JOINT STOCK COMPANY ALLIANCE BANK

Consolidated Financial Statements
For the Year Ended 31 December 2007

and Independent Auditors' Report

JOINT STOCK COMPANY ALLIANCE BANK

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JOINT STOCK COMPANY ALLIANCE BANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the independent auditor's 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 consolidated financial statements of Joint Stock Company ("JSC") Alliance Bank and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the consolidated financial position of the Group as at 31 December 2007 the consolidated 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 consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS has been followed; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group 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 Group;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud and other irregularities.

The consolidated financial statements for the year ended 31 December 2007 was authorized for issue on 3 March 2008 by the Management Board of the Bank.

On behalf of the Management Board of the Bank:

Sultankulov E.A.	**Zhakanbayev R.S.**
Chairman of the Management Board	**Chief Accountant**
7 March 2008	7 March 2008
Almaty, Kazakhstan	Almaty, Kazakhstan

АЛЬЯНС БАНК
"АЛЬЯНС БАНК" АКЦИОНЕРЛІК ҚОҒАМЫ
АКЦИОНЕРНОЕ ОБЩЕСТВО "АЛЬЯНС БАНК"

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of JSC Alliance Bank and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2007 the consolidated income statement, the consolidated 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 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 financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

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

As discussed in note 39 the accompanying financial statements have been restated.

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

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

Nurlan Bekenov
General Director
Deloitte, LLP

7 March 2008
Almaty

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007

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

	Notes	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005
Interest income	4, 33	181,768	80,193	17,858
Interest expense	4, 33	(92,889)	(40,350)	(11,604)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS	4	88,879	39,843	6,254
Provision for impairment losses on interest bearing assets	5	(25,571)	(14,032)	(4,921)
NET INTEREST INCOME		63,308	25,811	1,333
Net gain on financial assets at fair value through profit or loss	6	14,367	1,833	353
Net gain on repurchase of liabilities	28	5,733	-	-
Net gain/(loss) on investments available-for-sale		108	3	(2)
Net (loss)/gain on foreign exchange operations	7	(9,049)	140	535
Fee and commission income	8, 33	12,629	6,019	2,942
Fee and commission expense	8, 33	(10,508)	(3,390)	(440)
Other income	9	2,323	853	846
NET NON-INTEREST INCOME		15,603	5,458	4,234
OPERATING INCOME		78,911	31,269	5,567
OPERATING EXPENSES	10, 33	(22,401)	(11,301)	(4,188)
Recovery of provision/(provision) for impairment losses on other transactions	5	79	(356)	(139)
OPERATING PROFIT BEFORE INCOME TAX		56,589	19,612	1,240
Income tax (expense)/benefit	11	(13,906)	(5,602)	356
NET PROFIT		42,683	14,010	1,596
Attributable to:				
Preference shareholders		1,512	1,280	49
Ordinary shareholders of the parent		41,171	12,730	1,547
EARNINGS PER SHARE				
Basic and diluted (KZT) *	12	4,780.19	4,201.23	903.71

*** As restated (see note 39)**

On behalf of the Management Board of the Bank:

Sultankulov E.A.
Chairman of the Management Board

7 March 2008
Almaty, Kazakhstan

Zhakanbayev R.S.
Chief Accountant

7 March 2008
Almaty, Kazakhstan

The notes on pages 10-76 are an integral part of these consolidated financial statements.

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007
(in Kazakhstani tenge and in millions)

	Notes	31 December 2007	31 December 2006	31 December 2005
ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	13	69,795	99,594	42,327
Financial assets at fair value through profit or loss	14	179,620	133,745	79,283
Reverse repurchase agreements	17	-	18,099	4,038
Investments available-for-sale	18	3,057	5,176	11,109
Investments held-to-maturity	19	-	43	463
Due from banks	15, 33	37,079	20,599	10,182
Loans to customers	16, 33	819,194	619,800	180,097
Deferred income tax assets	11	-	-	468
Current income tax assets		-	-	91
Other assets	21	21,137	10,912	2,519
Property, equipment and intangible assets	20	31,049	12,782	2,181
TOTAL ASSETS		1,160,931	920,750	332,758
LIABILITIES AND EQUITY				
LIABILITIES:				
Due to the National Bank of the Republic of Kazakhstan		5,569	2,000	6,000
Due to banks	23	292,565	321,185	93,669
Due to other financial institutions	24	48,533	25,174	987
Customer accounts	26, 33	241,817	245,261	138,083
Financial liabilities at fair value through profit or loss	22	6,280	18	-
Other financing	25	31,051	24,901	-
Repurchase agreements	27	6,357	44,444	6,261
Debt securities issued	28	328,265	139,249	53,488
Deferred income tax liabilities	11	1,554	1,100	-
Current income tax liabilities		1,860	912	-
Other liabilities	29, 33	3,307	3,854	889
Subordinated debt	30	34,798	32,614	5,349
Total liabilities		1,001,956	840,712	304,726
EQUITY:				
Share capital	31	96,380	60,013	24,904
Additional paid-in-capital		1,222	1,222	-
Investments available-for-sale fair value reserve		(33)	80	204
Property and equipment revaluation reserve		2,109	2,255	491
Retained earnings		59,297	16,468	2,433
Total equity		158,975	80,038	28,032
TOTAL LIABILITIES AND EQUITY		1,160,931	920,750	332,758

On behalf of the Management Board of the Bank:

Sultankulov E.A.
Chairman of the Management Board

7 March 2008
Almaty, Kazakhstan

Zhakanbayev R.S.
Chief Accountant

7 March 2008
Almaty, Kazakhstan

ҚАЗАҚСТАН РЕСПУБЛИКАСЫ АЛМАТЫ ҚАЛАСЫ
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РЕСПУБЛИКА КАЗАХСТАН г. АЛМАТЫ

The notes on pages 10-76 are an integral part of these consolidated financial statements.

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007
(in Kazakhstani tenge and in millions)

	Share capital	Additional paid-in-capital	Investments available-for-sale fair value reserve	Property and equipment revaluation reserve	Retained earnings	Total equity
31 December 2004	14,994	-	38	73	883	15,988
Gain on revaluation of property and equipment	-	-	-	421	-	421
Depreciation of property and equipment revaluation reserve	-	-	-	(3)	3	-
Gain on revaluation of investments available-for-sale	-	-	172	-	-	172
Gain transferred to income statement on sale of investments available-for-sale	-	-	(6)	-	-	(6)
Net income recognized directly in equity	-	-	166	418	3	587
Net profit	-	-	-	-	1,596	1,596
Total recognised income and expense	-	-	166	418	1,599	2,183
Dividends declared on preference shares	-	-	-	-	(49)	(49)
Share capital increase of ordinary shares	9,918	-	-	-	-	9,918
Purchase of treasury shares	(8)	-	-	-	-	(8)
31 December 2005	24,904	-	204	491	2,433	28,032
Gain on revaluation of property and equipment, net of deferred tax of KZT 766 million	-	-	-	1,789	-	1,789
Depreciation of property and equipment revaluation reserve	-	-	-	(25)	25	-
Gain transferred to income statement on sale of investments available-for-sale	-	-	(2)	-	-	(2)
Loss on revaluation of investments available-for-sale	-	-	(122)	-	-	(122)
Net income/(loss) recognized directly in equity	-	-	(124)	1,764	25	1,665
Net profit	-	-	-	-	14,010	14,010
Total recognised income and expense	-	-	(124)	1,764	14,035	15,675
Share capital increase of:						
- ordinary shares	35,601	-	-	-	-	35,601
- preference shares	3,508	858	-	-	-	4,366
Reclassification of preference shares to subordinated debt	(4,000)	364	-	-	-	(3,636)
31 December 2006	60,013	1,222	80	2,255	16,468	80,038

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2007

(in Kazakhstani tenge and in millions)

	Share Capital	Additional paid-in-capital	Investments available-for-sale fair value reserve	Property and equipment revaluation reserve	Retained earnings	Total equity
31 December 2006	60,013	1,222	80	2,255	16,468	80,038
Depreciation of property and equipment revaluation reserve	-	-	-	(146)	146	-
Loss transferred to income statement on sale of investments available-for-sale	-	-	2	-	-	2
Loss on revaluation of investments available-for-sale	-	-	(115)	-	-	(115)
Net income/(loss) recognized directly in equity	-	-	(113)	(146)	146	(113)
Net profit	-	-	-	-	42,683	42,683
Total recognised income and expense	-	-	(113)	(146)	42,829	42,570
Share capital increase of ordinary shares	36,367	-	-	-	-	36,367
31 December 2007	96,380	1,222	(33)	2,109	59,297	158,975

On behalf of the Management Board of the Bank:

Sultankulov E.A.
Chairman of the Management Board

7 March 2008
Almaty, Kazakhstan

Zhakanbayev R.S.
Chief Accountant

7 March 2008
Almaty, Kazakhstan

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The notes on pages 10-76 are an integral part of these consolidated financial statements.

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007
(in Kazakhstani tenge and in millions)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005
CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating profit before income tax		56,589	19,612	1,240
Adjustments for:				
Provision for impairment losses on interest bearing assets	5	25,571	14,032	4,921
(Recovery of provision)/provision for impairment losses on other transactions	5	(79)	356	139
Unrealized gain on derivative financial instruments		(12,020)	(2,198)	-
Unrealized (gain)/loss and amortization of premiums on securities		(2,439)	(1,110)	132
Amortization of discount on issued securities		452	235	92
(Gains)/losses on sales of investments available-for-sale		(108)	-	-
Net gain on derecognition of liabilities		(5,733)	-	-
Depreciation and amortization	10	2,238	696	271
Changes in interest accruals, net		8,865	(3,309)	(2,067)
Net gain on disposal of fixed assets		(30)	(2)	-
Unrealized loss on foreign exchange operations		10,748	1,033	134
Other non-cash items		215	-	-
Changes in operating assets and liabilities:				
Due from banks		(29,401)	3,832	(8,341)
Financial assets at fair value through profit or loss		(36,385)	(53,116)	(47,682)
Loans to customers		(230,201)	(445,771)	(127,303)
Reverse repurchase agreements		18,075	(14,040)	2,386
Other assets		(11,275)	(7,339)	(1,293)
Due to the National Bank of the Republic of Kazakhstan		3,569	(4,000)	2,000
Financial liabilities at fair value through profit or loss		6,262	18	
Due to banks		(24,195)	223,942	82,699
Due to other financial institutions		24,515	23,886	987
Other financing		6,104	24,901	-
Customer accounts		(1,702)	108,369	70,534
Repurchase agreements		(38,008)	38,060	(10,329)
Other liabilities		(130)	2,078	568
Net cash outflow from operating activities before taxation		(228,503)	(69,835)	(30,912)
Income tax paid		(12,504)	(3,797)	(87)
Net cash outflow from operating activities		(241,007)	(73,632)	(30,999)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, equipment and intangible assets	20	(20,624)	(8,950)	(1,018)
Proceeds from sale of property and equipment		149	212	23
Proceeds from/ (purchase of) non-current assets held for sale		793	(680)	(825)
Purchase of investments available-for-sale		-	(50)	(9,310)
Proceeds from sale of investments available-for-sale		2,197	5,770	3,755
Proceeds from maturity of investments held-to-maturity		43	414	793
Net outflow from investing activities		(17,442)	(3,284)	(6,582)

JOINT STOCK COMPANY ALLIANCE BANK

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007
(in Kazakhstani tenge and in millions)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from issue of ordinary share capital		36,367	35,601	9,918
Treasury shares purchased		-	-	(8)
Proceeds from debt securities issued		198,572	84,920	50,999
Repurchase of debt securities`issued		(22,293)	-	-
Proceeds from subordinated debt issued		1,206	27,810	1,445
Dividends paid		-	(49)	(60)
Net cash inflow from financing activities		213,852	148,282	62,294
Effect of changes in foreign exchange rate on cash and cash equivalents		1,395	151	32
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(43,202)	71,517	24,745
CASH AND CASH EQUIVALENTS, beginning of year	13	116,709	45,192	20,447
CASH AND CASH EQUIVALENTS, end of year	13	73,507	116,709	45,192

SUPPLEMENTARY INFORMATION:

Interest received and paid by the Group during the year ended 31 December 2007 amounted to KZT 175,650 million and KZT 77,906 million, respectively.

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

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

On behalf of the Management Board of the Bank:

Sultankulov E.A.
Chairman of the Management Board

7 March 2008
Almaty, Kazakhstan

АЛЬЯНС БАНК
"АЛЬЯНС БАНКІ" АКЦИОНЕРЛІК ҚОҒАМЫ
АКЦИОНЕРНОЕ ОБЩЕСТВО "АЛЬЯНС БАНК"

Zhakanbayev R.S.
Chief Accountant

7 March 2008
Almaty, Kazakhstan

The notes on pages 10-76 form an integral part of these consolidated financial statements.

(in Kazakhstani tenge and in millions, except per share data)

1. ORGANISATION

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

The registered address of JSC Alliance Bank's Head Office is 80, Satpayev St., 050046, Almaty, the Republic of Kazakhstan. JSC Alliance Bank's activity is regulated by the National Bank of the Republic of Kazakhstan ("NBRK") and the Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations ("FMSA"). JSC Alliance Bank conducts its business under the license No. 250 issued by FMSA on 24 January 2006 for performing operations in tenge and foreign currencies stipulated by the banking legislation.

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

Alliance Bank is a member of the Kazakhstan Deposits Insurance Fund ("KDIF"). The primary goal of the KDIF is to protect interests of depositors in the event of forcible liquidation of a member-bank. Depositors can receive limited insurance coverage for the deposit, which represents a maximum of KZT 700 thousand per deposit, depending on the amount of the deposit.

As at 31 December 2007, JSC Alliance Bank had 24 branches and 199 mini-branches in the Republic of Kazakhstan (as at 31 December 2006 - 21 branches and 162 mini-branches, as at 31 December 2005 – 16 branches and 56 mini-branches).

JSC Alliance Bank is the parent company of the banking group (together, the "Group") which consists of the following subsidiaries consolidated in the financial statements:

Name	Country of operation	Proportion or ownership interest/voting rights 2007	2006	Type of operation
ALB Finance B.V.	The Netherlands	100%	100%	Raising funds on international capital markets
LLP Alliance Finance	Russian Federation	100%	-	Raising funds on Russian capital markets

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

LLP Alliance Finance is a limited liability partnership and operates under laws of the Russian Federation since June 2007. The company was established for the primary purpose of raising funds for the Bank in the Russian capital market.

