

**JOINT STOCK COMPANY
ALLIANCE BANK**

**Condensed Consolidated Interim
Financial Information (Unaudited)**
For the nine-month period ended 30 September 2007

**and Independent Auditor's Report on Review
of Condensed Consolidated Interim Financial Information**

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 CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007

The following statement, which should be read in conjunction with the independent auditor's responsibilities stated in the report on review of condensed consolidated interim financial information, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditor in relation to the condensed consolidated interim financial information of Joint Stock Company ("JSC") Alliance Bank and its subsidiaries (together, the "Group").

Management is responsible for the preparation of the condensed consolidated interim financial information that presents fairly the consolidated financial position of the Group as at 30 September 2007, and the consolidated results of its operations for the three-month and nine-month period ended 30 September 2007, cash flows and changes in equity for the nine-month period ended 30 September 2007, in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

In preparing the condensed consolidated interim financial information, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgments and estimates that are reasonable and prudent;
- stating whether IAS 34 has been followed, subject to any material departures disclosed and explained in the notes to the condensed consolidated interim financial information; and
- preparing the condensed consolidated interim financial information 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:

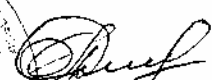
- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining proper accounting records that disclose, with reasonable accuracy at any time, the consolidated financial position of the Group, and which enable them to ensure that the condensed consolidated interim financial information of the Group complies with IAS 34;
- maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- detecting and preventing fraud and other irregularities.

The condensed consolidated interim financial information for the nine-month period ended 30 September 2007 was authorized for issue on 21 November 2007 by the Management Board of the Bank.

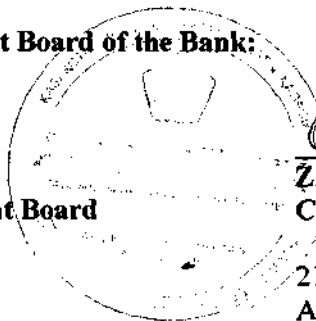
On behalf of the Management Board of the Bank:


Kereibayev D. Zh.
Chairman of the Management Board

21 November 2007
Almaty


Zhakanbayev R.S.
Chief Accountant

21 November 2007
Almaty





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**INDEPENDENT AUDITORS' REPORT
ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

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

Introduction

We have reviewed the accompanying condensed consolidated interim balance sheet of Joint Stock Company Alliance Bank and its subsidiaries (the "Group") as of 30 September 2007 and the related condensed consolidated interim statements of income for the three-month and nine-month periods then ended, changes in equity and cash flows for the nine-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information does not present fairly, in all material respects the financial position of the Group as of 30 September 2007, and of its financial performance for the three-month and nine-month periods then ended and its cash flows for the nine-month period then ended, in accordance with IAS 34.



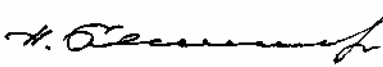
Deloitte, LLP
Audit license for Republic of Kazakhstan
№0000015, type MFU - 2, issued by the Ministry of
Finance of the Republic of Kazakhstan dated
13 September 2006

21 November 2007
Almaty

Audit . Tax . Consulting . Financial Advisory .


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




Nurlan Bekenov
General Director
Deloitte, LLP

Member of
Deloitte Touche Tohmatsu


JOINT STOCK COMPANY ALLIANCE BANK

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007

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

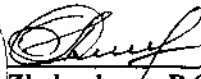
| | Notes | Nine-month period ended 30 September 2007 (unaudited) | Nine-month period ended 30 September 2006 (unaudited) | Three-month period ended 30 September 2007 (unaudited) | Three-month period ended 30 September 2006 (unaudited) |
|--|-------|---|---|--|--|
| Interest income | 4, 27 | 130,338 | 49,517 | 49,236 | 24,709 |
| Interest expense | 4, 27 | (64,116) | (25,817) | (22,995) | (11,491) |
| NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS | | 66,222 | 23,700 | 26,241 | 13,218 |
| Provision for impairment losses on interest bearing assets | 5 | (14,725) | (13,693) | (6,793) | (6,946) |
| NET INTEREST INCOME | | 51,497 | 10,007 | 19,448 | 6,272 |
| Net gain on financial assets at fair value through profit or loss | | 1,742 | 298 | 106 | 568 |
| Net gain on foreign exchange operations | | 387 | 645 | 366 | 221 |
| Fee and commission income | 6, 27 | 9,030 | 4,060 | 3,831 | 1,283 |
| Fee and commission expense | 6, 27 | (7,492) | (2,103) | (2,728) | (1,618) |
| Other income/(loss) | | 1,796 | (108) | 810 | (288) |
| NET NON-INTEREST INCOME | | 5,463 | 2,792 | 2,385 | 166 |
| OPERATING INCOME | | 56,960 | 12,799 | 21,833 | 6,438 |
| OPERATING EXPENSES | 7, 27 | (15,584) | (6,731) | (6,155) | (2,982) |
| Other recoveries of provisions/(provisions) | 5 | 55 | (98) | (120) | 129 |
| PROFIT BEFORE INCOME TAX | | 41,431 | 5,970 | 15,558 | 3,585 |
| Income tax expense | 8 | (10,706) | (1,936) | (4,411) | (1,190) |
| NET PROFIT | | 30,725 | 4,034 | 11,147 | 2,395 |
| EARNINGS PER SHARE | | | | | |
| Basic and diluted (KZT) | 9 | 3,716.83 | 1,495.09 | 1,156.63 | 869.25 |

On behalf of the Management Board of the Bank:


Kereibayev D. Zh.
Chairman of the Management Board

21 November 2007
Almaty




Zhakanbayev R.S.
Chief Accountant

21 November 2007
Almaty

The notes on pages 9-40 form an integral part of these condensed consolidated interim financial information.

JOINT STOCK COMPANY ALLIANCE BANK

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET AS AT 30 SEPTEMBER 2007

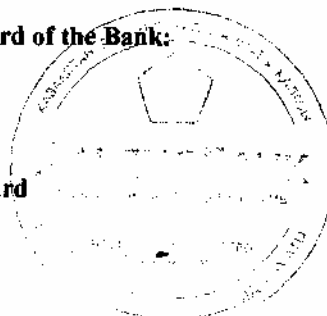
(in Kazakhstani tenge and in millions)


| | Notes | 30 September 2007 (unaudited) | 31 December 2006 |
|--|--------|-------------------------------------|---------------------|
| ASSETS: | | | |
| Cash and balances with the National Bank of the Republic of Kazakhstan | 10 | 97,818 | 99,594 |
| Financial assets at fair value through profit or loss | 11 | 162,364 | 133,745 |
| Due from banks | 12 | 39,332 | 20,599 |
| Loans to customers | 13, 27 | 884,756 | 619,800 |
| Reverse repurchase agreements | 14 | 1,662 | 18,099 |
| Investments available-for-sale | 15 | 3,371 | 5,176 |
| Investments held-to-maturity | 16 | - | 43 |
| Property, plant and equipment and intangible assets | | 24,162 | 12,782 |
| Non-current assets held-for-sale | 17 | - | 1,008 |
| Other assets | 27 | 10,443 | 9,904 |
| TOTAL ASSETS | | 1,223,908 | 920,750 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES: | | | |
| Deposit from the National Bank of the Republic of Kazakhstan | | 1,042 | 2,000 |
| Due to banks | 18 | 337,292 | 321,185 |
| Due to other financial institutions | 19 | 53,086 | 25,174 |
| Other financing | 20 | 31,664 | 24,901 |
| Customer accounts | 21, 27 | 236,325 | 245,261 |
| Repurchase agreements | 22 | 23,571 | 44,444 |
| Debt securities issued | 23 | 346,104 | 139,249 |
| Deferred income tax liabilities | 8 | 1,331 | 1,100 |
| Current income tax liabilities | | 3,397 | 912 |
| Other liabilities | | 7,713 | 3,872 |
| Subordinated debt | 24 | 35,325 | 32,614 |
| Total liabilities | | 1,076,850 | 840,712 |
| EQUITY: | | | |
| Share capital | 25 | 96,380 | 60,013 |
| Additional paid-in-capital | | 1,222 | 1,222 |
| Investments available-for-sale fair value reserve | | 8 | 80 |
| Property revaluation reserve | | 2,165 | 2,255 |
| Retained earnings | | 47,283 | 16,468 |
| Total equity | | 147,058 | 80,038 |
| TOTAL LIABILITIES AND EQUITY | | 1,223,908 | 920,750 |

On behalf of the Management Board of the Bank:


Kereibayev D. Zh.
Chairman of the Management Board

21 November 2007
Almaty




Zhakanbayev R.S.
Chief Accountant

21 November 2007
Almaty

The notes on pages 9-40 form an integral part of these condensed consolidated interim financial information.

