-	-	-	4,867
TOTAL LIABILITIES	245,149	-	-	-	245,149
NET BALANCE SHEET POSITION	1,023,541	4,646	316	6,964	

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to market risks of its products which are subject to general and specific market fluctuations. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Credit risk

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

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Limits on the level of credit risk by borrower are approved monthly by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily. In the case of most loans, the Bank obtains collateral and corporate guarantees.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

Geographical concentration

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

	Kazakhstan	CIS	OECD countries	31 December 2006 Total KZT'000
ASSETS				
Cash and balances with National Bank of the Republic of Kazakhstan	96,758	-	-	96,758
Due from banks	25,991	3,721	5,177	34,889
Loans to customers	1,117,169	-	-	1,117,169
Investments available-for-sale	49,939	-	-	49,939
Property, equipment and intangible assets	15,647	-	-	15,647
Other assets	985	-	-	985
TOTAL ASSETS	1,306,489	3,721	5,177	1,315,387
LIABILITIES				
Customers account	82,072	-	-	82,072
Provisions	30,303	-	-	30,303
Deferred income tax liabilities	95	-	-	95
Other liabilities	6,954	-	-	6,954
TOTAL LIABILITIES	119,424	-	-	119,424
NET BALANCE SHEET POSITION	1,187,065	3,721	5,177	

	Kazakhstan	CIS	OECD countries	31 December 2005 Total KZT'000
ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	59,182	-	-	59,182
Due from banks	65,072	6,789	3,073	74,934
Loans to customers	1,044,553	-	-	1,044,553
Investments available-for-sale	84,884	-	-	84,884
Property, equipment and intangible assets	16,203	-	-	16,203
Deferred income tax assets	22	-	-	22
Other assets	838	-	-	838
TOTAL ASSETS	1,270,754	6,789	3,073	1,280,616
LIABILITIES				
Customers account	240,282	-	-	240,282
Other liabilities	4,867	-	-	4,867
TOTAL LIABILITIES	245,149	-	-	245,149
NET BALANCE SHEET POSITION	1,025,605	6,789	3,073	