The following shareholders individually owned more than 5% of the issued shares:

Shareholders	31 December 2007 %	31 December 2006 %	31 December 2005 %
Ultimate shareholders:			
Margulan Seisembayev	18.93	25.32	10.89
Erlan Seisembayev	18.93	25.32	10.88
Askar Galin	18.93	25.31	10.88
Total ultimate shareholders	56.79	75.95	32.65
JSC Rakhat	-	-	9.80
Other (individually hold less than 5%)	43.21	24.05	57.55
Total	100.00	100.00	100.00

On 17 July 2007 the Bank announced the offer price for an initial public offering of its global depositary receipts ("GDRs"), which was set at USD 14.00 per GDR (the "Offer Price"). The offer comprised 50,283,000 GDRs, each representing one-thirtieth of a share for a total offer size of USD 704 million (excluding the over-allotment option of up to 7,542,000 GDRs, which were returned to and currently owned by Seimar Alliance Financial Corporation ("SAFC")). The offer is a secondary sale of existing common shares, representing in aggregate approximately 17.4% of the existing ordinary share capital of the Bank (excluding the over-allotment option). The shares offered were held by SAFC, the Bank's majority shareholder. No new capital has been raised as part of the offer.

These consolidated financial statements were authorized for issue by the Management Board of the Group on 3 March 2008.

2. BASIS OF PRESENTATION

Accounting basis

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

These consolidated financial statements are presented in millions of Kazakhstani Tenge ("KZT million"), unless otherwise indicated. These consolidated financial statements has been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments and measurement of buildings at revalued amounts according to International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement" and IAS 16 "Property, Plant and Equipment", respectively.

The Bank maintains its accounting records in accordance with Kazakhstani legislation, while its foreign subsidiaries maintain their accounting records in accordance with the requirements of the Netherlands and the Russian Federation, where the subsidiaries operate. These consolidated financial statements have been prepared based on accounting records of the Bank and the financial information of the foreign subsidiaries, which has been adjusted to conform to IFRS. Adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate consolidated financial statement classifications.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The reporting currency of these consolidated financial statements is the Kazakhstani Tenge.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with IAS 21 “The Effects of Changes in Foreign Exchange Rates” (“IAS 21”) and performs the following procedures:

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

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of 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 balances with the National Bank of the Republic of Kazakhstan

Cash and balances with the National Bank of the Republic of Kazakhstan include cash on hand and unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan.

For the purposes of determining cash flows, cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts and advances to banks with original maturities within 90 days. The minimum reserve deposits with the National Bank of the Republic of Kazakhstan are not subject to restrictions to its availability and therefore are included in cash and cash equivalents.

Due from banks

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

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss represent derivative instruments or securities (1) acquired principally for the purpose of selling them in the near future, (2) which are a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking or (3), which are designated by the Group at fair value through profit or loss upon initial recognition. A financial asset other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the consolidated income statement for the period. The Group does not reclassify financial instruments in or out of this category while they are held.

The Group enters into derivative financial instruments to manage currency and liquidity risks. These instruments include forwards on foreign currency, and securities. Derivative financial instruments entered by the Group are not designated as hedges and do not qualify for hedge accounting. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. 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 Net gain/loss from financial assets and liabilities at fair value through profit or loss in the consolidated income statement.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in the consolidated income statement. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Repurchase and reverse repurchase agreements

The Group enters into sale and repurchase agreements ("repos") and securities purchased under agreements to resell ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repos are retained in the consolidated balance sheet and consideration received under these agreements is recorded as collateralized deposit received within repurchase agreements on the consolidated balance sheet. The difference between the sale and repurchase prices is treated as interest expense in the consolidated income statement and accrued over the life of the repo agreement using the effective interest rate method.

The amounts related to securities purchased under agreements to resell are recorded in reverse repo agreements on the consolidated balance sheet. The difference between the purchase and resale prices is treated as interest income in the consolidated income statement and accrued over the life of the reverse repo agreement using the effective interest rate method.

The Group enters into repos and reverse repos under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in Kazakhstan and other CIS countries, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

Loans to customers

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

Loans to customers granted by the Group 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 consolidated income statement according to nature of the 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 the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated income statement in the period of recovery.

Allowance for impairment losses

Assets carried at amortized cost

The Group accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are 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.

Such impairment losses are not reversed, unless 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, such as recoveries, in which case the previously recognized impairment loss is reversed.

For financial assets carried at cost, impairment losses are 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.

Available-for-sale financial assets

If an available-for-sale asset is impaired, a consolidated amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is transferred from equity to the consolidated income statement. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognized in the consolidated income statement. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated income statement.

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 derecognized 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.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset’s cash flows; or (b) retains the right to the asset’s cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated balance sheet. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

Finance leases

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

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

The Group as lessor

The Group as a lessor presents finance leases as loans and initially measures them in the amount equal to net investment in the lease. Subsequently the recognition of finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the finance lease.

Before commencement date property and equipment purchased for future transfer to financial lease is recognized in the consolidated financial statements as property and equipment purchased to transfer to finance lease at cost.

The Group as lessee

At the commencement of the lease term, the Group as a lessee recognizes finance leases as assets and liabilities in its consolidated balance sheet at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. Subsequently, the minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability, so as to produce a constant periodic rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group's general policy on borrowing costs. Contingent rents are charged as expenses in the periods in which they are incurred. Depreciation of the lease property is charged in accordance with depreciation policy that is applied to property owned by the Group.

Investments held-to-maturity

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

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. Investments available-for-sale are initially recorded at fair value and subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity until sold when gain/loss previously recorded in equity recycles through the consolidated income statement, except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the consolidated income statement. When sold, the gain/loss previously recorded in equity is recycled through the consolidated income statement.

Dividends received on investments available-for-sale are included in dividend income in the consolidated income statement.

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

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

Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

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

Property, equipment and intangible assets

Property, equipment and intangible assets acquired after 1 January 2003 are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any. Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any.

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

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

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

The carrying amounts of property, equipment and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount.

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

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

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

Depreciation on revalued buildings is charged to the consolidated income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

Taxation

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

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated 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 Group's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred 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 tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

Due to banks and other financial institutions, other financing, customer accounts, debt securities issued and subordinated debt

Due to banks, customer accounts, debt securities issued and subordinated debt are initially recognized at fair value less transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Provisions

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

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group that provides for specified payments to be made in order to reimburse the holder for a loss it incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies

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

Share capital and additional paid-in-capital

Contributions to share capital are recognized at historic cost. Additional paid-in-capital represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury shares are charged or credited to additional paid-in-capital. 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 ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Preference shares

Preference shares which carry a mandatory dividend payment are classified as compound financial instruments in accordance with the substance of the contractual agreement and accordingly the liability and equity components are presented separately in the consolidated balance sheet. On initial recognition the fair value of the debt is equivalent to the present value of the mandatory dividend obligations over the term of the preferred share discounted at the market interest rate for a similar instrument that does not retain a residual benefit to discretionary dividends.

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

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the countries in which the Group operates, certain percentages of pension payments are withheld from total disbursement to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. Such expense is charged in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds as selected by employees. The Group does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan and countries where it operates. In addition, the Group 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 earned on assets at fair value is classified within interest income.

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

Foreign currency transactions

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). In preparing the financial statements of the individual entities, monetary assets and liabilities denominated in currencies other than the entity’s functional currency (foreign currencies) are translated at the appropriate spot rates of exchange rates prevailing at the balance sheet date. Transactions in currencies other than the functional currency 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 (loss)/gain on foreign exchange operations.

Rates of exchange

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

	31 December 2007	31 December 2006	31 December 2005
KZT/USD	120.30	127.00	133.77
KZT/EURO	177.17	167.12	158.54
KZT/RUR	4.92	4.82	4.65

Offset of financial assets and liabilities

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

Fiduciary activities

The Group provides trustee services to its customers. The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

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. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Group have been reported separately within these consolidated financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty. The Group's primary format for reporting segment information is based on the type of clients served by the Group: corporate or retail. Business activities that are not included in these two segments are classified as investment banking.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its consolidated financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and 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 Group uses management's judgment to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

The carrying amount of the allowance for impairment of loans and receivables is KZT 43,527 million, KZT 21,113 million and KZT 7,555 million as at 31 December 2007, 2006 and 2005, respectively.

Valuation of Financial Instruments

Financial instruments that are classified at fair value through profit or loss or available-for-sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not directly observable, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated income statement on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported on its balance sheet as well as its profit/(loss) could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Group's reported net profit.

The table below summarises the Group's trading portfolios and other assets and liabilities held at fair value by valuation methodology at 31 December 2007:

Balance sheet category		Quoted prices in active markets (in millions KZT)	Internal models based on market prices (in millions KZT)	Total category as per financial statements caption
Assets				
Trading assets	Debt securities	157,133	-	157,133
Derivative assets	Foreign currency contracts	851	20,301	21,152
	Securities contract	1,335	-	1,335
				179,620
Available-for-sale financial assets*	Debt securities	2,981	-	2,981
Liabilities				
Derivative liabilities	Foreign currency contracts	467	3,124	3,591
	Securities contracts	2,689	-	2,689
				6,280

* - the amount is reflected without the equity securities held at cost

The table below summarises the Group's trading portfolios and other assets and liabilities held at fair value by valuation methodology at 31 December 2006:

Balance sheet category		Quoted prices in active markets (in millions KZT)	Internal models based on market prices (in millions KZT)	Total category as per financial statements Caption
Assets				
Trading assets	Debt securities	131,529	-	131,529
Derivative assets	Foreign currency contracts	1,355	-	1,355
	Securities contract	861	-	861
				133,745
Available-for-sale financial assets *	Debt securities	5,100	-	5,100
Liabilities				
Derivative liabilities	Foreign currency contracts	18	-	18

* - the amount is reflected without the equity securities held at cost

The table below summarises the Group's trading portfolios and other assets and liabilities held at fair value by valuation methodology at 31 December 2005:

Balance sheet category		Quoted prices in active markets (in millions KZT)	Internal models based on market prices (in millions KZT)	Total category as per financial statements caption
Assets				
Trading assets	Debt securities	79,283	-	79,283
Available-for-sale financial assets *	Debt securities	11,033	-	11,033

* - the amount is reflected without the equity securities held at cost

Adoption of new and revised standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods ending on 31 December 2007. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Group's accounting policies that have affected the amounts reported for the current or prior years except for the effect of application of IFRS 7 "Financial Instruments: Disclosure" ("IFRS 7") and the amendments to IAS 1 "Capital Disclosures".

IFRS 7 replaces IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions" and the disclosure provisions in IAS 32 "Financial Instruments: Disclosure and Presentation". IFRS 7 requires disclosure of the significance of financial instruments for an entity's financial position and performance and of qualitative and quantitative information about exposure to risks arising from financial instruments. Adoption of IFRS 7 did not affect the classification and measurement of the Group's financial instruments in the consolidated financial statements. The required disclosures are included in these financial statements.

Amendment to IAS 1 – "Capital Disclosures" **-** On 18 August 2005, the IASB issued an amendment to IAS 1 which requires certain disclosures to be made regarding the entity's objectives, policies and processes for managing capital. Additional information was disclosed in the consolidated financials statements for the current and comparative reporting periods as required by amended IAS 1.

Standards and interpretations issued and not yet adopted

At the date of authorization of these consolidated financial statements, other than the Standards and Interpretations adopted by the Group in advance of their effective dates, the following Interpretations were in issue but not yet effective.

IFRS 8 – The IASB issued IFRS 8 "Operating Segments" in December 2006. This will replace IAS 14 "Segment Reporting" for accounting periods beginning on or after 1 January 2009. IFRS 8 requires segmental analysis reported by an entity to be based on information used by management. Management is currently assessing the impact of the adoption of IFRS 8.

IAS 1 – The IASB issued a revised IAS 1 "Presentation of Financial Statement" in September 2007. The amendments to the presentation requirements for financial statements are not expected to have a material effect on the Group. The standard is effective for accounting periods beginning on or after 1 January 2009.

Prior period reclassification

The Group is presenting in separate captions on the consolidated balance sheet transactions under repurchase and reverse repurchase agreements. In order to conform prior year's presentations with the current year, certain reclassifications have been made to the consolidated balance sheet as at 31 December 2006 and 2005 as follows:

31 December 2006

Balance sheet line item	**Amount**	**Balance sheet/Income statement line as per the previous report**	**Balance sheet/Income statement line as per current report**
Due from banks	(3,352)	23,951	20,599
Loans to customers	(14,747)	634,547	619,800
Reverse repurchase agreements	18,099	-	18,099
Due to banks	(41,820)	363,005	321,185
Other financing	24,901	-	24,901
Repurchase agreements	44,444	-	44,444
Customer accounts	(27,525)	272,786	245,261
Net gain financial assets at fair value through profit and loss	1,499	334	1,833
Net gain/(loss) gain on foreign exchange operations	3	-	3
Net (loss)/gain on foreign exchange operations	(1,502)	1,642	140

31 December 2005

Balance sheet line item	**Amount**	**Balance sheet/Income statement line as per the previous report**	**Balance sheet/Income statement line as per current report**
Due from banks	(56)	10,238	10,182
Loans to customers	(3,982)	184,079	180,097
Reverse repurchase agreements	4,038	-	4,038
Due to banks	(5,111)	98,780	93,669
Repurchase agreements	6,261	-	6,261
Customer accounts	(1,150)	139,233	138,083
Net gain on financial assets at fair value through profit or loss	87	266	353
Net gain/(loss)on investments available for sale	(2)	-	(2)
Net (loss)/gain on foreign exchange operations	(85)	620	535

4. NET INTEREST INCOME

	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005
Interest income comprises:			
Interest income on financial assets recorded at amortized cost:			
- interest income on impaired assets	72,231	30,226	5,148
- interest income on unimpaired assets	97,402	45,213	10,331
Interest income on financial assets at fair value through profit or loss	11,826	4,081	1,875
Interest on investments available-for-sale	309	673	504
Total interest income	181,768	80,193	17,858
Interest income on financial assets recorded at amortized cost comprises:			
Interest on loans to customers	166,785	74,609	14,946
Interest on loans and advances to banks	2,639	620	253
Interest income on reverse repurchase agreements	207	188	238
Interest on investments held-to-maturity	2	22	42
Total interest income on financial assets recorded at amortized cost	169,633	75,439	15,479
Interest income on financial assets at fair value through profit or loss:			
Interest income on financial assets held-for-trading	11,826	4,081	1,875
Total interest income on financial assets at fair value through profit or loss	11,826	4,081	1,875
Interest income on investments available-for-sale	309	673	504
Total interest income	181,768	80,193	17,858
Interest expense comprises:			
Interest on financial liabilities recorded at amortized cost	86,265	40,350	11,604
Interest expense on financial liabilities at fair value through profit or loss	6,624	-	-
Total interest expense	92,889	40,350	11,604
Interest expense on financial liabilities recorded at amortized cost comprise:			
Interest on debt securities issued	30,522	9,174	1,502
Interest on deposits from banks	27,914	14,381	2,027
Interest on customer accounts	17,775	12,226	7,477
Interest on subordinated debt	3,416	2,439	537
Interest on due to other financial institutions	3,372	1,249	14
Interest on other financing	2,329	272	-
Interest expense on reverse repurchase agreements	937	609	47
Total interest expense on liabilities recorded at amortized cost	86,265	40,350	11,604
Interest expense on financial liabilities at fair value through profit or loss	6,624	-	-
Total interest expense	92,889	40,350	11,604
Net interest income before provision for impairment losses on interest bearing assets	88,879	39,843	6,254