JOINT STOCK COMPANY ALLIANCE BANK

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007**
(in Kazakhstani tenge and in millions)

| | Share capital | Additional paid-in-capital | Investments available-for-sale fair value reserve | Property revaluation reserve | Retained earnings | Total equity |
|--|---------------|----------------------------|---|------------------------------|-------------------|--------------|
| 31 December 2005 | 24,904 | - | 204 | 491 | 2,433 | 28,032 |
| Depreciation of property revaluation reserve | - | - | - | (15) | 15 | - |
| Loss on revaluation of investments available-for-sale | - | - | (63) | - | - | (63) |
| Gain transferred to income statement on sale of investments available-for-sale | - | - | (2) | - | - | (2) |
| Net recognized directly in equity | - | - | (65) | (15) | 15 | (65) |
| Net profit | - | - | - | - | 4,034 | 4,034 |
| Total recognised for the period | - | - | (65) | (15) | 4,049 | 3,969 |
| Issue of preference shares | 3,507 | 858 | - | - | - | 4,365 |
| Reclassification of preference shares | (4,000) | 364 | - | - | - | (3,636) |
| Issue of ordinary shares | 7,857 | - | - | - | - | 7,857 |
| 30 September 2006 (unaudited) | 32,268 | 1,222 | 139 | 476 | 6,482 | 40,587 |

JOINT STOCK COMPANY ALLIANCE BANK

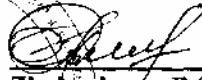
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007
(in Kazakhstani tenge and in millions)

| | Share Capital | Additional paid-in- capital | Investments available-for- sale fair value reserve | Property revaluation reserve | Retained earnings | Total equity |
|---|------------------|-----------------------------------|---|------------------------------------|----------------------|-----------------|
| 31 December 2006 | 60,013 | 1,222 | 80 | 2,255 | 16,468 | 80,038 |
| Depreciation of property revaluation reserve | - | - | - | (90) | 90 | - |
| Loss transferred to income statement on sale of investments available-for-sale | - | - | 7 | - | - | 7 |
| Loss on revaluation of investments available- for-sale | - | - | (79) | - | - | (79) |
| Net recognized directly in equity | - | - | (72) | (90) | 90 | (72) |
| Net profit | - | - | - | - | 30,725 | 30,725 |
| Total recognised for the period | - | - | (72) | (90) | 30,815 | 30,653 |
| Issue of ordinary shares | 36,367 | - | - | - | - | 36,367 |
| 30 September 2007 (unaudited) | 96,380 | 1,222 | 8 | 2,165 | 47,283 | 147,058 |

On behalf of the Management Board of the Bank:


Kereibayev D. Zh.
 Chairman of the Management Board

21 November 2007
 Almaty


Zhakanbayev R.S.
 Chief Accountant

21 November 2007
 Almaty

The notes on pages 9-40 form an integral part of these condensed consolidated interim financial information.

JOINT STOCK COMPANY ALLIANCE BANK

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN CASH FLOWS
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007**
(in Kazakhstani tenge and in millions)

| | Notes | For the nine- month period ended 30 September 2007 (unaudited) | For the nine- month period ended 30 September 2006 (unaudited) |
|---|-------|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Profit before income tax | | 41,431 | 5,970 |
| Adjustments for: | | | |
| Provision for impairment losses on interest bearing assets | | 14,725 | 13,693 |
| Other (recoveries of provisions)/provisions | | (55) | 98 |
| Unrealized (gain)/loss and amortization of premiums/ (discounts) on securities | | (6,458) | (1,073) |
| Amortization of discount on-issued securities | | 336 | 227 |
| Depreciation and amortization | | 1,562 | 445 |
| Loss from sale of non-current assets held-for-sale | | 215 | - |
| Changes in interest accruals, net | | 10,347 | (277) |
| Net gain on disposal of fixed assets | | (30) | - |
| Unrealized gain on foreign exchange operations | | (4,034) | (87) |
| Changes in operating assets and liabilities: | | | |
| Due from banks | | (20,185) | 2,113 |
| Financial assets at fair value through profit or loss | | (14,297) | 779 |
| Reverse repurchase agreements | | 16,449 | 805 |
| Loans to customers | | (279,204) | (302,407) |
| Other assets | | (314) | (5,952) |
| Deposit from the National Bank of the Republic of Kazakhstan | | (1,000) | - |
| Due to banks | | 16,174 | 143,949 |
| Due to other financial institutions | | 28,456 | 8,157 |
| Other financing | | 6,690 | - |
| Customer accounts | | (7,522) | 45,184 |
| Repurchase agreements | | (20,821) | 9,534 |
| Other liabilities | | 3,564 | 2,120 |
| Cash outflow from operating activities before income tax | | (213,971) | (76,722) |
| Income tax paid | | (7,990) | (515) |
| Net cash outflow from operating activities | | (221,961) | (77,237) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property, plant and equipment and intangible assets | | (13,233) | (4,647) |
| Proceeds on sale of property, plant and equipment and intangible assets | | 321 | 30 |
| Proceeds from/(purchase of) non-current assets held-for-sale | | 793 | (972) |
| Proceeds on sale of investments available-for-sale | | 1,739 | 3,139 |
| Proceeds from investments held-to-maturity | | 43 | 14 |
| Net cash outflow from investing activities | | (10,337) | (2,436) |

JOINT STOCK COMPANY ALLIANCE BANK

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN CASH FLOWS (CONTINUED) FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007


(in Kazakhstani tenge and in millions)

| | Notes | For the nine-month period ended 30 September 2007 (unaudited) | For the nine-month period ended 30 September 2006 (unaudited) |
|--|-------|---|---|
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Issue of ordinary share capital | | 36,367 | 7,857 |
| Proceeds from issue of preference shares | | - | 4,365 |
| Proceeds from debt securities issued | | 189,327 | 77,803 |
| Repurchase of debt securities issue | | (885) | (960) |
| Proceeds from issue of subordinated debt | | 2,024 | 18,040 |
| Dividends paid | | - | (49) |
| Net cash inflow from financing activities | | <u>226,833</u> | <u>107,056</u> |
| <i>Effect of changes in foreign exchange rate on cash and cash equivalents</i> | | <u>1,183</u> | <u>1,198</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (4,282) | 28,581 |
| CASH AND CASH EQUIVALENTS, beginning of period | 10 | <u>116,709</u> | <u>45,192</u> |
| CASH AND CASH EQUIVALENTS, end of period | 10 | <u>112,427</u> | <u>73,773</u> |

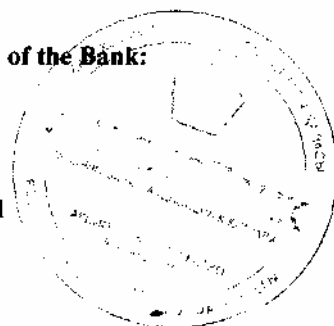
Interest received and paid by the Group during the nine-month period ended 30 September 2007 amounted to KZT 122,517 million and KZT 45,948 million, respectively.

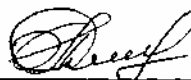
Interest received and paid by the Group during nine-month period ended 30 September 2006 amounted to KZT 41,223 million and 17,788 KZT million, respectively.

On behalf of the Management Board of the Bank:


Kereibayev D. Zh.
Chairman of the Management Board

21 November 2007
Almaty




Zhakanbayev R.S.
Chief Accountant

21 November 2007
Almaty

The notes on pages 9-40 form an integral part of these condensed consolidated interim financial information.

JOINT STOCK COMPANY ALLIANCE BANK

SELECTED NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2007 (UNAUDITED)

(in Kazakhstani tenge and in millions)

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") Irtyshtyshbusinessbank as a result of a merger of OJSC Semipalatinsk Municipal Joint Stock Bank and OJSC Irtyshtyshbusinessbank. In accordance with a decision made by Shareholders Alliance Bank was renamed from Irtyshtyshbusinessbank 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.

In 2002, Alliance Bank joined the Kazakhstan Deposits Insurance Fund ("KDIF"). The primary goal of the KDIF is to protect interests of depositors in the event of forcible liquidation of a member-bank. Depositors can receive limited insurance coverage for the deposit, which represents maximum KZT700 thousand per deposit, depending on the amount of the deposit.

As at 30 September 2007, JSC Alliance Bank had 25 branches and 219 mini-branches in the Republic of Kazakhstan (as at 31 December 2006 - 21 branches and 162 mini-branches).

JSC Alliance Bank is a parent company of the ALB Finance B.V. and LLP Alliance Finance (together, the "Group") and it owns 100% of shares of the both subsidiaries.

ALB Finance B.V. is a limited liability partnership (B.V.) and operates under laws of the Kingdom of the Netherlands since October 2005. This 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 Russian capital market.

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

| Shareholders | 30 September 2007 % | 31 December 2006 % |
|--|---------------------------|--------------------------|
| Ultimate shareholders: | | |
| Margulan Seisembayev | 18.93 | 25.32 |
| Erlan Seisembayev | 18.93 | 25.32 |
| Askar Galin | 18.93 | 25.31 |
| Total ultimate shareholders | 56.79 | 75.95 |
| Other (individually hold less than 5%) | 43.21 | 24.05 |
| Total | 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) that has been set at USD 14.00 per GDR ("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 that are currently deposited at depo-account in Credit Suisse Securities Ltd and have to be returned to the offerer). 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 Seimar Alliance Financial Corporation (SAFC), the Bank's majority shareholder. No new capital has been raised as part of the Offer.

This condensed consolidated interim financial information was authorized for issue by the Management Board of the Group on 21 November 2007.

2. BASIS OF PRESENTATION

Accounting basis

The condensed consolidated interim financial information of the Group has been prepared by management in compliance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34"). Accordingly, certain information and disclosures normally included in the notes to the annual financial statements as required by International Financial Reporting Standards ("IFRS") have been omitted or condensed.

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

The Group maintains their accounting records in accordance with Kazakhstani legislation, while its foreign subsidiaries maintain accounting records in accordance with the requirements of the Kingdom of the Netherlands and Russian Federation where these subsidiaries operate. This condensed consolidated interim financial information has been prepared based on accounting records of the Group and financial information of foreign subsidiaries, which has been adjusted to conform to IAS 34. These adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement classifications.

The preparation of the condensed interim consolidated financial information in conformity with International Financial Reporting Standards ("IFRS") requires management of the Group to make estimates and assumptions that affect the reported amounts of assets and liabilities of the Group, and disclosure of contingent assets and liabilities at the date of the financial information, and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to impairment loss provisions on loans and investments, determination of the fair value of financial instruments and determination of the deferred tax liabilities.

Interim reporting

The condensed consolidated interim financial information should be read in conjunction with the 2006 annual consolidated financial statements of the Group, which were authorized for issue on 2 April 2007.

Since the results of the Group's operation closely relate to and depend on changing market conditions, the results of the Group's operation for the interim period do not necessarily reflect a trend for the total year end results.

Functional currency

The functional currency of these condensed consolidated interim financial information is the Kazakhstani Tenge ("KZT" or "Tenge").

3. SIGNIFICANT ACCOUNTING POLICIES

In preparing this condensed consolidated interim financial information the Group has applied the same accounting principles as those applied in the consolidated financial information of the Group for the year ended 31 December 2006.

Adoption of new and revised International Financial Reporting Standards

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for reporting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has not resulted in changes to the Group's accounting policies that have affected the amounts reported for the current or prior reporting periods. The following standard is effective for annual period beginning on or after 1 January 2007:

The IASB issued IFRS 7 'Financial Instruments: Disclosures' in August 2005. The standard replaces IAS 30 'Disclosures in the Financial Statements of Banks and Similar Financial Institutions' and the disclosure provisions in IAS 32 'Financial Instruments: 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. IFRS 7 disclosures will be included in the annual consolidated financial statements for the period ended 31 December 2007.

Rates of exchange

The exchange rates at the end of the period used by the Group in the preparation of the condensed consolidated interim financial information are as follows:

| | 30 September 2007 | 31 December 2006 |
|----------|----------------------|---------------------|
| KZT/USD | 120.96 | 127.00 |
| KZT/EURO | 171.47 | 167.12 |
| KZT/RUR | 4.85 | 4.82 |

Reclassifications

Certain reclassifications have been made to the financial statements as at 31 December 2006 and for the year then ended to conform to the presentation as at 30 September 2007 and for the year then ended.

| Nature of reclassification | 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 |

4. NET INTEREST INCOME

| | Nine-month period ended 30 September 2007 | Nine-month period ended 30 September 2006 | Three-month period ended 30 September 2007 | Three-month period ended 31 September 2006 |
|--|--|--|---|---|
| Interest income | | | | |
| Interest on loans to customers | 121,173 | 45,261 | 46,164 | 23,228 |
| Interest on debt securities | 6,788 | 3,634 | 2,188 | 1,316 |
| Interest on due from banks | 2,177 | 507 | 822 | 137 |
| Interest on reverse repurchase agreements | 200 | 115 | 62 | 28 |
| Total interest income | 130,338 | 49,517 | 49,236 | 24,709 |
| Interest expense | | | | |
| Interest on due to banks | 25,972 | 9,399 | 9,319 | 4,576 |
| Interest on debt securities issued | 22,443 | 6,026 | 8,169 | 2,703 |
| Interest on customer accounts | 12,502 | 8,606 | 4,173 | 3,192 |
| Interest on subordinated debt | 2,506 | 1,504 | 945 | 829 |
| Interest on repurchase agreements | 693 | 282 | 389 | 191 |
| Total interest expense | 64,116 | 25,817 | 22,995 | 11,491 |
| Net interest income before provision for impairment losses on interest bearing assets | 66,222 | 23,700 | 26,241 | 13,218 |

Total interest income for financial assets that are not at fair value through profit or loss for the nine-month periods ended 30 September 2007 and 2006 amounted to KZT 123,787 million and KZT 46,505 million, respectively.

Total interest expense for financial liabilities that are not at fair value through profit or loss for the nine-month periods ended 30 September 2007 and 2006 amounted to KZT 64,116 million and KZT 25,817 million, respectively.

Interest income of KZT 4,558 million and KZT 452 million represents interest income accrued on impaired financial assets for the nine-month periods ended 30 September 2007 and 2006, respectively.