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

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

	Loans to customers
31 December 2004	2,606
Additional provision recognized	4,921
Write-off of assets	(39)
Recoveries of assets previously written off	67
31 December 2005	7,555
Additional provision recognized	14,032
Write-off of assets	(534)
Recoveries of assets previously written off	60
31 December 2006	21,113
Additional provision recognized	25,571
Write-off of assets	(3,229)
Recoveries of assets previously written off	72
31 December 2007	43,527

The movements in allowance for impairment losses on other transactions were as follows:

	Other assets	**Guarantees and other commitments**	**Total**
31 December 2004	23	46	69
Additional provision recognized	9	130	139
Write-off of assets	(10)	-	(10)
31 December 2005	22	176	198
Additional provision recognized	26	330	356
Write-off of assets	(3)	-	(3)
31 December 2006	45	506	551
Additional provision/(Recovery of provision) recognized	338	(417)	(79)
Write-off of assets	(29)	-	(29)
31 December 2007	354	89	443

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

Net gain on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2007	**Year ended 31 December 2006**	**Year ended 31 December 2005**
Net gain on financial assets at fair value through profit and loss comprise:			
Realized gain/(loss) on assets held-for-trading	23	(158)	238
Unrealized gain on assets held-for-trading	14,344	1,991	115
Total net gain on financial assets at fair value through profit and loss	14,367	1,833	353

7. NET (LOSS)/GAIN ON FOREIGN EXCHANGE OPERATIONS

Net (loss)/gain on foreign exchange operations comprises:

	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005
Dealing, net	1,699	1,278	571
Translation differences, net	(10,748)	(1,138)	(36)
Total net (loss)/gain on foreign exchange operations	(9,049)	140	535

8. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005
Fee and commission income:			
Cash operations and settlements	6,849	2,600	1,189
Lending operations	2,374	1,471	599
Documentary operations	2,175	1,028	609
Foreign currency and securities operations	618	473	242
Trust operations	80	76	78
Other	533	371	225
Total fee and commission income	12,629	6,019	2,942

	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005
Fee and commission expense:			
Insurance premium to related party	7,665	2,569	-
Collection services	1,518	32	-
Customer accounts services by financial agents	508	155	-
Settlement bank services	164	111	54
Plastic cards operations	139	193	20
Foreign currency and security operations	115	104	78
Eurobonds and loans	110	116	229
Documentary operations	64	58	4
Other	225	52	55
Total fee and commission expense	10,508	3,390	440

9. OTHER INCOME

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

10. OPERATING EXPENSES

	Year ended 31 December 2007	Year ended 31 December 2006	Year ended 31 December 2005
Staff costs	9,252	4,443	1,581
Depreciation and amortization	2,238	696	271
Operating lease	1,882	846	283
Advertising and marketing expenses	1,545	1,207	551
Taxes, other than income tax	1,407	642	266
Payments to Deposit Insurance Fund	1,081	195	98
Social tax	928	514	200
Repair and maintenance	707	435	109
Telecommunication expenses	487	311	102
Business development expenses	390	15	73
Consulting	296	245	59
Business trip and related expenses	263	186	105
Security service	254	114	45
Stationery	203	120	41
Buildings maintenance	184	97	49
Expenses on insurance	180	403	29
Legal services expenses	100	73	53
Other	1,004	759	273
Total operating expenses	22,401	11,301	4,188

11. INCOME TAX

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group operates which may differ from IFRS.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2007, 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 2007, 2006 and 2005 comprise:

	31 December 2007	31 December 2006	31 December 2005
Tax basis of deferred tax assets:			
Commission prepayments	-	-	1,493
Accrued interests on loans, written off	485	1,303	296
Total tax basis of deferred tax assets	485	1,303	1,789
Tax basis of deferred tax liabilities:			
Provision for impairment losses on loans and advances to banks and customers	(34)	(1,867)	-
Unrealized gains on revaluation of trading securities and derivatives	(1,439)	-	-
Property and equipment, accrued depreciation	(4,192)	(3,104)	(229)
Total tax basis of deferred tax liabilities	(5,665)	(4,971)	(229)
Net tax basis (liabilities)/assets	(5,180)	(3,668)	1,560
Net deferred tax (liabilities)/ assets at the statutory rate (30%)	(1,554)	(1,100)	468

Relationships between tax expenses and accounting profit for the periods ended 31 December 2007, 2006 and 2005 are explained as follows:

	Year ended 31 December 2007	**Year ended 31 December 2006**	**Year ended 31 December 2005**
Operating profit before income tax	56,589	19,612	1,240
Statutory tax rate	30%	30%	30%
Tax at the statutory tax rate	16,977	5,884	372
Tax effect of permanent differences:			
Tax-exempt interest income on mortgage loans and finance leasing	(2,382)	(812)	(348)
Tax-exempt interest income and other related income on state and other qualifying securities	(625)	(313)	(470)
Other non-taxable income	(260)	(8)	(134)
Non-deductible interest expense	17	456	80
Provisions on loans to related parties and financial leasing	20	-	-
Other non-deductible expenditures	159	395	144
	(3,071)	(282)	(728)
Income tax expense/(benefit)	13,906	5,602	(356)
Current income tax expense	13,452	4,800	112
Deferred income tax expense/ (income)	454	1,568	(468)
Deferred income tax through property revaluation reserve	-	(766)	-
Income tax expense/(benefit)	13,906	5,602	(356)

The tax rate used for the 2007, 2006 and 2005 reconciliations above is the corporate tax rate of 30 % payable by corporate entities in the Republic of Kazakhstan on taxable profit under tax law in that jurisdiction.

	31 December 2007	**31 December 2006**	**31 December 2005**
Deferred income tax assets/(liabilities)			
Beginning of the period	(1,100)	468	-
(Decrease)/ increase in income tax assets/(liabilities) for the period	(454)	(1,568)	468
End of the period	(1,554)	(1,100)	468

12. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year.

As described in Note 31, dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings:

	Year ended 31 December 2007	Year ended 31 December 2006*	Year ended 31 December 2005
Profit:			
Net profit for the year attributable to equity holders of the parent	42,683	14,010	1,596
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(1,512)	(1,280)	(49)
Earnings attributable to ordinary shareholders	41,171	12,730	1,547
Weighted average number of ordinary shares for purpose of basic and diluted earnings per share	8,612,843	3,030,063	1,711,841
Earnings per share – basic and diluted (KZT)	4,780.19	4,201.23	903.71

* As restated (see note 39)

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

	31 December 2007	31 December 2006	31 December 2005
Balance with the National Bank of the Republic of Kazakhstan, recorded as loans and receivables	49,097	85,030	36,612
Cash on hand	20,698	14,564	5,715
Total cash and balances with the National Bank of the Republic of Kazakhstan	69,795	99,594	42,327

Minimum reserve requirements are calculated as average balances of cash and balances with the National Bank of the Republic of Kazakhstan (“NBRK”) for 14 days including reporting date. The minimum reserve requirements have to cover a particular percentage of average balances of deposits and international borrowings for the same period of time in accordance with the requirements of the NBRK and amounted to KZT 71,400 million, KZT 56,663 million and KZT 20,563 million as of 31 December 2007, 2006 and 2005, respectively. The Group was in compliance with the NBRK requirements by maintaining an average balance with the NBRK and therefore was able to use the amounts without any restrictions.

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

	31 December 2007	31 December 2006	31 December 2005
Cash and balances with the National Bank of the Republic of Kazakhstan	69,795	99,594	42,327
Due from banks in Organisation for Economic Co-operations and Development (“OECD”) countries (Note 38)	3,712	17,115	2,865
Total cash and cash equivalents	73,507	116,709	45,192

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit at loss comprise:

	31 December 2007	31 December 2006	31 December 2005
Financial assets held-for-trading:			
Debt securities of central governments	135,70	100,88	67,27
Derivative financial instruments	22,48	2,21	-
Debt securities of financial institutions	18,39	26,11	9,85
Debt securities of corporates	3,03	4,53	2,15
Total financial assets at fair value through profit or loss	179,62	133,74	79,28

Financial assets held-for-trading comprise:

	31 December 2007		31 December 2006		31 December 2005	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities of central governments:						
Bonds of the Government of the United States of America	4.13	128,328	3.50-4.13	83,172	3.50-4.10	36,887
Bonds of the Ministry of finance of the Republic of Kazakhstan	3.35-6.40	6,879	3.35-8.20	6,295	3.80-7.00	6,201
Notes of the National Bank of the Republic of Kazakhstan	-	499	-	10,979	-	23,414
Euronotes of the Ministry of finance of the Republic of Kazakhstan	-	-	11.13	434	11.13	484
Bonds of the Government of Poland	-	-	-	-	6.00	129
Bonds of the Government of Germany	-	-	-	-	3.25	161
Total debt securities of central governments		135,706		100,880		67,276

	31 December 2007		31 December 2006		31 December 2005	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities of financial institutions:						
Bonds HSBK Europe BV	0.50-7.75	3,228	7.75	944	-	-
Bonds of JSC ATF Bank	8.13-9.80	2,509	8.13-10.90	2,814	8.13-8.50	1,476
Bonds of Kazkommerts International B. V.	5.13-8.50	2,355	5.13-8.50	2,719	9.00	741
Bonds of JSC BTA Mortgage	9.10-10.00	2,248	9.20-9.90	2,705	8.30-8.90	2,671
Bonds of JSC Kazakhstani Mortgage Company	4.90-7.50	1,944	4.90-7.50	1,106	7.50	105
Bonds of JSC Bank CenterCredit	9.00-12.00	1,868	8.50-10.00	2,236	7.00-9.40	1,669
Structural notes Societe Generale Acceptanci NV	10.00	1,287	-	-	-	-
Structural notes Bayerische Hypo und Vereinsbank	8.00	1,268	-	-	-	-
Bonds of JSC Sberbank Rossii	11.00	445	11.00	472	11.00	472
Bonds of TuranAlem Finance B.V.	8.00	312	8.00	393	10.00	142
Bonds of JSC Halyk Bank Kazakhstan	7.50	296	5.00-11.80	688	5.00-11.80	682
Bonds of JSC Temir Bank	9.75	251	-	-	-	-
Bonds of JSC Bank TuranAlem	12.00	245	7.00-10.50	8,262	9.90	297
Bonds of JSC Kazkommertsbank	8.00	141	8.00	135	8.00	144
Bonds of JSC HSBC	-	-	7.00	2,620	-	-
Bonds of JSC Nurbank	-	-	9.00	391	9.00	696
Bonds of JSC Banque Europeene D'Inves	-	-	4.63	629	4.60	672
Bonds of JSC ValutTransit Bank	-	-	-	-	9.00	89
Total debt securities of financial institutions		18,397		26,114		9,856

	31 December 2007		31 December 2006		31 December 2005	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities of corporates						
Bonds of JSC Ulbinsky Metallurgical Plant	8.25	1,501	8.25	1,500	8.25	100
Bonds of JSC Doszhan Temir Zholi	8.05	989	9.45	1,080	-	-
Bonds of JSC KazTransCom	8.00	390	8.00	433	8.00	435
Bonds of JSC KazPost	8.00	150	8.00	153	8.00	149
Bonds of JSC Kazakhstan Temir Zholi	-	-	6.50	1,037	-	-
Bonds of JSC KazAtomprom	-	-	8.50	332	8.5	341
Bonds of JSC Almaty Kus	-	-	-	-	10.00	1,126
Total debt securities of corporates		3,030		4,535		2,151

The derivatives are not designated in hedging relationships in any of the years presented. The notional amounts and fair value of derivatives outstanding at each balance sheet date is as follows:

		31 December 2007	
	Notional amount	Fair value Asset	Fair value Liability
Derivative financial instruments:			
Foreign currency contracts			
Forwards	26,559	851	(467)
Swaps	298,137	20,301	(3,124)
Securities contracts			
Forward	132,388	1,335	(2,689)
Total derivative financial instruments		22,487	(6,280)

		31 December 2006	
	Notional Amount	Fair value Asset	Fair value Liability
Foreign currency contracts			
Forwards	80,901	972	-
Swaps	3,430	383	-
Forward Rate Agreement (“FRA”)	360	-	(18)
Securities contracts			
Forward	73,928	861	-
Total derivative financial instruments		2,2[illegible]	(18)

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

As at 31 December 2007, 2006 and 2005 included in financial assets at fair value through profit or loss was accrued interest income amounting to KZT 603 million, KZT 594 million and KZT 381 million, respectively.

As at 31 December 2007 the significant concentrations of credit risk is represented by the bonds of the Government of the United States of America. The carrying amount reflected above represents the Group’s maximum exposure to credit risk for such loans and receivables.

15. DUE FROM BANKS

	31 December 2007	31 December 2006	31 December 2005
Recorded as loans and receivables:			
Short-term deposits to banks	29,533	324	4,680
Correspondent accounts with other banks	3,409	8,156	3,999
Long-term deposit to banks	3,022	1,794	30
Long-term loans to other banks	991	635	-
Overnight deposits to banks	124	9,690	1,473
Total due from banks	37,079	20,599	10,182

Included in due from banks is accrued interest of KZT 110 million, KZT 81 million and KZT 17 million as at 31 December 2007, 2006 and 2005, respectively.

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

As at 31 December 2006, 2005 and 2004 the maximum credit risk exposure on due from banks amounted to KZT 37,079 million, KZT 20,599 million and KZT 10,182 million, respectively.

16. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2007	31 December 2006	31 December 2005
Recorded as loans and receivables:			
Originated loans	851,968	632,876	184,8
Net investment in finance lease	10,753	8,037	2,830
	862,721	640,913	187,652
Less allowance for impairment losses	(43,527)	(21,113)	(7,555)
Total loans to customers	819,194	619,800	180,097

As at 31 December 2007, 2006 and 2005 accrued interest income included in loans to customers amounted to KZT 19,884 million, KZT 13,748 million and KZT 4,420 million, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2007, 2006 and 2005 are disclosed in Note 5.

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2007	31 December 2006	31 December 2005
Loans collateralized by real estate, equipment and inventories	452,153	311,645	112,454
Loans insured by related party	207,731	162,454	-
Loans collateralized by securities	35,449	9,272	8,272
Loans collateralized by transport vehicles	30,022	37,098	19,130
Uncollateralized consumer loans	21,588	602	14,564
Loans collateralized by goods	12,387	9,191	5,465
Loans collateralized by equipment	11,471	1,853	4,706
Finance lease	10,375	8,037	2,830
Loans collateralized by deposits	9,314	26,654	6,324
Loans collateralized by guarantees	4,009	22,260	5,418
Other	24,695	30,734	934
Total loans and advances to customers	819,194	619,800	180,097

The loans insured by related party are express consumer loans to individuals. The related party reinsured its insurance risk with an international reinsurance company. An insured event occurs when payments on express consumer loans are past due for the period greater than 180 days. When an insured event occurs the Bank provides all documents related to the relevant express consumer loans to the related party. The related party pays the Bank the insured amount which equals the principal loan amount plus interest accrued.