5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

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

| | Loans to customers |
|---|-----------------------|
| 30 June 2006 | 13,930 |
| Provision | 6,946 |
| Write-off of assets | (83) |
| 30 September 2006 | 20,793 |
| 30 June 2007 | 28,975 |
| Provision | 6,793 |
| Recoveries of assets previously written off | 2 |
| 30 September 2007 | 35,770 |

| | Loans to customers |
|---|---------------------------|
| 31 December 2005 | 7,555 |
| Provision | 13,693 |
| Write-off of assets | (515) |
| Recoveries of assets previously written off | <u>60</u> |
| 30 September 2006 | <u>20,793</u> |
| 31 December 2006 | 21,113 |
| Provision | 14,725 |
| Write-off of assets | (133) |
| Recoveries of assets previously written off | <u>65</u> |
| 30 September 2007 | <u>35,770</u> |

The movements in other provisions were as follows:

| | Other assets | Guarantees and other commitments | Total |
|------------------------------------|---------------------|---|--------------|
| 30 June 2006 | 37 | 388 | 425 |
| Provision/(recovery of provision) | 1 | (130) | (129) |
| Write-off of assets | <u>(1)</u> | <u>-</u> | <u>(1)</u> |
| 30 September 2006 | <u>37</u> | <u>258</u> | <u>295</u> |
| 30 June 2007 | 206 | 164 | 370 |
| Provision/(recovery of provision) | 155 | (35) | 120 |
| Write-off of assets | <u>(21)</u> | <u>-</u> | <u>(21)</u> |
| 30 September 2007 | <u>340</u> | <u>129</u> | <u>469</u> |
| | Other assets | Guarantees and other commitments | Total |
| 31 December 2005 | 22 | 176 | 198 |
| Provision | 16 | 82 | 98 |
| Write-off of assets | <u>(1)</u> | <u>-</u> | <u>(1)</u> |
| 30 September 2006 | <u>37</u> | <u>258</u> | <u>295</u> |
| 31 December 2006 | 45 | 506 | 551 |
| Provision/ (recovery of provision) | 322 | (377) | (55) |
| Write-off of assets | <u>(27)</u> | <u>-</u> | <u>(27)</u> |
| 30 September 2007 | <u>340</u> | <u>129</u> | <u>469</u> |

6. FEE AND COMMISSION INCOME AND EXPENSE

| | Nine-month period ended 30 September 2007 | Nine-month period ended 30 September 2006 | Three-month period ended 30 September 2007 | Three-month period ended 30 September 2007 |
|---|--|--|---|---|
| Fee and commission income: | | | | |
| Cash operations | 4,504 | 1,700 | 2,196 | 702 |
| Documentary operations | 1,462 | 765 | 691 | 227 |
| Foreign currency and securities operations | 487 | 301 | 178 | 130 |
| Trust operations | 56 | 58 | 16 | 21 |
| Other | 2,521 | 1,236 | 750 | 203 |
| Total fee and commission income | 9,030 | 4,060 | 3,831 | 1,283 |
| | Nine-month period ended 30 September 2007 | Nine-month period ended 30 September 2006 | Three-month period ended 30 September 2007 | Three-month period ended 30 September 2006 |
| Fee and commission expense: | | | | |
| Insurance premium to related party | 5,636 | 1,626 | 1,926 | 1,431 |
| Collector services | 845 | - | 464 | - |
| Customer accounts services by financial agents | 419 | 65 | 157 | 31 |
| Settlement bank services | 126 | 74 | 37 | 33 |
| Plastic cards operations | 106 | 103 | 5 | 54 |
| Foreign currency and security operations | 96 | 77 | 20 | 29 |
| Documentary operations | 53 | 47 | 13 | 30 |
| Eurobonds and syndicated loans | - | 16 | - | 16 |
| Other | 211 | 95 | 106 | (6) |
| Total fee and commission expense | 7,492 | 2,103 | 2,728 | 1,618 |

7. OPERATING EXPENSES

| | Nine-month period ended 30 September 2007 | Nine-month period ended 30 September 2006 | Three-month period ended 30 September 2007 | Three-month period ended 30 September 2006 |
|--|--|--|---|---|
| Staff costs | 6,672 | 2,799 | 2,793 | 1,215 |
| Depreciation and amortization | 1,562 | 445 | 625 | 183 |
| Operating lease | 1,326 | 496 | 477 | 233 |
| Advertising and marketing expenses | 890 | 786 | 386 | 273 |
| Payments to Deposit Insurance Fund | 834 | 134 | 239 | 52 |
| Taxes, other than income tax and social tax | 822 | 295 | 374 | 100 |
| Social tax | 625 | 341 | 268 | 150 |
| Repair and maintenance | 538 | 163 | 222 | 94 |
| Telecommunication expenses | 295 | 136 | 103 | 68 |
| Consulting | 211 | 88 | 77 | 58 |
| Business trip and related expenses | 190 | 122 | 61 | 44 |
| Representative expenses | 184 | 11 | 68 | 4 |
| Security service | 181 | 68 | 62 | 32 |
| Stationery | 176 | 68 | 61 | 68 |
| Expenses on insurance | 159 | 240 | 28 | 207 |
| Buildings maintenance | 124 | 58 | 43 | 23 |
| Legal services | 85 | 12 | 23 | 12 |
| Other | 710 | 469 | 245 | 166 |
| Total operating expenses | 15,584 | 6,731 | 6,155 | 2,982 |

8. 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 and which may differ from International Financial Reporting Standards.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 30 September 2007 and 31 December 2006 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 30 September 2007 and 31 December 2006 comprise:

| | 30 September 2007 | 31 December 2006 |
|---|----------------------|---------------------|
| Deferred liabilities: | | |
| Loans and advances to banks and customers | (1,420) | (564) |
| Property, plant and equipment and intangible assets | <u>(3,017)</u> | <u>(3,104)</u> |
| Total deferred liabilities | <u>(4,437)</u> | <u>(3,668)</u> |
| Net deferred (liabilities) | <u>(4,437)</u> | <u>(3,668)</u> |
| Deferred income tax liabilities at the statutory rate (30%) | <u>(1,331)</u> | <u>(1,100)</u> |

Relationships between tax expenses and accounting profit for the periods ended 30 September 2007 and 30 September 2006 are explained as follows:

| | Nine-month period ended 30 September 2007 | Nine-month period ended 30 September 2006 | Three-month period ended 30 September 2007 | Three-month period ended 30 September 2006 |
|---|--|--|---|---|
| Profit before income tax | 41,431 | 5,970 | 15,558 | 3,585 |
| Statutory tax rate | 30% | 30% | 30% | 30% |
| Tax at the statutory tax rate | 12,429 | 1,791 | 4,667 | 1,075 |
| Non taxable interest | (801) | (194) | (202) | (65) |
| Other permanent differences | <u>(922)</u> | <u>339</u> | <u>(54)</u> | <u>180</u> |
| Total tax effect of permanent differences | <u>(1,723)</u> | <u>145</u> | <u>(256)</u> | <u>115</u> |
| Income tax expense | <u>10,706</u> | <u>1,936</u> | <u>4,411</u> | <u>1,190</u> |
| Current income tax expense | 10,475 | 1,265 | 3,810 | 967 |
| Deferred income tax expense | <u>231</u> | <u>671</u> | <u>601</u> | <u>223</u> |
| Income tax expense | <u>10,706</u> | <u>1,936</u> | <u>4,411</u> | <u>1,190</u> |

Deferred income tax (liabilities)/assets:

| | 30 September 2007 | 31 December 2006 | 30 September 2006 | 31 December 2005 |
|--|----------------------|---------------------|----------------------|---------------------|
| Beginning of the period | (1,100) | 468 | 468 | - |
| Decrease/increase in income tax assets/(liabilities) for the period | <u>(231)</u> | <u>(1,568)</u> | <u>(671)</u> | <u>468</u> |
| End of the period | <u>(1,331)</u> | <u>(1,100)</u> | <u>(203)</u> | <u>468</u> |

9. EARNINGS PER SHARE

| | Nine-month period ended 30 September 2007 | Nine-month period ended 30 September 2006 | Three-month period ended 30 September 2007 | Three-month period ended 30 September 2006 |
|---|--|--|---|---|
| Profit: | | | | |
| Net profit for the period | <u>30,725</u> | <u>4,034</u> | <u>11,147</u> | <u>2,395</u> |
| Weighted average number of ordinary shares | | | | |
| For basic and diluted earnings per share | <u>8,266,268</u> | <u>2,698,174</u> | <u>9,637,500</u> | <u>2,755,234</u> |
| Earnings per share – basic and diluted (KZT) | <u>3,716.91</u> | <u>1,495.09</u> | <u>1,156.63</u> | <u>869.25</u> |

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

| | 30 September 2007 | 31 December 2006 |
|---|----------------------|---------------------|
| Balance with the National Bank of the Republic of Kazakhstan | 69,711 | 85,030 |
| Cash on hand | <u>28,107</u> | <u>14,564</u> |
| Total cash and balances with the National Bank of the Republic of Kazakhstan | <u>97,818</u> | <u>99,594</u> |

Minimum reserve requirements are determined as a percentage from deposits and international borrowings in accordance with the requirements of the National Bank of the Republic of Kazakhstan (“NBRK”) and amounted to KZT 76,235 million and KZT 56,663 million as of 30 September 2007 and 31 December 2006, 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:

| | 30 September 2007 | 31 December 2006 | 30 September 2006 | 31 December 2005 |
|---|----------------------|---------------------|----------------------|---------------------|
| Cash and balances with the National Bank of the Republic of Kazakhstan | 97,818 | 99,594 | 61,294 | 42,327 |
| Due from banks in countries included in Organisation for Economic Co-operations and Development (“OECD”) | <u>14,609</u> | <u>17,115</u> | <u>12,479</u> | <u>2,865</u> |
| Total cash and cash equivalents | <u>112,427</u> | <u>116,709</u> | <u>73,773</u> | <u>45,192</u> |

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | | | 30 September 2007 | 31 December 2006 |
|--|--------------------------------------|------------------------------|--------------------------------------|-----------------------------|
| Debt securities of central governments | | | 119,057 | 100,880 |
| Debt securities of financial institutions | | | 23,385 | 26,114 |
| Derivative financial instruments | | | 16,719 | 2,216 |
| Debt securities of corporates | | | 3,203 | 4,535 |
| Total financial assets at fair value through profit or loss | | | 162,364 | 133,745 |
| | Interest to nominal % | 30 September 2007 | Interest to nominal % | 31 December 2006 |
| Debt securities of central governments: | | | | |
| Bonds of the Government of the United States of America | 4.13 | 112,238 | 3.50-4.13 | 83,172 |
| Bonds of the Ministry of finance of the Republic of Kazakhstan | 3.50-6.40 | 6,819 | 3.35-8.20 | 6,295 |
| Notes of the National Bank of the Republic of Kazakhstan | - | - | - | 10,979 |
| Euronotes of the Ministry of finance of the Republic of Kazakhstan | - | - | 11.13 | 434 |
| Total debt securities of central governments | | 119,057 | | 100,880 |
| | Interest to nominal % | 30 September 2007 | Interest to nominal % | 31 December 2006 |
| Debt securities of financial institutions: | | | | |
| Bonds of JSC ATF Bank | 8.13-9.80 | 2,974 | 8.13-10.90 | 2,814 |
| Bonds of JSC BTA Mortgage | 8.70-9.10 | 2,687 | 9.20-9.90 | 2,705 |
| Bonds of JSC Kazkommerts International B.V. | 5.13-8.50 | 2,483 | 5.13-8.50 | 2,719 |
| Bonds of JSC HSBC | 0.50 | 2,421 | 7.00 | 2,620 |
| Bonds of JSC Bank CenterCredit | 9.00-10.00 | 1,992 | 8.50-10.00 | 2,236 |
| Bonds of JSC Kazakhstani Mortgage Company | 4.90-7.50 | 1,925 | 4.90-7.50 | 1,106 |
| Bonds of ATF Capital B.V. | 9.25 | 1,055 | - | - |
| Structural notes Societe Generale Acceptanci NV | 10.00 | 1,264 | - | - |
| Structural notes Bayerische Hypo und Vereinsbank | 8.00 | 1,251 | - | - |
| Structural notes KBC IFMA | 1.20 | 1,210 | - | - |
| Bonds HSBK Europe B.V. | 7.75 | 863 | 7.75 | 944 |
| Bonds of JSC Bank of Development Kazakhstan | 7.13 | 801 | - | - |
| Bonds of JSC Banque Europeene D'Inves | 4.63 | 604 | 4.63 | 629 |
| Bonds of JSC Halyk Bank Kazakhstan | 7.50 | 293 | 5.00-11.80 | 688 |
| Bonds of JSC SB SberBank of Russia | 9.90-11.00 | 589 | 11.00 | 472 |
| Bonds of TuranAlem Finance B.V. | 8.00 | 323 | 8.00 | 393 |
| Bonds of JSC Bank TuranAlem | 9.80 | 246 | 7.00-10.50 | 8,262 |
| Bonds of JSC Temirbank | 9.75 | 257 | - | - |
| Bonds of JSC Kazkommertsbank | 8.00 | 147 | 8.00 | 135 |
| Bonds of JSC Nurbank | - | - | 9.00 | 391 |
| Total debt securities of financial institutions | | 23,385 | | 26,114 |

| | Interest to nominal % | 30 September 2007 | Interest to nominal % | 31 December 2006 |
|--|-----------------------------|---------------------------|---|---------------------|
| Debt securities of corporations: | | | | |
| Bonds of JSC Ulbinsky Metallurgical Plant | 8.25 | 1,531 | 8.25 | 1,500 |
| Bonds of JSC Doszhan Temir Zholy | 8.05 | 972 | 9.45 | 1,080 |
| Bonds of JSC KazTransCom | 8.00 | 388 | 8.00 | 433 |
| Bonds of JSC Astana Finance | 7.80 | 158 | | |
| Bonds of JSC KazPost | 8.00 | 154 | 8.00 | 153 |
| Bonds of JSC Kazakhstan Temir Zholy | - | - | 6.50 | 1,037 |
| Bonds of JSC KazAtomprom | - | - | 8.50 | 332 |
| Total debt securities of corporations | | 3,203 | | 4,535 |
| | | Nominal amount | 30 September 2007 Net fair value | |
| | | | Asset | Liability |
| Foreign currency contracts | | | | |
| Forwards | | 36,607 | 67 | (708) |
| Swaps | | 308,465 | 16,204 | (2,979) |
| Spots | | 1,270 | - | (1) |
| Securities contracts | | | | |
| Forward | | 114,020 | 448 | - |
| Total derivative financial instruments | | 460,362 | 16,719 | (3,688) |
| | | Nominal Amount | 31 December 2006 Net fair value | |
| | | | Asset | 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 | | 158,619 | 2,216 | (18) |

As at 30 September 2007 and 31 December 2006 included in financial assets at fair value through profit or loss was accrued interest income amounting to KZT 710 million and KZT 594 million, respectively.

12. DUE FROM BANKS

| | 30 September 2007 | 31 December 2006 |
|---|----------------------|---------------------|
| Overnight deposits to banks | 16,482 | 9,690 |
| Short-term deposits to banks | 15,406 | 324 |
| Correspondent accounts with other banks | 4,556 | 8,156 |
| Long-term loans and deposit to banks | 2,888 | 2,429 |
| Total due from banks | <u>39,332</u> | <u>20,599</u> |

Included in due from banks is accrued interest of KZT 143 million and KZT 83 million as at 30 September 2007 and 31 December 2006, respectively.