From 1 November 2007 new express consumer loans to individuals were not insured.

Customer concentration per economic sector is presented as follows:

	31 December 2007	31 December 2006	31 December 2005
Analysis by sector:			
Individuals	405,058	269,351	49,222
Services provided by small and medium entities	107,283	47,642	12,468
Construction	101,727	73,310	18,719
Wholesale	38,541	64,530	34,630
Real estate operations	23,486	29,169	13,667
Finance services	18,924	27,261	3,467
Paper manufacturing	18,374	18,563	7,295
Retail	16,093	13,625	4,743
Services related to oil and gas extraction	14,819	10,622	406
Transportation	13,561	15,729	14,897
Food	12,122	11,299	3,222
Finance lease	10,375	8,037	2,830
Metallurgy industry	10,108	-	2
Agriculture	4,968	4,599	3,649
Chemical industry	4,196	3,298	911
Entertainment and recreational activities	2,057	3,530	991
Coal mining	1,744	2,035	1,836
Mass media	1,719	1,424	1,223
Heavy industry	935	1,013	1,055
Production of metal goods	830	621	1,126
Post and Communications	626	736	612
Other	11,648	13,406	3,126
Total loans and advances to customers	819,194	619,800	180,097

Loans to individuals comprise the following products:

	31 December 2007	31 December 2006	31 December 2005
Consumer loans	227,366	162,554	15,902
Mortgage loans	64,473	34,675	10,119
Car credits	10,740	7,981	1,741
Other	102,479	64,141	21,460
Total loans to individuals	405,058	269,351	49,222

As at 31 December 2007 the Group had loans to JSC ExpoCenterAstana totaling KZT 20,105 million, as at 31 December 2006 the Group had loans to four customers totaling KZT 45,888 million and as at 31 December 2005 the Group had loans to five customers totaling KZT 23,490 million, which exceeded 10% of the Group's equity, individually and in aggregate.

As at 31 December 2007, 2006 and 2005 a maximum credit risk exposure of loans to customers amounted to KZT 862,721 million, KZT 640,913 million and KZT 187,652 million, respectively.

As of 31 December 2007, 2006 and 2005 the Group had loans originated in Almaty totaling KZT 500,357 million, KZT 382,982 million and KZT 128,444 million, respectively, which represent significant geographical concentration in this region forming 57.3 per cent, 60.2 per cent and 68.0 per cent of the loan portfolio, respectively.

The Bank's credit policy considers consumer loans to individuals which are overdue by more than 120 days and all other loans which are overdue by more than 90 days to be non-performing. Non-performing loans as at 31 December 2007, 2006 and 2005 amounted to KZT 32,693 million, KZT 7,653 million and KZT 2,363 million, respectively.

As at 31 December 2007, 2006 and 2005 loans to customers included loans in amount of KZT 432,240 million, KZT 135,959 million and KZT 63,639 million, respectively, that were individually determined to be impaired. As at 31 December 2007, 2006 and 2005 such loans were collateralized by real estate, securities, equipment and goods with a fair value of KZT 578,157 million, KZT 166 187 million and KZT 53,630 million, respectively.

During the years ended 31 December 2007, 2006 and 2005, the Group entered as a lessor into finance leasing agreement for equipment and non-production buildings for long-term period. The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted is 13.30% per cent per annum.

The components of net investment in finance lease as at 31 December 2007, 2006 and 2005 are as follows:

	31 December 2007	**31 December 2006**	**31 December 2005**
Not later than one year	4,427	3,188	1,017
Later than one year, but not later than five years	9,187	6,969	2,383
After five years	115	225	105
Total minimum lease payments	13,729	10,382	3,505
Less: unearned finance income	(2,976)	(2,345)	(675)
Net investment in finance lease	10,753	8,037	2,830
Minimum lease payments - current portion	3,127	2,161	995
Minimum lease payments - long-term portion	7,626	5,876	1,835
Net investment in finance lease	10,753	8,037	2,830

Material leasing arrangements were concluded with customers for purchases of vehicles and equipment, which represent the collateral for such arrangements.

17. REVERSE REPURCHASE AGREEMENTS

The carrying value of the loans and fair value of collateral under reverse repurchase agreements as at 31 December 2007, 2006 and 2005 are presented as follows:

	31 December 2007		**31 December 2006**		**31 December 2005**	
Collateral	**Carrying value of loans**	**Fair value of collateral**	**Carrying value of loans**	**Fair value of collateral**	**Carrying value of loans**	**Fair value of collateral**
Recorded as loans and receivables:						
Bonds of Kazakhstani companies	-	-	13,308	15,536	3,604	3,5
Bonds of banks	-	-	2,853	3,159	56	54
Bonds of the Ministry of finance of the Republic of Kazakhstan	-	-	1,439	1,585	378	429
Shares of banks	-	-	499	548	-	-
Total	-	-	18,099	20,828	4,038	4,0

As at 31 December 2006 and 2005 included in loans under reverse repurchase agreements was accrued interest amounting to KZT 24 million and KZT 2 million, respectively.

The Group entered into reverse repurchase agreements using the automated system of the Kazakhstan Stock Exchange (KASE) in accordance with the trading rules established by the KASE (the “Rules”). According to the Rules, the automated reverse repurchase transactions are concluded using open sale methods. For open sale methods the counterparty remained undefined, and all risks the Group undertook, including credit and settlement risks, remained with the KASE.

18. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2007		31 December 2006		31 December 2005	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Debt securities						
Bonds of the Ministry of finance of the Republic of Kazakhstan	6.10-6.44	972	6.09-6.44	1,064	5.7-6.09	1,444
JSC Kazakhstan Kagazi bonds	10.40	586	11.3	615	10.4	611
JSC ATF Bank bonds	8.5	390	8.5	420	8.5	417
JSC Kazakhstani Mortgage Company bonds	11.70-12.20	361	9-9.5	445	8.9-9.7	501
JSC Bank CenterCredit bonds	21	315	14.4	312	13.5	313
JSC Halyk Bank Kazakhstan Euronotes	8.13	248	8.13	272	8.1	291
JSC Nurbank bonds	9	100	9.0-9.9	321	8.3-9	278
JSC Bank TuranAlem bonds	9.9	9	10.7	9	9.9	10
Euronotes of the Ministry of finance of the Republic of Kazakhstan	-	-	11.13	1,336	11.13	1,490
JSC RG Brand bonds	-	-	10	265	10	269
JSC Development Bank of Kazakhstan bonds	-	-	8.5	41	8.5	43
KFW structural notes	-	-	-	-	7.1-8	5,366
		2,981		5,100		11,033
Equity securities	**Share %**	**Amount**	**Share %**	**Amount**	**Share %**	**Amount**
LLP First Credit Office	18.4	37	18.4	37	18.4	37
JSC Alliance Policy	5.4	27	5.4	27	5.4	27
JSC Processing Center	1.49	10	1.37	10	1.37	10
JSC Kazakhstan Stock Exchange	1.37	2	1.49	2	1.37	2
		76		76		76
Total investments available-for-sale		3,057		5,176		11,109

As of 31 December 2007, 2006 and 2005 included in investments available-for-sale was accrued interest income on debt securities amounting to KZT 67 million, KZT 99 million and KZT 104 million, respectively.

As at 31 December 2005 investments available-for-sale included KFW structural notes amounting to KZT 2,676 million pledged in loan agreements with Bayerische Hypo und Vereinsbank which matured in June 2006.

Equity securities are non-marketable and therefore held at cost, less impairment losses, in accordance with the Group's accounting policy.

19. INVESTMENTS HELD-TO-MATURITY

	31 December 2007		31 December 2006		31 December 2005	
	Nominal interest rate	Amount	Nominal interest rate	Amount	Nominal interest rate	Amount
Astana municipal bonds	-	-	8.5	43	8.5	45
Bonds of the Ministry of finance of the Republic of Kazakhstan	-	-	-	-	6.6-7.0	418
Total investments held-to-maturity		-		43		463

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

20. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Land and building	Computers	Vehicles	Construction in progress	Other	Intangible assets	Total
At cost							
At 31 December 2004	337	162	90	7	579	119	1,294
Additions	246	197	90	-	364	121	1,018
Revaluation	421	-	-	-	-	-	421
Disposals	(59)	(1)	(5)	(1)	(15)	-	(81)
At 31 December 2005	945	358	175	6	928	240	2,652
Additions	4,657	611	227	1,185	2,112	158	8,950
Revaluation	2,555	-	-	-	-	-	2,555
Disposals	(137)	(27)	(16)	(51)	(62)	(22)	(315)
At 31 December 2006	8,020	942	386	1,140	2,978	376	13,842
Additions	8,278	1,172	194	4,212	5,417	1,351	20,624
Disposals	(63)	(38)	(21)	(20)	(143)	-	(285)
At 31 December 2007	16,235	2,076	559	5,332	8,252	1,727	34,181
Accumulated depreciation and amortization							
At 31 December 2004	30	43	19	-	141	25	258
Charge for the year	10	49	18	-	161	33	271
Disposals	(40)	(1)	(1)	-	(16)	-	(58)
At 31 December 2005	-	91	36	-	286	58	471
Charge for the year	79	171	41	-	346	59	696
Disposals	(53)	(11)	(6)	-	(34)	(3)	(107)
At 31 December 2006	26	251	71	-	598	114	1,060
Charge for the year	445	411	75		1,130	177	2,238
Disposals	3	30	9		124	-	166
At 31 December 2007	468	632	137		1,604	291	3,132
Net book value							
At 31 December 2005	945	267	139	6	642	182	2,181
At 31 December 2006	7,994	691	315	1,140	2,380	262	12,782
At 31 December 2007	15,767	1,444	422	5,332	6,648	1,436	31,049

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

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

As at 31 December 2007, 2006 and 2005 included in property and equipment were fully depreciated equipment at cost of KZT 178 million, KZT 112 million and KZT 37 million, respectively.

Intangible assets include software, patents and licenses.

21. OTHER ASSETS

	31 December 2007	31 December 2006	31 December 2005
Unamortized insurance premium to related party	15,691	2,584	-
Debtors for capital investments	1,405	1,529	849
Tax settlements, other than income tax	1,147	847	118
Other services provided	727	1	4
Other transit accounts	725	141	89
Prepayments and other debtors	602	535	140
Other inventory	299	66	441
Prepaid expenses	262	194	730
Foreclosed assets	225	3,539	-
Inventory	99	407	-
Other	309	1,114	170
	21,491	10,957	2,541
Less allowance for impairment losses	(354)	(45)	(22)
Total other assets	21,137	10,912	2,519

Movements in allowances for impairment losses on other assets for the years ended 31 December 2007, 2006 and 2005 are disclosed in Note 5.

22. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss are represented by derivative financial instruments and as disclosed in Note 14.

23. DUE TO BANKS

	31 December 2007	31 December 2006	31 December 2005
Recorded at amortized cost:			
Correspondent accounts of other banks	529	1,523	104
Due to banks including:			
Syndicated loan from banks including:			
Sumitomo Mitsui Tranche B, due on 12/06/2009 coupon rate 5.85% annual, semi-annual payment of interest	26,927	-	-
Sumitomo Mitsui Tranche A, due on 17/06/2008 coupon rate 5.65% annual, semi-annual payment of interest	21,284	-	-
Calyon, Abu Dhabi Islamic Bank on 20/03/2008-19/03/2009 coupon rate 6.13-6.44% annual, semi-annual payment of interest	18,365	-	-
Bank of Tokyo-Mitsubishi UFJ Tranche B due on 20/06/2008, coupon rate 6.55% annual, semi-annual payment of interest	17,698	50,900	-
Standard Bank due on 29/10/2008-01/11/2009, coupon rate 6.15-6.60% annual, semi-annual payment of interest	13,586	38,526	-
ALB Finance BV , due on 30/03/2008 coupon rate 7.22% annual, semi-annual payment of interest	5,639	-	-
ING Bank NV 31/05/2006-07/11/2007 coupon rate 6.78% annual, semi-annual payment of interest	-	6,555	33,487
Wachovia Bank NA *18/05/2009 coupon rate 7.89% annual , semi-annual payment of interest*	-	2,052	-
Loans from other banks:			
Morgan Stanley Bank International Ltd due on 27/04/2009-27/06/2010, coupon rate 5.49-9.44% annual, quarterly payment of interest	33,196	82,079	22,512
JPMORGAN Bank London due on 04/03/2008-24/08/2009, coupon rate 5.60-8.90% annual, semi-annual payment of interest	27,498	26,989	-
HSBC Bank, due on 31/03/2008-05/11/2008, coupon rate 7.06-8.03% annual, semi-annual payment of interest	21,592	9,138	211
Landesbank Berlin AG, Germany due on 02/01/2008 30/08/2014, coupon rate 5.09-7.21% annual, semi-annual payment of interest	8,798	612	16
The Bank of Nova Scotia due on 02/01/2008-14/12/2012, coupon rate 6.33-7.23% annual, semi-annual payment of interest	8,718	3,109	-
Asian Development Bank 31.12.2010, coupon rate 7.88 % annual, semi-annual payment of interest	5,985	6,306	-
ABN Amro Bank due on 31.03.2008-23.11.2008, coupon rate 6.30-7.10 % annual, interest payment at maturity	5,113	640	-
Standart Bank due on 26/02/08-28/03/2008, coupon rate 7.36-7.64% annual, semi-annual payment of interest	4,925	3,896	1,131
Fortis Bank S.A., Belgium due on 16/01/2008 30/07/2008, coupon rate 6.46-7.17% annual, semi-annual payment of interest	4,907	183	-
EBRR due on 14.01.2008-07.03.2011, coupon rate 6.77-8.85 % annual, semi-annual payment of interest	3,836	4,019	-
National City Bank due on 08/11/2014, coupon rate 7.48% annual, semi-annual payment of interest	3,620	20,117	-
Bank of Montreal due on 03/01/2008-31/12/2008,coupon rate 6.10-7.37% annual, semi-annual payment of interest	3,312	-	2,500
ING Bank due on 08/01/2008-10/01/2011, coupon rate 5.24-7.99% annual, semi-annual payment of interest	2,888	1,382	-
Deg-Deutsche Investitions und Entwicklungesellschaft MBH Bank due on 15/06/2012, coupon rate 8.08% annual, semi-annual payment of interest	2,715	-	-
Other loans from other banks, interest payment at maturity	28,019	33,912	29,005
Time deposits of banks, *interest payment at maturity*	23,415	29,247	4,703
Total due to banks	292,565	321,185	93,669

As at 31 December 2007, 2006 and 2005 accrued interest expenses included in due to banks amounted to KZT 4,627 million, KZT 3,710 million and KZT 414 million, respectively.

24. DUE TO OTHER FINANCIAL INSTITUTIONS

	Currency	Maturity	Interest rate %	31 December 2007	Interest rate %	31 December 2006	Interest rate %	31 December 2005
Recorded at amortized cost:								
Nomura International plc, quarterly payment of interest	JPY	27/06/2017	5.30	20,200	-	-	-	-
TR Commodity Trading GMBH, Sweden, monthly payment of interest	USD	02/11/2007-28/05/2008	6.99-7.89	9,152	7.18-7.67	7,892	-	-
Cargill Financial Services International, Inc, USA, monthly payment of interest	USD	26/11/2007-18/02/2009	6.96-7.67	7,921	7.17-7.64	4,484	-	-
Bunge SA, Geneva, monthly payment of interest	USD	23/10/2007-08/01/2010	5.31-8.66	5,307	5.55-8.66	9,429	-	-
Cargill Financial Services International, Inc, USA	USD	02/06/2008-12/06/2008	7.75	4,159	7.37-7.71	1,930	-	-
C.V.A. Trade Resources Ltd, UK, *semi-annual payment of interest*	USD	31/10/2008-11/06/2010	5.51-5.59	1,357	-	-	-	-
Bunge HMBH, *semi-annual payment of interest*	USD	09/06/2008-04/06/2009	8.64	437	8.64-8.66	761	-	-
Super Trade Inc. , *semi-annual payment of interest*	USD	22/02/2007	-	-	7.44	678	-	-
JSC Rehabilitation fund, *semi-annual payment of interest*	KZT	27/03/2006	-	-	-	-	5.8	30
JSC Rehabilitation fund, *semi-annual payment of interest*	EUR	25/12/2006	-	-	-	-	7.0	543
LB Interfinanze AG, payment of interest at maturity	USD	02/02/2006	-	-	-	-	6.66	414
Total due to other financial institutions				48,533		25,174		987

As at 31 December 2007, 2006 and 2005 accrued interest expenses included in due to other financial institutions amounted to KZT 81 million, KZT 30 million and KZT 13 million, respectively.

25. OTHER FINANCING

	31 December 2007	31 December 2006	31 December 2005
Recorded at amortized cost:			
Alliance DPR Company Tranche A due on 13/11/2013, coupon rate 5.10%	11,955	12,438	-
Alliance DPR Company Tranche B due on 13/11/2013, coupon rate 3 month Libor + 2.00 %	10,230	12,463	-
Alliance DPR Company Tranche A due on 27/06/2015, coupon rate 7.17%	8,866	-	-
Total other financing	31,051	24,901	-

As at 31 December 2007, 2006 and 2005 accrued interest expenses included in other financing amounted to KZT 316 million, KZT 270 million and nil, respectively. Interest is payable quarterly.

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

The next securitization transaction dated 27 June 2007 consisted of a USD 75 million Series 2007A Floating Rate Notes due on 27 June 2015. The interest rate on the securitization was 3 month LIBOR plus 2.30%.

26. CUSTOMER ACCOUNTS

	31 December 2007	31 December 2006	31 December 2005
Recorded at amortized cost:			
Time deposits	165,907	153,146	101,697
Guarantee deposits	41,395	23,677	6,534
Repayable on demand	34,515	68,438	29,852
Total customer accounts	241,817	245,261	138,083

As of 31 December 2007, 2006 and 2005, 10 customers approximated 21.5%, 7% and 16% of total liabilities, respectively, which represents significant concentration.

As at 31 December 2007, 2006 and 2005 accrued interest income included in customer accounts amounted to KZT 1,287 million, KZT 1,450 million and KZT 1,235 million, respectively.

	31 December 2007	31 December 2006	31 December 2005
Analysis by sector:			
Individuals	97,652	112,187	40,561
Finance services	65,191	33,281	30,100
Trade	33,446	20,308	13,084
Ancillary activity of service providers to customers	13,812	15,912	15,198
Construction	9,303	28,178	4,351
State administration	8,905	10,462	4,574
Agriculture	2,047	4,850	5,343
Energy	1,932	847	557
Transport and communication	1,930	4,674	4,664
Metallurgy	776	2,307	13,610
Education	775	368	471
Paper industry	740	1,185	-
Production of crude oil and natural gas	690	1,076	-
Food production	426	383	306
Real estate	269	285	1,841
Other fields of mineral resource industry	246	3,154	-
Health care and social services	232	529	41
Arts	179	1,334	1,091
Machinery	170	1,010	200
Production of coal, lignite and peat	148	467	-
Hotel business	105	48	78
Consumer production	65	120	385
Chemical industry	26	198	1
Other services	2,752	2,098	1,627
Total customer accounts	241,817	245,261	138,083

27. REPURCHASE AGREEMENTS

The carrying value of loans and fair value of collateral under repurchase agreements as at 31 December 2007, 2006 and 2005:

	31 December 2007		31 December 2006		31 December 2005	
Collateral	**Carrying amount of loans**	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
Recorded at amortized cost						
US treasury bills	2,598	2,721	13,203	13,356	-	-
Bonds of Kazakhstani companies	2,221	2,181	4,769	5,258	-	-
Bonds of Kazakhstani banks	1,328	1,310	4,980	5,410	-	-
Bonds of the Ministry of finance of the Republic of Kazakhstan	210	203	4,679	5,230	1,150	1,333
Eurobonds of Kazakhstani companies	-	-	3,266	3,359	-	-
Eurobonds of Kazakhstani banks	-	-	2,643	3,023	-	-
Notes of the National Bank of the Republic of Kazakhstan	-	-	8,674	9,125	5,111	5,378
Euronotes of the Ministry of finance of the Republic of Kazakhstan	-	-	1,608	1,744	-	-
Bonds of foreign banks and financial institutions	-	-	622	625	-	-
Total repurchase agreement	6,357	6,415	44,444	47,130	6,261	6,711

As at 31 December 2007, 2006 and 2005 included in loans under repurchase agreements was accrued interest amounting to KZT 44 million, KZT 123 million and KZT 1 million, respectively.

28. DEBT SECURITIES ISSUED

	Issue date dd/mm/yy	Maturity date dd/mm/yy	Annual coupon rate %		31 December 2007		31 December 2006		31 December 2005
Recorded at amortized cost:									
Issued Eurobonds									
Issued of ALB Finance B.V. Eurobonds, *emission in EUR*	02/02/2007	02/02/2012	7.93	142,039		-		-	
Repurchased of ALB Finance B.V. Eurobonds, *emission in EUR*				(6,520)		-		-	
ALB Finance B.V. Eurobonds, *emission in EUR, semi-annual payment of interest*					135,519		-		-
Issued of ALB Finance B.V. Eurobonds, *emission in GBP*	13/02/2007	14/02/2011	10.90	65,430		-		-	
Repurchased of ALB Finance B.V. Eurobonds, *emission in GBP*				(11,699)		-		-	
ALB Finance B.V. Eurobonds, *emission in GBP, semi-annual payment of interest*					53,731		-		-
Issued of ALB Finance B.V. Eurobonds, *emission in USD*	26/09/2006	26/09/2013	10.34	42,539		44,835		-	
Repurchased of ALB Finance B.V. Eurobonds, *emission in USD*				(2,135)		-		-	
ALB Finance B.V. Eurobonds, *emission in USD, semi-annual payment of interest*					40,404		44,835		-
Issued of ALB Finance B.V. Eurobonds, *emission in USD*	20/04/2006	20/04/2011	8.80	30,269		32,039		-	
Repurchased of ALB Finance B.V. Eurobonds, *emission in USD*				(3,614)		-		-	
ALB Finance B.V. Eurobonds, *emission in USD, semi-annual payment of interest*					26,655		32,039		-
Issued of ALB Finance B.V. Eurobonds, *emission in USD*	22/11/2005	22/11/2010	9.04	24,305		25,699		26,355	
Repurchased of ALB Finance B.V. Eurobonds, *emission in USD*				(3,343)		-		-	
ALB Finance B.V. Eurobonds, *emission in USD, semi-annual payment of interest*					20,962		25,699		26,355
Alliance Bank Eurobonds 1 Emission, *emission in USD, semi-annual payment of interest*	19/04/2006	19/04/2016	9.42		17,838		18,887		20,055
					295,109		121,460		46,410
Russian rouble-denominated bonds									
LLP Alliance Finance, *emission in RUR, semi-annual payment of interest*	27/06/2007	19/06/2012	9.72		14,662		-		-
Tenge-denominated bonds									
Bonds of 6 emission, *semi-annual payment of interest*	10/04/2006	10/04/2009	8.5		7,104		7,081		-
Bonds of 4 emission, *semi-annual payment of interest*	23/04/2005	24/04/2008	7.0		5,023		4,894		4,701
Bonds of 8 emission, *semi-annual payment of interest*									
Issued bonds of 8 emission	26/12/2006	26/12/2011	8.5	5,029		4,805		-	
Repurchased bonds of 8 emission				(715)		-		-	
					4,314		4,805		-
Bonds of 9 emission, *semi-annual payment of interest*	23/02/2007	23/02/2010	8.0		1,036		-		-
Bonds of 5 emission, *semi-annual payment of interest*	01/09/2005	01/09/2008	7.0		1,017		1,009		411
Bonds of 2 emission, *semi-annual payment of interest*	31/10/2003	31/10/2006	8.5		-		-		1,966
					18,494		17,789		7,078
Total debt securities issued					328,265		139,249		53,488

As at 31 December 2007, 2006 and 2005 accrued interest expense included in debt securities issued amounted to KZT 16,667 million, KZT 2,878 million and KZT 383 million, respectively.

During 2007 the bank has repurchased its debt securities in amount KZT 28,026 with the gain of KZT 5,733 million.

The Group is obligated to comply with financial covenants in relation to debt securities disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2007, 2006 and 2005.

29. OTHER LIABILITIES

	31 December 2007	31 December 2006	31 December 2005
Taxes payable, other than income tax	1,824	1,678	460
Other transit accounts	598	705	19
Creditors for capital lease	185	548	19
Other provisions	89	506	176
Dividends payable on preference shares	-	-	49
Other	611	417	166
Total other liabilities	3,307	3,854	889

Movements in provision for guarantees and other commitments for the years ended 31 December 2007, 2006 and 2005 are disclosed in Note 5.

30. SUBORDINATED DEBT

	Issue Date dd/mm/yy	Maturity date dd/mm/yy	Interest rate %	31 December 2007	31 December 2006	31 December 2005
International Perpetual Subordinated bonds of ALB Finance B.V., *emission in USD, semi-annual payment of interest*	19/04/2006	-	9.42	17,846	18,361	-
Subordinated bonds of *7 emission in KZT, semi-annual payment of interest*	24/07/2006	24/07/2013	8.5	4,980	4,944	-
Subordinated bonds of 3 *emission in KZT, semi-annual payment of interest*	29/10/2004	28/10/2011	10.8	2,932	2,863	2,826
Subordinated bonds of *1 emission in KZT indexed to USD , semi-annual payment of interest*	23/12/2002	23/12/2009	9.0	2,296	2,410	2,523
Subordinated debt to Deg-Deutsche Investitions und Entwicklungsgesellschaft MBH *in USD, semi-annual payment of interest*	14/06/2007	01/06/2014	9.59	2,708	-	-
Preference shares, *Emission in KZT*		-	-	4,036	4,036	-
Total subordinated debt				34,798	32,614	5,349

As at 31 December 2007, 2006 and 2005 accrued interest expense included in subordinated debt amounted to KZT 666 million, KZT 243 million and KZT 57 million, respectively.

As at 31 December 2007 and 2006 accrued dividends included in preference shares amounted to KZT 400 million, respectively.

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

As of 31 December 2007 and 2006 400,000 preference shares of the Group were issued and fully paid – 50,000 preference shares were paid with the price of KZT 10,000 per share and 350,000 preference shares were paid with the price of KZT 12,450 per share.

As of 31 December 2006 the Group classified preference shares in amount of KZT 3,636 million as a subordinated debt to comply with the requirements of IAS 32 "Financial Instruments: Presentation".

The preference shares are not mandatory redeemable. They carry a mandatory dividend payment amounting to KZT 1,000 per share.

31. SHARE CAPITAL

As of 31 December 2007, 2006 and 2005 share capital authorized consisted of 11,537,500, 6,037,500 and 2,750,000 ordinary shares with voting rights and with par value of KZT 10,000 each and 400,000, 400,000 and 50,000 preference shares with par value of KZT 10,000 each. At 31 December 2007, 2006 and 2005 ordinary shares issued and outstanding consisted of 9,637,500, 6,000,808 and 2,440,715 shares, respectively. At 31 December 2007, 2006 and 2005 preference shares issued and outstanding consisted of 400,000, 400,000 and 50,000 shares, respectively, and 50,000 preference shares were paid with the price of KZT 10,000 per share and 350,000 preference shares were paid with the price of KZT 12,450 per share. The preference shares do not carry voting rights unless dividends are not paid over a period of 3 months. The preference shares are not mandatorily redeemable but they carry a mandatory annual dividend payment of KZT 1,000 per share. According to Kazakhstan legislation on Joint Stock Companies, additional dividend payments on the preference shares cannot be less than the dividends paid on common shares.

As at 31 December 2007 the Group's share capital comprised of the following number of shares:

	Share capital authorized	**Share capital authorized and not issued**	**Share capital issued**
Ordinary shares	11,537,500	1,900,000	9,637,500
Preference shares	400,000	-	400,000
Reclassification of preference shares	(400,000)	-	(400,000)

As at 31 December 2006 the Group's share capital comprised of the following number of shares:

	Share capital authorized	**Share capital authorized and not issued**	**Share capital issued**
Ordinary shares	6,037,500	36,692	6,000,808
Preference shares	400,000	-	400,000
Reclassification of preference shares	(400,000)	-	(400,000)

As at 31 December 2005 the Group's share capital comprised of the following number of shares:

	Share capital authorized	**Share capital authorized and not issued**	**Share capital issued**
Ordinary shares	2,750,000	309,285	2,440,715
Preference shares	50,000	-	50,000

The below table provides a reconciliation of the number of shares outstanding as of 31 December 2007, 2006 and 2005:

	Preference shares Shares'000	Ordinary shares Shares'000	Shares capital in million KZT
31 December 2004	50	1,4	14,9
Issue of shares	-	992	9,9
Purchase of treasury shares	-	-	(8)
31 December 2005	50	2,4	24,9
Issue of ordinary shares	-	3,5	35,6
Issue of preference shares	350		3,5
Reclassification of preference shares	(400)		(4,0
31 December 2006	-	6,0	60,0
Issue of ordinary shares	-	3,6	36,3
31 December 2007	-	9,6	96,3

On transition to IAS 32 "Financial Instruments: Presentation" all preference shares were reclassified and disclosed within Subordinated Debt on the balance sheet (see Note 30).

32. COMMITMENTS AND CONTINGENCIES

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

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

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

As at 31 December 2007, 2006 and 2005, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	31 December 2007		31 December 2006		31 December 2005	
	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount	Nominal Amount	Risk Weighted Amount
Contingent liabilities						
Letters of credit	41,915	39,997	23,780	11,492	5,350	857
Guarantees and similar commitments issued	13,749	9,306	8,607	8,280	8,501	8,075
Commitments on loans and unused credit lines	135,630	53,387	91,144	34,128	49,059	20,326
Total contingent liabilities	191,294	102,690	123,531	53,900	62,910	29,258

As of 31 December 2007, 2006 and 2005, guarantees and similar commitments issued of KZT 574 million, KZT 158 million and KZT 286 million, respectively, were secured by cash deposited at customer accounts.