As at 30 September 2007 and 31 December 2006 the maximum credit risk exposure on due from banks amounted to KZT 39,332 million and KZT 20,599 million, respectively.

13. LOANS TO CUSTOMERS

| | 30 September 2007 | 31 December 2006 |
|--------------------------------------|----------------------|---------------------|
| Originated loans | 909,764 | 632,876 |
| Net investments in finance lease | 10,762 | 8,037 |
| | <u>920,526</u> | <u>640,913</u> |
| Less allowance for impairment losses | <u>(35,770)</u> | <u>(21,113)</u> |
| Total loan to customers | <u>884,756</u> | <u>619,800</u> |

As at 30 September 2007 and 31 December 2006 accrued interest income included in loans to customers amounted to KZT 21,408 million and KZT 13,316 million, respectively.

Movements in allowances for impairment losses for the nine-month period ended 30 September 2007 and 2006 are disclosed in Note 5.

| | 30 September 2007 | 31 December 2006 |
|--|----------------------|---------------------|
| Loans collateralized by real estate | 465,870 | 311,645 |
| Loans insured by related party | 252,088 | 162,454 |
| Loans collateralized by securities | 40,772 | 9,272 |
| Loans collateralized by transport vehicles | 31,342 | 37,098 |
| Loans collateralized by guarantees | 19,992 | 22,260 |
| Loans collateralized by equipment | 13,854 | 1,853 |
| Loans collateralized by goods | 13,006 | 9,191 |
| Finance lease | 9,235 | 8,037 |
| Loans collateralized by deposits | 9,047 | 26,654 |
| Uncollateralized consumer loans | 1,729 | 602 |
| Other | 27,821 | 30,734 |
| Total loans to customers | <u>884,756</u> | <u>619,800</u> |

The loans insured by related party are express consumer loans to individuals. Since 1 November 2007 new express consumer loans to individuals were not insured.

Customer concentration per economic sector is presented as follows:

| | 30 September 2007 | 31 December 2006 |
|--|----------------------|---------------------|
| Analysis by sector: | | |
| Individuals | 437,295 | 269,351 |
| Construction | 119,524 | 73,720 |
| Population related services | 84,686 | 47,642 |
| Wholesale | 52,053 | 64,530 |
| Finance services | 43,788 | 29,167 |
| Real estate operations | 28,801 | 29,169 |
| Trade | 19,684 | 13,625 |
| Paper manufacturing | 18,355 | 19,526 |
| Services related to oil and gas extraction | 12,696 | 11,301 |
| Metallurgy | 10,681 | - |
| Transportation | 9,893 | 19,731 |
| Finance lease | 9,235 | 8,037 |
| Food | 7,353 | 11,299 |
| Agriculture | 5,503 | 7,846 |
| Chemical industry | 4,254 | 3,298 |
| Coal mining | 2,571 | 2,035 |
| Mass media | 1,942 | 1,424 |
| Entertainment and recreational activities | 1,490 | 3,530 |
| Heavy industry | 1,436 | 1,013 |
| Production of metal goods | 932 | 621 |
| Post and communications | 681 | 736 |
| Government administration | - | 1,439 |
| Other | 11,903 | 760 |
| | <u>884,756</u> | <u>619,800</u> |
| Total loans to customers | <u>884,756</u> | <u>619,800</u> |

Loans to individuals comprise the following products:

| | 30 September 2007 | 31 December 2006 |
|----------------------------|----------------------|---------------------|
| Consumer loans | 356,968 | 226,696 |
| Mortgage loans | 68,712 | 34,675 |
| Car credits | 11,615 | 7,980 |
| | <u>437,295</u> | <u>269,351</u> |
| Total loans to individuals | <u>437,295</u> | <u>269,351</u> |

As at 30 September 2007 the Group had loans to one customer totaling KZT 19,041 million, which individually exceeded 10% of the Group's equity, and as of 31 December 2006 the Group had loans to four customers totaling KZT 45,888 million, which exceeded 10% of the Group's equity, individually and in aggregate.

As at 30 September 2007 and 31 December 2006 a maximum credit risk exposure of loans to customers amounted to KZT 884,756 million and KZT 619,800 million, respectively.

As 30 September 2007 and 31 December 2006 the Group had loans originated in Almaty totaling KZT 527,409 million and KZT 382,982 million, respectively, which represent significant geographical concentration in this region forming 57.3% and 59.8% of the loan portfolio, respectively.

Overdue gross loans including accrued interest as at 30 September 2007 and 31 December 2006 amounted to KZT 18,239 million and KZT 4,995 million, respectively.

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

| | 30 September 2007 | 31 December 2006 |
|---------------------------------|----------------------|---------------------|
| Not later than one year | 4,065 | 3,188 |
| From one year to five years | 9,623 | 6,969 |
| After five years | 196 | 225 |
| | <u>13,884</u> | <u>10,382</u> |
| Less: unearned finance income | (3,122) | (2,345) |
| | <u>10,762</u> | <u>8,037</u> |
| Net investment in finance lease | <u>10,762</u> | <u>8,037</u> |
| Current portion | 2,619 | 2,161 |
| Long-term portion | 8,143 | 5,876 |
| | <u>10,762</u> | <u>8,037</u> |
| Net investment in finance lease | <u>10,762</u> | <u>8,037</u> |

The interest rate inherent in the leases is fixed at the contract date for all of the lease term. The average effective interest rate contracted approximates 12.50% per cent per annum. Material leasing arrangements were concluded with customers for purchases of vehicles and equipments, which represent the collateral for such arrangements.

14. REVERSE REPURCHASE AGREEMENTS

Fair value of pledged assets and carrying value of loans under reverse repurchase agreements as at 30 September 2007 and 31 December 2006 are presented as follows:

| Collateral | 30 September 2007 | | 31 December 2006 | |
|---|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | Carrying value of loans | Fair value of collateral | Carrying value of loans | Fair value of collateral |
| Preference shares of JSC HSBK | 1,662 | 1,590 | - | - |
| Bonds of Kazakhstani companies | - | - | 13,308 | 15,536 |
| Bonds of banks | - | - | 2,853 | 3,159 |
| Bonds of the Ministry of finance of the Republic of Kazakhstan | - | - | 1,439 | 1,585 |
| Shares of banks | - | - | 499 | 548 |
| | <u>1,662</u> | <u>1,590</u> | <u>18,099</u> | <u>20,828</u> |
| Total | <u>1,662</u> | <u>1,590</u> | <u>18,099</u> | <u>20,828</u> |

As at 30 September 2007 and 31 December 2006 included in loans under reverse repurchase agreements was accrued interest amounting to KZT 36 million and KZT 24 million, respectively.

Usually the Group enters into reverse repurchase agreements using the automated system of Kazakhstan Stock Exchange (KASE) in accordance with the trading rules established by KASE (the "Rules"). According to the Rules the auto-reverse REPO transactions are concluded using open sale methods. For open sale methods the counterparty remains undefined and all risks the Group undertakes, including credit and settlement are with KASE.