As of 31 December 2007, 2006 and 2005, standby letters of credit of KZT 11,375 million, KZT 61 million and KZT 1,782 million, respectively, were secured by cash deposited on customer accounts.

The Group has made provisions of KZT 29 million, KZT 169 million and KZT 140 million against commitments under guarantees issued and KZT 60 million, KZT 337 million and KZT 36 million against letter of credit as of 31 December 2007, 2006 and 2005, respectively.

The maturity of the guaranties is differentiated from one month to five years.

Operating lease commitments

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

	31 December 2007	**31 December 2006**	**31 December 2005**
Not later than 1 year	515	1	2
Later than 1 year and not later than 5 years	1,657	473	734
Later than 5 years	1,417	453	201
Total operating lease commitments	3,589	927	937

Legal proceedings

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

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited right on decision making with clients for asset management in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds until such funds or securities are not returned to the client due to gross negligence or wilful misconduct by the Group only. The maximum potential financial risk of the Group at any given moment is equal to the volume of the clients' funds plus/minus any unrealized income/loss on the client's position.

The Group provides its clients with nominal holding, custody and broker/dealer services. The Group enters into custody agreements with clients for accounting and custody of assets of the clients and assets of investment funds according to certain criteria established by the client and legislation. The Group may be responsible for losses or defalcation until such funds or securities are returned to the client. The maximum potential financial risk of the Group at any time equals the amount of funds of the clients plus/minus any unrealized profit/loss on the client's position.

As of 31 December 2007 the Group had securities of clients in nominal holder accounts in the following amounts:

- in custody - 3,704,034 shares, amounted to KZT 604 million;
- of these shares related to investment funds - 203,470 shares, amounted to KZT 143 million;
- other assets related to investment funds amounted to KZT 1,986 million and banks' deposits amounted to KZT 2 million.

As of 31 December 2006 the Group had securities of clients on nominal holder accounts in the following amounts:

- in custody - 2,030,996 shares, amounted to KZT 781 million;
- of these shares related to investment funds - 1,969,581 shares, amounted to KZT 649 million.

As of 31 December 2005 the Group had securities of clients on nominal holder accounts in the following amounts:

- in custody – 4,764,435 shares, amounted to KZT 2,294 million;
- other assets related to investment funds amounted to KZT 59 million.

Taxes

Kazakhstani commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest.

The Group's management believes that it has already made all tax payments, and therefore no allowance has been made in the financial information.

Tax years remain open to review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2007, 2006 and 2005, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

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

33. TRANSACTIONS WITH RELATED PARTIES

Related parties and transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures".

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transaction between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2007		**31 December 2006**		**31 December 2005**	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Customer accounts	43,650	241,817	608	245,261	753	138,083
- the parent	24,676		-		-	
- key management personnel of the entity or its parent	280		366		183	
- other related parties	18,694		242		570	
Due from banks	1,734	37,079	-	20,599	-	10,182
- the parent	-		-		-	
- other related parties	1,734		-		-	
Loans to customers before allowances for impairment losses	9,506	862,721	8,222	640,913	5,513	187,652
- other shareholders	7,703		6,877		4,060	
- other related parties	199		688		1,081	
- key management personnel of the entity or its parent	1,604		657		372	
Allowance for impairment losses	5	43,527	3	21,113	229	7,555
- other shareholders			2		191	
- key management personnel of the entity or its parent	5		1		3	
- other related parties	-		-		35	
Other assets	15,729	21,137	2,584	10,902	-	2,519
- other related parties	15,729		2,584		-	
Other liabilities	2	3,307	-	3,854	-	889
- other related parties	2		-		-	
Contingent liabilities	405	191,294	-	123,531	-	62,910
- other related parties	405	-	-	-	-	-

Secured and unsecured loans are made to key Management personnel of the entity and shareholders in the ordinary course of business. These loans are made on substantially the same terms, including interest rates, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. No guarantees have been given or received. The transactions did not involve more than the normal risk of repayment or present other unfavorable features.

Amounts deposited by parent and other related parties earn interest at the same rates as those offered to the market or on the same terms and conditions applicable to other employees within the Group.

Included in the income statement for the periods ended 31 December 2007, 2006 and 2005 are the following amounts which arose due to transactions with related parties:

	31 December 2007		**31 December 2006**		**31 December 2005**	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Interest income	799	181,768	587	80,193	290	17,858
- the parent	4					
- other shareholders	714		393		162	
- other related parties	42		158		97	
- key management personnel of the entity or its parent	39		36		31	
Interest expense	512	92,889	28	40,350	301	11,604
- the parent	492		-		-	
- other shareholders	20		-		-	
- other related parties	-		28		301	
Operating expenses	812	22,401	144	11,301	78	4,188
- the parent	118					
- other related parties	230					
- key management personnel of the entity or its parent	464		144		78	
Fee and commission income	41	12,629	24	6,019	3	2,942
- the parent	1					
- other shareholders	39		15		2	-
- other related parties	1		9		1	-
Fee and commission expense	7,694	10,508	2,569	3,390	-	440
- other related parties	7,694		2,569		-	
Key management personnel compensation	481	9,252	157	4,443	86	1,581
Short-term employee benefits, including pension fund payments	481		157		86	

34. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Note 24, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in condensed consolidated interim statement of changes in equity.

The Management Board reviews the capital structure on a regular basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from 2006.

35. SEGMENT REPORTING

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

Business segments

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

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

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

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

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

Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	Year ended 31 December 2007
External operating revenue	79,978	50,959	(52,104)	78	-	78,911
Income from other segments	-	-	61,743	-	(61,743)	-
Expenses from other segments	(30,421)	(31,322)	-	-	61,743	-
Total operating income	49,557	19,637	9,639	78	-	78,911
Operating expenses	(14,930)	(6,468)	(1,003)	-	-	(22,401)
Recovery of provision for impairment losses on other transactions	-	79	-	-	-	79
Operating profit before tax	34,627	13,248	8,636	78	-	56,589
Income tax expense	-	-	-	(13,906)	-	(13,906)
Net profit	34,627	13,248	8,636	(13,828)	-	42,683
Other segment items						
Depreciation expense	(1,450)	(697)	(91)	-	-	(2,238)
External interest income	109,064	57,722	14,982	-	-	181,768
Internal interest income	-	-	61,743	-	(61,743)	-
External interest expense	(10,037)	(7,012)	(75,840)	-	-	(92,889)
Internal interest expense	(30,421)	(31,322)	-	-	61,743	-
Provision for impairment losses on interest bearing assets	(16,101)	(9,470)	-	-	-	(25,571)
Fee and commission income	5,745	6,850	34	-	-	12,629
Fee and commission expense	(10,009)	(308)	(191)	-	-	(10,508)
Capital expenditure	7,215	7,698	5,159	552	-	20,624

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	31 December 2007
Segment assets	406,154	433,350	290,378	534,708	(503,659)	1,160,931
Segment liabilities	97,934	147,189	753,419	433,208	(433,208)	998,542
Loans to customers	405,064	414,130	-	-	-	819,194
Property, equipment and intangible assets	-	-	-	31,049	-	31,049
Customer accounts	97,661	144,156	-	-	-	241,817

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	Year ended 31 December 2006
External operating revenue	32,213	21,183	(21,727)	(400)	-	31,269
Income from other segments	-	-	23,711	-	(23,711)	-
Expense on other segments	(9,990)	(13,721)	-	-	23,711	-
Total operating income	22,223	7,462	1,984	(400)	-	31,269
Operating expenses	(7,700)	(2,872)	(729)	-	-	(11,301)
Provision for impairment losses on other transactions	-	(302)	-	(54)	-	(356)
Operating profit before income tax	14,523	4,288	1,255	(454)	-	19,612
Income tax expense	-	-	-	(5,602)	-	(5,602)
Net profit	14,523	4,288	1,255	(6,056)	-	14,010
Other segment items						
Depreciation expense	(435)	(231)	(30)	-	-	(696)
External interest income	44,354	30,255	5,584	-	-	80,193
Internal interest income	-	-	23,711	-	(23,711)	-
External interest expense	(5,846)	(6,139)	(27,965)	(400)	-	(40,350)
Internal interest expense	(9,990)	(13,721)	-	-	23,711	-
Provision for impairment losses on interest bearing assets	(6,030)	(8,002)	-	-	-	(14,032)
Fee and commission income	1,777	4,236	6	-	-	6,019
Fee and commission expense	(3,031)	(277)	(82)	-	-	(3,390)
Capital expenditure	2,783	4,279	1,888	-	-	8,950

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	31 December 2006
Segment assets	286,235	440,204	181,529	255,507	(242,725)	920,750
Segment liabilities	112,052	320,186	408,474	219,613	(221,625)	838,700
Loans to customers	269,351	350,449	-	-	-	619,800
Property, equipment and intangible assets	-	-	-	12,782	-	12,782
Customer accounts	107,886	137,375	-	-	-	245,261

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	Year ended 31 December 2005
External operating revenue	1,655	5,683	(1,771)	-	-	5,567
Income from other segments	364	-	2,362	-	(2,726)	-
Expenses from other segments	-	(2,726)	-	-	2,726	-
Total operating income	2,019	2,957	591	-	-	5,567
Operating expenses	(1,708)	(2,473)	(7)	-	-	(4,188)
Provision for impairment losses on other transactions	-	(139)	-	-	-	(139)
Operating profit before income tax	311	345	584	-	-	1,240
Income tax expense	-	-	-	356		356
Net profit	311	345	584	356	-	1,596
Other segment items						
Depreciation expense	(73)	(198)	-	-	-	(271)
External interest income	4,758	9,972	3,128	-	-	17,858
Internal interest income	364	-	2,362	-	(2,726)	-
External interest expense	(2,939)	(4,219)	(4,446)	-	-	(11,604)
Internal interest expense	-	(2,726)	-	-	2,726	-
Provision for impairment losses on interest bearing assets	(1,533)	(3,388)	-	-	-	(4,921)
Fee and commission income	497	2,445	-	-	-	2,942
Fee and commission expense	(90)	(350)	-	-	-	(440)
Capital expenditure	156	574	288	-	-	1,018

	Retail banking	Corporate banking	Investment banking	Unallocated	Eliminations	31 December 2005
Segment assets	50,753	187,231	92,593	56,791	(55,169)	332,199
Segment liabilities	40,238	135,127	129,361	39,554	(39,554)	304,726
Loans to customers	49,222	130,875	-	-	-	180,097
Property, equipment and intangible assets	-	-	-	2,181	-	2,181
Customer accounts	37,158	100,925	-	-	-	138,083

Geographical segments

Segment information for the main geographical segments of the Group is set out below as at 31 December 2007 and for year then ended and as at 31 December 2006 and for year ended 31 December 2007.

	Kazakhstan	Other non-OECD countries	OECD countries	As at and for the year ended 31 December 2007 Total
External operating revenue	63,538	2,526	12,847	78,911
External net profit	34,368	1,366	6,949	42,683
Capital expenditure	20,624	-	-	20,624
Assets	934,770	37,160	189001	1,160,931
Liabilities	325,104	60,831	612,607	998,542

	Kazakhstan	Other non-OECD countries	OECD countries	As at and for the year ended 31 December 2006 Total
External operating revenue	23,733	1,114	6,422	31,269
External net profit	10,714	482	2,814	14,010
Capital expenditure	8,950	-	-	8,950
Assets	752,517	28,898	139,335	920,750
Liabilities	335,625	33,753	469,322	838,700

	Kazakhstan	Other non-OECD countries	OECD countries	As at and for the year ended 31 December 2005 Total
External operating revenue	4,179	519	869	5,567
External net profit	1,198	149	249	1,596
Capital expenditure	1,018	-	-	1,018
Assets	278,072	7,017	47,110	332,199
Liabilities	168,234	3,199	133,293	304,726

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

36. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following methods and assumptions are used by the Group to estimate fair value of financial instruments not carried at fair value.

Loans to Customers, Due to banks, Customer Accounts, Due to other financial institutions and Other financing – For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For assets and liabilities with maturity greater than one month, fair value is estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Reverse repurchase agreements, repurchase agreements, debt securities issued and subordinated debt – The securities are traded on active markets and quoted market prices have been used to determine the fair value.

The fair value of financial assets and liabilities compared with the corresponding carrying amount in the consolidated balance sheet of the Group is presented below:

	31 December 2007		**31 December 2006**		**31 December 2005**	
	Current value	**Fair value**	**Current value**	**Fair value**	**Current value**	**Fair value**
Loans to customers	819,194	879,199	619,800	619,800	180,097	180,097
Reverse repurchase agreements	-	-	18,099	20,828	4,038	3,942
Investment held-to-maturity	-	-	43	43	463	463
Due to banks	292,565	289,723	321,185	323,778	93,669	94,850
Due to other financial institutions	48,533	45,419	25,174	25,252	987	1,002
Customer accounts	241,817	236,086	245,261	245,810	138,083	141,260
Repurchase agreements	6,357	6,415	44,444	47,130	6,261	6,711
Debt securities issued	328,265	258,830	139,249	138,331	53,488	54,412
Subordinated debt	34,798	31,459	32,614	33,266	5,349	5,801
Other financing	31,051	30,223	24,901	25,315	-	-

Financial assets and liabilities at fair value through profit or loss and available-for-sale investment securities are carried at fair value in the consolidated balance sheet. The carrying amount of cash and balances with the National Bank of the Republic of Kazakhstan and Due from banks approximate fair value due to the short-term nature of such financial assets.

The fair value of Loans to customers can not be measured reliably for the years ended 31 December 2006 and 2005 as it is not practicable to obtain market information or apply any other valuation techniques on such instruments.

In case of disposal of such instruments the Group intends to apply selling prices to be determined between contractual parties.

37. REGULATORY MATTERS

	2007	2006	2005
Movement in tier 1 capital:			
At 1 January	91,4	26,8	15,3
Issue of ordinary shares	36,3	36,3	9,9
Reclass of preference shares	-	500	-
Profit	42,6	14,0	1,5
Depreciation of property revaluation reserve	146	25	3
Perpetual financial instruments	4,3	13,7	-
At 31 December	174,9	91,4	26,8

	2007	2006	2005
Composition of regulatory capital (a):			
Tier 1 capital:			
Share capital	97,6	61,2	24,4
Disclosed reserves	61,3	18,8	3,1
Less: Revaluation reserve	(2,0	(2,3	(695)
Perpetual financial instruments	18,0	13,7	-
Total qualifying tier 1 capital	174,9	91,4	26,8
Revaluation reserve	2,0	2,3	695
Hybrid capital instruments	3,6	8,2	500
Subordinated debt (b)	11,7	4,7	5,2
Total regulatory capital	192,4	106,7	33,3
Capital Ratios:			
Tier 1 capital	17%	14%	11%
Total Capital	19%	16%	14%

(a) According to the principles applied by Basle Committee

(b) As at 31 December 2007 the Group included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

During year 2007, 2006 and 2005 the Group complied with all set capital requirements.

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

Estimation	Description of position
0%	Cash and balances with national (central) banks
0%	State debt securities
20%	Loans and advances to banks for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

38. RISK MANAGEMENT POLICIES

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

The Group manages the following risks:

Credit risk

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

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

Risk management and monitoring is performed within set limits of authority. These procedures are performed by the Credit Committees and the Group's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or the Risk Management Department. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

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

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guaranties. However a significant portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

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

Maximum Exposure

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

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

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. The maximum exposure and collaterals pledged in reverse repurchase agreements are disclosed in Note 17. The collateral pledged was determined based on its fair value and limited to the outstanding balance of each loan

As at 31 December 2007:

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**	**Net exposure after offset and collateral**
Financial assets at fair value through profit or loss	179,620	-	179,620	-	179,620
Due from banks	37,079	-	37,079	-	37,079
Loans to customers	862,721	-	862,721	614,696	248,025
Investments available-for-sale	3,057	-	3,057	-	3,057

As at 31 December 2006:

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**	**Net exposure after offset and collateral**
Financial assets at fair value through profit or loss	133,745	-	133,745	-	133,745
Due from banks	20,599	-	20,599	-	20,599
Loans to customers	640,913	-	640,913	477,757	163,156
Reverse repurchase agreements	18,099	-	18,099	-	18,099
Investments available-for-sale	5,176	-	5,176	-	5,176
Investments held to maturity	43	-	43	-	43
				-	

As at 31 December 2005:

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**	**Net exposure after offset and collateral**
Financial assets at fair value through profit or loss	79,283	-	79,283	-	79,283
Due from banks	10,182	-	10,182	-	10,182
Loans to customers	187,652	-	187,652	157,186	30,466
Reverse repurchase agreements	4,038	-	4,038	-	4,038
Investments available-for-sale	11,109	-	11,109	-	11,109
Investments held to maturity	463	-	463	-	463

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Standard and Poors. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group as at 31 December 2007:

	AAA	AA	A	BBB	>BBB	Not rated	Total at 31 December 2007
Financial assets at fair value through profit or loss	128,328	17,711	-	-	29,147	4,434	179,620
Due from banks	-	3,474	230	25	30,058	3,292	37,079
Loans to customers	-	-	-	-	-	819,194	819,194
Investments available-for-sale	-	-	-	-	2,035	1,022	3,057

As at 31 December 2006:

	AAA	AA	A	BBB	>BBB	Not rated	Total at 31 December 2006
Financial assets at fair value through profit or loss	83,172	4,836	-	-	40,053	5,684	133,745
Due from banks	-	5,461	6,576	143	2,508	5,911	20,599
Loans to customers	-	-	-	-		619,800	619,800
Reverse repurchase agreements	-	-	-	-	5,470	12,629	18,099
Investments available-for-sale	-	-	-	-	3,775	1,401	5,176
Investments held to maturity	-	-	-	-	-	43	43

As at 31 December 2005:

	AAA	AA	A	BBB	>BBB	Not Rated	Total at 31 December 2005
Financial assets at fair value through profit or loss	67,276	-	-	-	9,244	2,763	79,283
Due from banks	-	556	262	-	7,537	1,827	10,182
Loans to customers	-	-	-	-	-	180,097	180,097
Reverse repurchase agreements	378	-	-	-	56	3,604	4,038
Investments available-for-sale	2,934	-	-	-	1,354	6,821	11,109
Investments held to maturity	-	-	-	-	-	463	463

The banking industry is generally exposed to credit risk through its loans to customers and inter bank deposits. With regard to the loans to customers this risk exposure is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group’s risk management policy are not breached.

The scoring methodologies adopted by the Group are based on the principal amount of the loans. It is not meaningful to include the allocation of the not rated portion between the scoring categories as this would not reconcile to the disclosed balances in the financial statements.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

As at 31 December 2007:

		Financial assets past due but not impaired					
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Total at 31 December 2007**
Financial assets at fair value through profit or loss	179,620	-	-	-	-	-	179,620
Due from banks	37,079	-	-	-	-	-	37,079
Loans to customers	376,047	10,907	-	-	-	432,240	819,194
Investments available-for-sale	3,057	-	-	-	-	-	3,057

As at 31 December 2006:

		Financial assets past due but not impaired					
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Total at 31 December 2006**
Financial assets at fair value through profit or loss	133,745	-	-	-	-	-	133,745
Due from banks	20,599	-	-	-	-	-	20,599
Loans to customers	482,683	1,158	-	-	-	135,959	619,800
Reverse REPO	18,099	-	-	-	-	-	18,099
Investments available-for-sale	5,176	-	-	-	-	-	5,176
Investments held to maturity	43	-	-	-	-	-	43

As at 31 December 2005:

		Financial assets past due but not impaired					
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Total at 31 December 2005**
Financial assets at fair value through profit or loss	79,283	-	-	-	-	-	79,283
Due from banks	10,182	-	-	-	-	-	10,182
Loans to customers	116,120	338	-	-	-	63,639	180,097
Reverse REPO	4,038	-	-	-	-	-	4,038
Investments available-for-sale	11,109	-	-	-	-	-	11,109
Investments held to maturity	463	-	-	-	-	-	463

Geographical concentration

The Assets and Liabilities Management Committee ("ALMC") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan.

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

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2007 Total
FINANCIAL ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	69,795	-	-	69,795
Financial assets at fair value through profit or loss	21,115	157,169	1,336	179,620
Due from banks	29,810	3,712	3,557	37,079
Loans to customers	758,810	28,117	32,267	819,194
Investments available-for-sale	3,057	-	-	3,057
TOTAL FINANCIAL ASSETS	882,587	188,998	37,160	1,108,745
FINANCIAL LIABILITIES				
Due to National Bank of the Republic of Kazakhstan	5,569			5,569
Derivative financial instruments	463	3,510	2,307	6,280
Due to banks	22,584	261,225	8,756	292,565
Loans form other financial institutions	-	48,533	-	48,533
Due to other finance (Alliance DPR Company)	-	-	31,051	31,051
Customer accounts	237,230	532	4,055	241,817
Repurchase agreements	3,759	2,598		6,357
Debt securities issued	36,332	277,271	14,662	328,265
Subordinated debt	16,437	18,361	-	34,798
TOTAL FINANCIAL LIABILITIES	322,374	612,030	60,831	995,235
NET BALANCE SHEET POSITION	560,213	(423,032)	(23,671)	

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2006 Total
FINANCIAL ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	99,594	-	-	99,594
Financial assets at fair value through profit or loss	22,988	110,757	-	133,745
Due from banks	1,988	17,115	1,496	20,599
Loans to customers	582,431	11,224	26,145	619,800
Reverse repurchase agreements	18,099	-	-	18,099
Investments available-for-sale	5,176	-	-	5,176
Investments held-to-maturity	43	-	-	43
TOTAL FINANCIAL ASSETS	730,319	139,096	27,641	897,056
FINANCIAL LIABILITIES				
Due to National Bank of the Republic of Kazakhstan	2,000	-	-	2,000
Financial liabilities at fair value through profit or loss	18			18
Due to banks	35,299	278,232	7,654	321,185
Loans form other financial institutions	-	25,174	-	25,174
Other financing	-	-	24,901	24,901
Customer accounts	240,412	3,690	1,159	245,261
Repurchase agreements	22,057	22,387	-	44,444
Debt securities issued	17,790	121,459	-	139,249
Subordinated debt	14,253	18,361	-	32,614
TOTAL FINANCIAL LIABILITIES	331,829	469,303	33,714	834,846
NET BALANCE SHEET POSITION	398,490	(330,207)	(6,073)	

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2005 Total
FINANCIAL ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	42,327	-	-	42,327
Financial assets at fair value through profit or loss	41,435	37,719	129	79,283
Due from banks	6,797	2,865	520	10,182
Loans to customers	173,513	216	6,368	180,097
Reverse repurchase agreements	4,038	-	-	4,038
Investments available-for-sale	5,742	5,367	-	11,109
Investments held-to-maturity	463	-	-	463
TOTAL FINANCIAL ASSETS	274,315	46,167	7,017	327,499
FINANCIAL LIABILITIES				
Due to National Bank of the Republic of Kazakhstan	6,000	-	-	6,000
Due to banks	6,814	85,929	926	93,669
Due to other financial institutions	573	414	-	987
Customer accounts	135,757	53	2,273	138,083
Repurchase agreements	6,261	-	-	6,261
Debt securities issued	6,591	46,897	-	53,488
Subordinated debt	5,349	-	-	5,349
TOTAL FINANCIAL LIABILITIES	167,345	133,293	3,199	303,837
NET POSITION	106,970	(87,126)	3,818	

Liquidity risk

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

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

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the entity

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2007 Total
FINANCIAL ASSETS							
Financial assets at fair value through profit or loss	179,620	-	-	-	-	-	179,620
Due from banks	30,272	963	1,752	1,262	-	-	34,249
Loans to customers	40,552	34,571	153,131	396,572	194,368	-	819,194
Investments available-for-sale	1,368	-	-	1,174	439	-	2,981
Total interest bearing financial assets	251,812	35,534	154,883	399,008	194,807	-	1,036,044
Cash and balances with the National Bank of the Republic of Kazakhstan	69,795	-	-	-	-	-	69,795
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-
Due from banks	2,830	-	-	-	-	-	2,830
Investments available-for-sale	-	-	-	-	-	76	76
TOTAL FINANCIAL ASSETS	324,437	35,534	154,883	399,008	194,807	76	1,108,745
FINANCIAL LIABILITIES							
Due to National Bank of the Republic of Kazakhstan	-	-	5,569	-	-	-	5,569
Financial liabilities at fair value through profit or loss	6,280	-	-	-	-	-	6,280
Due to banks	31,726	26,797	127,652	100,568	5,624	-	292,367
Due to other financial institutions	2,291	2,410	16,123	7,520	20,189	-	48,533
Other financing	316	430	913	21,258	8,134	-	31,051
Customer accounts	36,554	19,754	39,005	105,571	8,856	-	209,740
Repurchase agreements	5,038	1,319	-	-	-	-	6,357
Debt securities issued	-	16,667	5,952	248,593	57,053	-	328,265
Subordinated debt	1,066	-	-	5,166	6,885	21,681	34,798
Total interest bearing financial liabilities	83,271	67,377	195,214	488,676	106,741	21,681	962,960
Due to banks	198	-	-	-	-	-	198
Customer accounts	32,077	-	-	-	-	-	32,077
Commitments on loans and unused credit lines	5,784	3,202	19,871	73,611	33,162	-	135,630
TOTAL FINANCIAL LIABILITIES	121,330	70,579	215,085	562,287	139,903	21,681	1,130,865
Liquidity gap	203,107	(35,045)	(60,202)	(163,279)	54,904		
Cumulative liquidity gap	203,107	168,062	107,860	(55,419)	(515)		
Interest sensitivity gap	168,541	(31,843)	(40,331)	(89,668)	88,066		
Cumulative interest sensitivity gap	168,541	136,698	96,367	6,699	94,765		
Cumulative interest sensitivity gap as a percentage of total assets	15.2%	12.3%	8.7%	0.6%	8.5%		

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2006 Total
FINANCIAL ASSETS							
Financial assets at fair value through profit or loss	107,802	325	537	7,312	17,769	-	133,745
Due from banks	12,598	1,121	600	665	-	-	14,984
Loans to customers	21,240	4,120	105,046	352,314	137,080	-	619,800
Reverse repurchase agreements	18,099	-	-	-	-	-	18,099
Investments available-for-sale	2,893	40	202	1,540	425	-	5,100
Investments held-to-maturity	-	-	43	-	-	-	43
Total interest bearing financial assets	162,632	5,606	106,428	361,831	155,274	-	791,771
Cash and balances with the National Bank of the Republic of Kazakhstan	99,594	-	-	-	-	-	99,594
Due from banks	5,615	-	-	-	-	-	5,615
Investments available-for-sale	-	-	-	-	-	76	76
TOTAL FINANCIAL ASSETS	267,841	5,606	106,428	361,831	155,274	76	897,056
FINANCIAL LIABILITIES							
Due to National Bank of the Republic of Kazakhstan	2,000	-	-	-	-	-	2,000
Financial liabilities at fair value through profit or loss	18						18
Due to banks	9,070	14,526	173,260	124,323	-	-	321,179
Due to other financial institutions	1,381	3,086	15,938	4,769	-	-	25,174
Other financing	-	-	-	-	24,901	-	24,901
Customer accounts	23,509	10,871	65,932	82,580	3,182	-	186,074
Repurchase agreements	44,444	-	-	-	-	-	44,444
Debt securities issued	6,260	-	-	89,355	43,634	-	139,249
Subordinated debt	653	-	-	5,213	4,351	22,397	32,614
Total interest bearing financial liabilities	87,335	28,483	255,130	306,240	76,068	22,397	775,653
Due to banks	6	-	-	-	-	-	6
Customer accounts	59,187	-	-	-	-	-	59,187
Commitments on loans and unused credit lines	1,236	1,143	20,509	53,486	14,770	-	91,144
TOTAL FINANCIAL LIABILITIES	147,764	29,626	275,639	359,726	90,838	22,397	925,990
Liquidity gap	120,077	(24,020)	(169,211)	2,105	64,436		
Cumulative liquidity gap	120,077	96,057	(73,154)	(71,049)	(6,613)		
Interest sensitivity gap	75,297	(22,877)	(148,702)	55,591	79,206		
Cumulative interest sensitivity gap	75,297	52,420	(96,282)	(40,691)	38,515		
Cumulative interest sensitivity gap as a percentage of total assets	8.4%	5.8%	(10.7)%	(4.5)%	4.3%		

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2005 Total
FINANCIAL ASSETS							
Cash and balances with the National Bank of the Republic of Kazakhstan	42,327	-	-	-	-	-	42,327
Financial assets at fair value through profit or loss	79,283	-	-	-	-	-	79,283
Due from banks	7,544	274	237	-	-	-	8,055
Loans to customers	3,783	8,069	30,872	118,870	18,503		180,097
Reverse repurchase agreements	4,038	-	-	-	-	-	4,038
Investments available-for-sale	-	-	57	3,324	7,652	-	11,033
Investments held-to-maturity	-	-	417	46	-	-	463
Total interest bearing financial assets	136,975	8,343	31,583	122,240	26,155	-	325,296
Investments available -for-sale	-	-	-	-	-	76	76
Due from banks	2,127	-	-	-	-	-	2,127
TOTAL FINANCIAL ASSETS	139,102	8,343	31,583	122,240	26,155	76	327,499
FINANCIAL LIABILITIES							
Due to National Bank of the Republic of Kazakhstan	4,000	2,000	-	-	-	-	6,000
Due to banks	4,318	11,031	43,258	35,036	-	-	93,643
Due to other financial institutions	-	414	573	-	-	-	987
Customer accounts	26,668	12,291	37,599	40,292	446	-	117,296
Repurchase agreements	6,261	-	-	-	-	-	6,261
Debt securities issued	-	-	2,334	51,154	-	-	53,488
Subordinated debt	-	-	57	-	5,292	-	5,349
Total interest bearing financial liabilities	41,247	25,736	83,821	126,482	5,738	-	283,024
Due to banks	26	-	-	-	-	-	26
Customer accounts	20,787	-	-	-	-	-	20,787
Commitments on loans and unused credit lines	2,371	819	5,217	34,315	6,337	-	49,059
TOTAL FINANCIAL LIABILITIES	64,431	26,555	89,038	160,797	12,075	-	352,896
Liquidity gap	74,671	(18,212)	(57,455)	(38,557)	14,080		
Cumulative liquidity gap	74,671	56,459	(996)	(39,553)	(25,473)		
Interest sensitivity gap	95,728	(17,393)	(52,238)	(4,242)	20,417		
Cumulative interest sensitivity gap	95,728	78,335	26,097	21,855	42,272		
Cumulative interest sensitivity gap as a percentage of total assets	29.2%	23.9%	8.0%	6.7%	12.9%		

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the balance sheet as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the balance sheet under the effective interest rate method.