15. INVESTMENTS AVAILABLE-FOR-SALE

| | Interest to nominal % | 30 September 2007 | Interest to nominal % | 31 December 2006 |
|--|-----------------------------|----------------------|-----------------------------|---------------------|
| Debt securities | | | | |
| Bonds of the Ministry of finance of the Republic of Kazakhstan | 6.10-6.44 | 958 | 6.09-6.44 | 1,064 |
| JSC Kazakhstan Kagazi bonds | 10.40 | 588 | 11.30 | 615 |
| JSC Kazakhstani Mortgage Company bonds | 8.30-8.80 | 394 | 9.00-9.50 | 445 |
| JSC ATF Bank bonds | 8.50 | 425 | 8.50 | 420 |
| JSC Bank CenterCredit bonds | 13.60 | 304 | 14.40 | 312 |
| JSC Halyk Bank Kazakhstan Euronotes | 8.13 | 260 | 8.13 | 272 |
| JSC RG Brand bonds | 10.00 | 255 | 10.00 | 265 |
| JSC Nurbank bonds | 9.00 | 102 | 9.00-9.90 | 321 |
| JSC Bank Turan Alem bonds | 9.90 | 9 | 10.7 | 9 |
| Euronotes of the Ministry of finance of the Republic of Kazakhstan | - | - | 11.13 | 1,336 |
| JSC Development Bank of Kazakhstan bonds | - | - | 8.50 | 41 |
| | | <u>3,295</u> | | <u>5,100</u> |
| | Share % | | Share % | |
| Equity securities | | | | |
| LLP First Credit Office | 18.40 | 37 | 18.40 | 37 |
| JSC Alliance Policy | 5.40 | 27 | 5.40 | 27 |
| JSC Processing Center | 1.49 | 10 | 1.49 | 10 |
| JSC Kazakhstan Stock Exchange | 1.37 | 2 | 1.37 | 2 |
| | | <u>76</u> | | <u>76</u> |
| Total investments available-for-sale | | <u>3,371</u> | | <u>5,176</u> |

As at 30 September 2007 and 31 December 2006 included in investments available-for-sale was accrued interest income on debt securities amounting to KZT 70 million and KZT 99 million, respectively.

16. INVESTMENTS HELD-TO-MATURITY

Investments held-to-maturity of KZT 43 million as at 31 December 2006 that were represented by Astana municipal bonds with the interest rate of 8.5% to nominal matured on 26 June 2007.

17. NON-CURRENT ASSETS HELD-FOR-SALE

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

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

18. DUE TO BANKS

| | 30 September 2007 | 31 December 2006 |
|--|----------------------|---------------------|
| Correspondent accounts of other banks | 2,542 | 1,523 |
| Overnight loans from banks | 973 | - |
| Due to banks and financial institutions, including: | | |
| Syndicated loans from banks including: | | |
| <i>Standard Bank due on 06/11/2007-28/10/200, coupon rate 6.46-7.83% annual</i> | 40,861 | 42,422 |
| <i>Sumitomo Mitsui Tranche B, due on 12/06/2009 coupon rate 6.41% annual</i> | 27,351 | - |
| <i>Sumitomo Mitsui Tranche A, due on 17/06/2008 coupon rate 6.21% annual</i> | 21,675 | - |
| <i>Citibank, National Association, due on 24/12/2007 coupon rate 8.38% annual</i> | 19,778 | - |
| <i>Bank of Tokyo-Mitsubishi UFJ Tranche B due on 17/06/2008, coupon rate 7.19% annual</i> | 18,393 | 19,185 |
| <i>Calyon, Abu Dhabi Islamic Bank, due on 01/04/2008-28/03/2009, coupon rate 6.13-6.44% annual</i> | 18,036 | - |
| <i>Bank of Tokyo-Mitsubishi UFJ Tranche A due on 19/06/2007, coupon rate 6.67% annual</i> | - | 31,715 |
| <i>Other syndicated loans</i> | 11,174 | 8,607 |
| Other loans from banks | 157,681 | 188,486 |
| Other term deposits | 18,828 | 29,247 |
| | <u>337,292</u> | <u>321,185</u> |
| Total due to banks | | |

As at 30 September 2007 and 31 December 2006 accrued interest expenses included in due to banks amounted to KZT 7,589 million and KZT 3,139 million, respectively.

19. DUE TO OTHER FINANCIAL INSTITUTIONS

| | Currency | Maturity | Interest rate % | 30 September 2007 | Interest rate % | 31 December 2006 |
|--|----------|-----------------------|-----------------|-------------------|-----------------|------------------|
| Nomura International plc | JPY | 27/06/2017 | 5.30 | 19,753 | - | - |
| TR Commodity Trading GMBH, Sweden | USD | 02/11/2007-28/05/2008 | 6.99-7.89 | 10,686 | 7.18-7.67 | 7,892 |
| Cargill Financial Services International, Inc, USA | USD | 26/11/2007-18/02/2009 | 6.96-7.67 | 8,982 | 7.17-7.64 | 4,484 |
| Bunge SA, Geneva | USD | 18/01/2007-08/01/2010 | 5.31-8.66 | 7,811 | 7.32-7.45 | 9,429 |
| Cargill Financial Services International, Inc, USA | USD | 02/06/2008-12/06/2008 | 7.75 | 4,274 | 7.37-7.71 | 1,930 |
| C.V.A. Trade Resources Ltd, UK | USD | 31/10/2008-11/06/2010 | 5.51-5.59 | 1,153 | - | - |
| Bunge HMBH | USD | 09/06/2008-04/06/2009 | 8.64 | 427 | 8.64-8.66 | 761 |
| Super Trade Inc. | USD | 22/02/2007 | - | - | 7.44 | 678 |
| | | | | <u>53,086</u> | | <u>25,174</u> |
| Total due to other financial institutions | | | | | | |

As at 30 September 2007 and 31 December 2006 accrued interest expenses included in due to other financial institutions amounted to KZT 179 million and KZT 301 million, respectively.

20. OTHER FINANCING

| | 30 September 2007 | 31 December 2006 |
|--|----------------------|---------------------|
| Alliance DPR Company Tranche A due on 13/11/2013, coupon rate 5.10% | 12,012 | 12,438 |
| Alliance DPR Company Tranche B due on 13/11/2013, coupon rate 3 month Libor + 2.00 % | 10,727 | 12,463 |
| Alliance DPR Company Tranche A due on 27/06/2015, coupon rate 7.86% | 8,925 | - |
| Total other financing | <u>31,664</u> | <u>24,901</u> |

As at 30 September 2007 and 31 December 2006 accrued interest expenses included in other financing amounted to KZT 343 million and KZT 270 million, respectively.

On 13 November 2006, the Bank 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 27 June 2015. Interest rate: 3 month LIBOR plus 2.30%.

21. CUSTOMER ACCOUNTS

| | 30 September 2007 | 31 December 2006 |
|-------------------------|----------------------|---------------------|
| Time deposits | 164,046 | 153,146 |
| Repayable on demand | 51,398 | 68,438 |
| Guarantee deposits | 20,881 | 23,677 |
| Total customer accounts | <u>236,325</u> | <u>245,261</u> |

As at 30 September 2007 and 31 December 2006 accrued interest expense included in customer accounts amounted to KZT 1,644 million and KZT 1,450 million, respectively.

| | 30 September 2007 | 31 December 2006 |
|--|----------------------|---------------------|
| Analysis by sector: | | |
| Individuals | 93,821 | 112,187 |
| Finance services | 60,115 | 33,281 |
| Trade | 23,763 | 20,308 |
| Construction | 23,549 | 28,178 |
| Ancillary activity of service providers to customers | 14,635 | 15,912 |
| Energy | 3,841 | 847 |
| State administration | 3,431 | 10,462 |
| Education | 3,114 | 368 |
| Transport and communication | 1,684 | 4,674 |
| Paper industry | 1,084 | 1,185 |
| Agriculture | 986 | 4,850 |
| Production of crude oil and natural gas | 937 | 1,076 |
| Health care and social services | 831 | 529 |
| Food production | 770 | 383 |
| Other fields of mineral resource industry | 720 | 3,154 |
| Metallurgy | 536 | 2,307 |
| Production of coal, lignite and peat | 332 | 467 |
| Real estate | 306 | 285 |
| Arts | 261 | 1,334 |
| Machinery | 246 | 1,010 |
| Consumer production | 149 | 120 |
| Chemical industry | 86 | 198 |
| Hotel business | 33 | 48 |
| Other services | 1,095 | 2,098 |
| | <u>236,325</u> | <u>245,261</u> |
| Total customer accounts | <u>236,325</u> | <u>245,261</u> |