The maturity of guarantees is disclosed in Note 32.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2007 Total
FINANCIAL LIABILITIES								
Due to the National Bank of the Republic of Kazakhstan	-	-	-	5,569	-	-	-	5,569
Due to banks	8.6	33,356	29,661	140,542	109,916	6,259	-	319,734
Due to other financial institutions	8.0	2,388	2,604	16,995	12,169	25,420	-	59,576
Other financing	8.0	490	778	2,480	26,370	8,484	-	38,602
Customer accounts	7.2	70,210	22,422	49,772	127,572	9,088	-	279,064
Repurchase agreements	4.6	5,038	1,319	-	-	-	-	6,357
Debt securities issued	10.4	-	25,817	45,832	364,161	47,463	-	483,273
Subordinated debt	10.6	1,169	206	925	9,158	7,871	21,681	41,010
Total interest bearing financial liabilities		112,651	82,807	262,115	649,346	104,585	21,681	1,233,185
Financial liabilities at fair value through profit or loss		434,597	-	-	-	-	-	434,597
Total financial liabilities		547,248	82,807	262,115	649,346	104,585	21,681	1,667,782

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2006 Total
FINANCIAL LIABILITIES								
Due to the National Bank of the Republic of Kazakhstan	7.2	1,000	1,006	-	-	-	-	2,006
Due to banks	8.35	10,909	18,135	188,743	136,373	-	-	354,160
Due to other financial institutions	8.0	1,520	3,349	16,969	5,086	-	-	26,924
Other financing	6.8	141	282	1,268	6,761	24,901	-	33,353
Customer accounts	7.2	83,776	12,775	73,934	95,411	3,404	-	269,300
Repurchase agreements	3.9	44,444	-	-	-	-	-	44,444
Debt securities issued	10.6	7,228	1,936	8,710	126,203	51,061	-	195,138
Subordinated debt	11.2	731	157	706	8,533	5,249	22,397	37,773
Total interest bearing financial liabilities		149,749	37,640	290,330	378,367	84,615	22,397	963,098
Financial liabilities at fair value through profit or loss		156,384	-	-	-	-	-	156,384
Total financial liabilities		306,133	37,640	290,330	378,367	84,615	22,397	1,119,482

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2005 Total
FINANCIAL LIABILITIES								
Due to the National Bank of the Republic of Kazakhstan	6.6	4,000	2,011	-	-	-	-	6,011
Due to banks	6.3	4,860	12,018	47,124	37,375	-	-	101,377
Due to other financial institutions	6.8	6	425	603	-	-	-	1,034
Customer accounts	8.6	48,247	13,532	42,433	46,578	482	-	151,272
Repurchase agreements	1.8	6,261	-	-	-	-	-	6,261
Debt securities issued	10.0	-	1,128	5,719	64,300	-	-	71,147
Subordinated debt	5.4	-	125	431	1,996	5,791	-	8,343
Total financial liabilities		63,374	29,239	96,310	150,249	6,273	-	345,445

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed.

The Group is exposed to interest rate risks as entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Department of Financial Control conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

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 Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by management of the open currency position on the estimated basis of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of national (central) banks.

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

	KZT	USD USD 1 = KZT 120.30	EURO EURO 1 = KZT 177.17	Other currencies	31 December 2007 Total
FINANCIAL ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	26,432	4,804	1,248	37,311	69,795
Financial assets at fair value through profit or loss	19,652	139,038	13,282	7,648	179,620
Due from banks	29,573	5,040	192	2,274	37,079
Loans to customers	401,692	375,691	40,991	820	819,194
Investments available-for-sale	2,705	352	-	-	3,057
TOTAL FINANCIAL ASSETS	480,054	524,925	55,713	48,053	1,108,745
FINANCIAL LIABILITIES					
Due to National Bank of the Republic of Kazakhstan	-	-	-	5,569	5,569
Financial liabilities at fair value through profit or loss	569	5,140	140	431	6,280
Due to banks	62,389	190,542	19,340	20,294	292,565
Due to other financial institutions	-	28,333	-	20,200	48,533
Due to other finance (Alliance DPR Company)	-	31,051	-	-	31,051
Repurchase agreements	3,759	2,598			6,357
Customer accounts	197,397	37,942	5,918	560	241,817
Debt securities issued	18,494	105,859	135,519	68,393	328,265
Subordinated debt	11,948	22,850	-	-	34,798
TOTAL FINANCIAL LIABILITIES	294,556	424,315	160,917	115,447	995,235
NET POSITION	185,498	100,610	(105,204)	(67,394)	

	KZT	USD USD 1 = KZT 127.00	EURO EURO 1 = KZT 167.12	Other currencies	31 December 2006 Total
FINANCIAL ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	68,701	4,909	1,134	24,850	99,594
Financial assets at fair value through profit or loss	36,304	95,825	1,394	222	133,745
Due from banks	3,169	12,948	1,005	3,477	20,599
Loans to customers	336,107	270,211	12,908	574	619,800
Reverse repurchase agreements	18,099	-	-	-	18,099
Investments available-for-sale	3,408	1,768	-	-	5,176
Investments held-to-maturity	-	43	-	-	43
TOTAL FINANCIAL ASSETS	465,788	385,704	16,441	29,123	897,056
FINANCIAL LIABILITIES					
Due to National Bank of the Republic of Kazakhstan	2,000	-	-	-	2,000
Financial liabilities at fair value through profit or loss	-	18	-	-	18
Due to banks	98,609	208,752	13,465	359	321,185
Due to other financial institutions	-	25,174	-	-	25,174
Other financing	-	24,901	-	-	24,901
Customer accounts	194,312	46,465	4,291	193	245,261
Repurchase agreements	22,057	22,387	-	-	44,444
Debt securities issued	17,790	121,459	-	-	139,249
Subordinated debt	11,843	20,771	-	-	32,614
TOTAL FINANCIAL LIABILITIES	346,611	469,927	17,756	552	834,846
NET POSITION	119,177	(84,223)	(1,315)	28,571	

	KZT	USD USD 1 = KZT 133.77	EURO EURO 1 = 1 KZT 58.54	Other currencies	31 December 2005 Total
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	38,754	3,047	420	106	42,327
Financial assets at fair value through profit or loss	35,997	42,996	160	130	79,283
Due from banks	2,173	6,383	635	991	10,182
Loans to customers	88,230	89,082	2,785	-	180,097
Reverse repurchase agreements	4,038	-	-	-	4,038
Investments available-for-sale	3,792	7,317	-	-	11,109
Investments held-to-maturity	418	45	-	-	463
TOTAL FINANCIAL ASSETS	173,402	148,870	4,000	1,227	327,499
LIABILITIES					
Due to National Bank of the Republic of Kazakhstan	6,000	-	-	-	6,000
Due to banks	22,642	68,789	2,230	8	93,669
Due to other financial institutions	30	414	543	-	987
Customer accounts	105,561	31,117	1,255	150	138,083
Repurchase agreements	6,261	-	-	-	6,261
Debt securities issued	7,144	46,344	-	-	53,488
Subordinated debt	2,826	2,523	-	-	5,349
TOTAL FINANCIAL LIABILITIES	150,464	149,187	4,028	158	303,837
NET POSITION	22,938	(317)	(28)	1,069	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2007, 2006 and 2005:

	KZT	USD USD 1 = KZT 120.30	EURO EURO 1 = KZT 177.17	Other currencies	31 December 2007 Total
Accounts payable on spot and derivative contracts	77,496	299,283	7,372	53,446	434,597
Accounts receivable on spot and derivative contracts	12,436	205,593	101,581	114,987	434,597
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(65,060)	(93,690)	94,209	61,541	
TOTAL NET POSITION	120,438	6,920	(10,995)	(5,853)	

	KZT	USD USD 1 = KZT 127.00	EURO EURO 1 = KZT 167.12	Other currencies	31 December 2006 Total
Accounts payable on spot and derivative contracts	53,227	76,489	1,807	24,861	156,384
Accounts receivable on spot and derivative contracts	377	155,332	675	-	156,384
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(52,850)	78,843	(1,132)	(24,861)	
TOTAL NET POSITION	66,327	(5,380)	(2,447)	3,710	

The Group did not hold derivative financial instruments and spot contracts as at 31 December 2005.

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 Group is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows.

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

Price risk

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

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

Fair value interest rate risk

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

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

Interest rate sensitivity

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

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax based on asset values as at 31 December 2007 and 31 December 2006:

	As at 31 December 2007		As at 31 December 2006		As at 31 December 2005	
	Interest rate +1%	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Assets:						
Financial assets at fair value	1,796	(1,796)	1,337	(1,337)	793	(793)
Due from banks	371	(371)	206	(206)	102	(102)
Loans to customers	8,192	(8,192)	6,198	(6,198)	1,801	(1,801)
Reverse repurchase agreements	-	-	181	(181)	40	(40)
Investments held to maturity	-	-	-	-	5	(5)
Liabilities:						
Due to banks	2,926	(2,926)	3,212	(3,212)	937	(937)
Due to other financial institutions	485	(485)	252	(252)	10	(10)
Other financing	311	(311)	249	(249)	-	-
Customer accounts	2,418	(2,418)	2,453	(2,453)	1,392	(1,392)
Repurchase agreements	64	(64)	444	(444)	51	(51)
Debt securities issued	3,283	(3,283)	1,392	(1,392)	535	(535)
Subordinated debt	347	(347)	326	(326)	53	(53)
Net impact on operating profit before tax	525	(525)	(406)	406	(237)	237

Impact on shareholders equity:

	As at 31 December 2007		As at 31 December 2006		As at 31 December 2007	
	Interest rate +1%	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**	**Interest rate +1%**	**Interest rate -1%**
Net impact on profit before tax	525	(525)	(406)	406	(237)	237
Investments available-for-sale	31	(31)	52	(52)	111	(111)
Change in income tax accrual	(167)	167	106	(106)	38	(38)
Net impact on equity, after tax	389	(389)	(248)	248	(88)	88

Currency risk Sensitivity

The following table details the Group's Sensitivity to a 10% increase and decrease in the USD against the KZT. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

	As at 31 December 2007		As at 31 December 2006		As at 31 December 2005	
	KZT/USD +10%	**KZT/USD -10%**	**KZT/USD +10%**	**KZT/USD -10%**	**KZT/USD +10%**	**KZT/USD -10%**
Impact on operating profit before tax	(1,410)	1,410	(933)	933	(48)	48
Change in income tax accrual	(423)	423	(280)	280	(14)	14
Impact on equity, after tax	(987)	987	(653)	653	(34)	34

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Cash flow interest rate risk

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

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

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

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

	31 December 2007			
	KZT	USD	EURO	Other currencies
ASSETS				
Balances with the National Bank of the Republic of Kazakhstan	5.1	-	-	-
Financial assets at fair value through profit or loss	6.1	4.4	5.6	7.3
Due from banks	7.0	6.2	3.7	2.6
Loans to customers	24.7	14.3	13.7	11.4
Reverse repurchase agreements	3.3	-	-	-
Investments available-for-sale	8.6	4.9	-	-
LIABILITIES				
Due to National Bank of the Republic of Kazakhstan	2.1	-	-	-
Due to banks	9.4	8.6	7.4	6.5
Due to other financial institutions	-	8.0	-	-
Customer accounts	7.6	5.1	8.6	-
Repurchase agreements	5.2	3.6	1.3	-
Debt securities issued	10.4	10.4	9.8	11.5
Subordinated debt	9.5	11.2	-	-

	31 December 2006			
	KZT	USD	EURO	Other currencies
ASSETS				
Balances with the National Bank of the Republic of Kazakhstan	2.9	-	-	-
Financial assets at fair value through profit or loss	4.9	4.5	5.2	1.9
Due from banks	2.8	4.7	2.7	-
Loans to customers	22.8	12.9	10.1	11.2
Reverse repurchase agreements	3.6			
Investments available-for-sale	8.3	6.9	-	-
Investments held-to-maturity	6.3	-	-	-
LIABILITIES				
Due to banks	9.1	8.1	6.9	5.2
Due to other financial institutions	-	8.0	-	-
Customer accounts	7.5	6.1	7.3	-
Repurchase agreements	1.8	6.0	-	-
Debt securities issued	9.3	10.8	-	-
Subordinated debt	10.7	11.5	-	-

	31 December 2005			
	KZT	USD	EURO	Other currencies
ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	3.50	-	-	-
Financial assets at fair value through profit or loss	3.40	6.10	3.54	-
Due from banks	4.40	3.00	-	-
Loans to customers	14.6	10.9	12.70	-
Investments available-for-sale	2.10	12.2	-	-
Investments held-to-maturity	5.90	-	-	-
LIABILITIES				
Due to banks	7.10	6.02	4.82	-
Due to other financial institutions	5.80	6.66	7.00	-
Customer accounts	9.10	7.10	6.50	2.00
Debt securities issued	8.50	10.2	-	-
Subordinated debt	10.20	-	-	-

39. RESTATEMENT OF EARNINGS PER SHARE

Basic and diluted earnings per share for the year ended 31 December 2006 have been restated due to errors identified after the issuance of the consolidated financial statements. According to Kazakhstan legislation on Joint Stock Companies, dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. The updated calculation of earnings per share reflects the additional dividends that would be paid to preference shareholders on full distribution of profits.

	31 December 2006 (As previously reported)	**31 December 2006 (As restated)**
Profit:		
Net profit for the year attributable to equity holders of the parent	14,010	14,010
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	-	(1,280)
Earnings attributable to ordinary shareholders	14,010	12,730
Weighted average number of ordinary shares for purpose of basic and diluted earnings per share	3,030,063	3,030,063
Earnings per share – basic and diluted (KZT)	4,623.67	4,201.23