22. REPURCHASE AGREEMENTS

Fair value of pledged assets and carrying value of loans under repurchase agreements as at 30 September 2007 and 31 December 2006 are presented as follows:

| Collateral | 30 September 2007 | | 31 December 2006 | |
|---|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | Carrying value of loans | Fair value of collateral | Carrying value of loans | Fair value of collateral |
| Bonds of Kazakhstani banks | 6,476 | 6,995 | 4,980 | 5,410 |
| Bonds of the Ministry of finance of the Republic of Kazakhstan | 6,413 | 7,202 | 4,679 | 5,230 |
| Bonds of Kazakhstani companies | 4,357 | 4,544 | 4,769 | 5,258 |
| US treasury bills | 2,511 | 2,601 | 13,203 | 13,356 |
| Eurobonds of Kazakhstani companies | 2,104 | 2,407 | 3,266 | 3,359 |
| Structural notes of foreign banks | 1,136 | 1,210 | - | - |
| Preference shares of Kazakhstani banks | 290 | 414 | - | - |
| Eurobonds of Kazakhstani banks | 284 | 325 | 2,643 | 3,023 |
| Notes of the National Bank of the Republic of Kazakhstan | - | - | 8,674 | 9,125 |
| Euronotes of the Ministry of finance of the Republic of Kazakhstan | - | - | 1,608 | 1,744 |
| Bonds of foreign banks and financial institutions | - | - | 622 | 625 |
| | <u>23,571</u> | <u>25,698</u> | <u>44,444</u> | <u>47,130</u> |
| Total | <u>23,571</u> | <u>25,698</u> | <u>44,444</u> | <u>47,130</u> |

As at 30 September 2007 and 31 December 2006 included in loans under repurchase agreements was accrued interest amounting to KZT 71 million and KZT 123 million, respectively.

Usually the Group enters into repurchase agreements using automated system of Kazakhstan Stock Exchange (KASE) in accordance with the trading rules established by KASE (the "Rules"). According to the Rules the auto-reverse REPO transactions are concluded using open sale methods. For open sale methods the counterparty remains undefined and each participant of the sale has the same opportunities.

23. DEBT SECURITIES ISSUED

| | Issue date dd/mm/yy | Maturity date dd/mm/yy | Annual coupon rate % | 30 September 2007 | 31 December 2006 |
|--|------------------------|------------------------------|-------------------------------|----------------------|---------------------|
| Issued Eurobonds | | | | | |
| ALB Finance B.V. | | | | | |
| Eurobonds, <i>emission</i> <i>in EUR</i> | 02/02/2007 | 02/02/2012 | 7.93 | 133,658 | - |
| ALB Finance B.V. | | | | | |
| Eurobonds, <i>emission</i> <i>in GBP</i> | 13/02/2007 | 13/02/2011 | 10.90 | 64,676 | - |
| ALB Finance B.V. | | | | | |
| Eurobonds, <i>emission</i> <i>in USD</i> | 26/09/2006 | 26/09/2013 | 9.00 | 41,302 | 44,835 |
| ALB Finance B.V. | | | | | |
| Eurobonds, <i>emission</i> <i>in USD</i> | 20/04/2006 | 20/04/2011 | 9.00 | 30,926 | 32,039 |
| ALB Finance B.V. | | | | | |
| Eurobonds, <i>emission</i> <i>in USD</i> | 22/11/2005 | 22/11/2010 | 8.75 | 24,857 | 25,699 |
| Alliance Bank | | | | | |
| Eurobonds | | | | | |
| 1 Emission, <i>emission in</i> <i>USD</i> | 27/06/2005 | 27/06/2008 | 9.25 | 18,576 | 18,887 |
| | | | | <u>313,995</u> | <u>121,460</u> |
| Russian rouble- denominated bonds | | | | | |
| LLP Alliance Finance, <i>emission in RUR</i> | 27/06/2007 | 19/06/2012 | 9.73 | 14,729 | - |
| Tenge-denominated bonds | | | | | |
| Bonds of 6 emission | 10/04/2006 | 10/04/2009 | 8.5 | 7,246 | 7,081 |
| Bonds of 4 emission | 23/04/2005 | 24/04/2008 | 7.0 | 5,076 | 4,894 |
| Issued bonds of 8 emission | 26/12/2006 | 26/12/2011 | 8.5 | 4,945 | 4,805 |
| Redeemed bonds of 8 emission | | | | (885) | - |
| Bonds of 8 emission | | | | 4,060 | 4,805 |
| Bonds of 5 emission | 01/09/2005 | 01/09/2008 | 7.0 | 998 | 1,009 |
| | | | | <u>17,380</u> | <u>17,789</u> |
| Total debt securities issued | | | | <u>346,104</u> | <u>139,249</u> |

As at 30 September 2007 and 31 December 2006 accrued interest expense included in debt securities issued amounted to KZT 15,494 million and KZT 2,878 million, respectively.

24. SUBORDINATED DEBT

| | Issue date dd/mm/yy | Maturity date dd/mm/yy | Interest rate % | 30 September 2007 | 31 December 2006 |
|---|------------------------|---------------------------|--------------------|----------------------|---------------------|
| International Perpetual Subordinated bonds of ALB Finance B.V., <i>emission in USD</i> | 19/04/2006 | - | 9.4 | 18,407 | 18,361 |
| Subordinated bonds of 7 <i>emission in KZT</i> | 24/07/2006 | 24/07/2013 | 8.5 | 4,864 | 4,944 |
| Subordinated bonds of 3 <i>emission in KZT</i> | 29/10/2004 | 28/10/2011 | 10.8 | 2,989 | 2,863 |
| Subordinated bonds of 1 <i>emission in KZT indexed to USD</i> | 23/12/2002 | 23/12/2009 | 9.0 | 2,358 | 2,410 |
| Subordinated debt to Deg-Deutsche Investitions und Entwicklungsgesellschaft MBH <i>in USD</i> | 14/06/2007 | 01/06/2014 | 9.6 | 2,771 | - |
| Preference shares, <i>emission in KZT</i> | | | - | 3,936 | 4,036 |
| Total subordinated debt | | | | 35,325 | 32,614 |

As at 30 September 2007 and 31 December 2006 accrued interest expense included in subordinated debt amounted to KZT 1,210 million and KZT 243 million, respectively.

As at 30 September 2007 and 31 December 2006 accrued dividends included in preference shares amounted to KZT 300 million and 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 30 September 2007 and 31 December 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 reclassified preference shares in amount of KZT 3,636 million as a subordinated debt to comply with the requirements of IAS 32.

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

25. SHARE CAPITAL

Ordinary shares - As of 30 September 2007, 11,537,500 shares were authorized, 9,637,500 shares were issued and fully paid. As of 31 December 2006 6,037,500 shares were authorized, 6,000,808 shares were issued and fully paid.

The below table provides a reconciliation of the number of shares outstanding as of 30 September 2007 and 31 December 2006:

| | Ordinary shares Share'000 | Ordinary shares in million KZT |
|--------------------------|------------------------------|--------------------------------------|
| 31 December 2005 | 2,441 | 24,412 |
| Issue of ordinary shares | <u>3,560</u> | <u>35,601</u> |
| 31 December 2006 | 6,001 | 60,013 |
| Issue of ordinary shares | <u>3,637</u> | <u>36,367</u> |
| 30 September 2007 | <u>9,638</u> | <u>96,380</u> |

26. 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 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 30 September 2007 and 31 December 2006, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

| | 30 September 2007 | | 31 December 2006 | |
|--|-------------------|-------------------------|-------------------|-------------------------|
| | Nominal amount | Risk weighted amount | Nominal amount | Risk weighted amount |
| Contingent liabilities | | | | |
| Guarantees and similar commitments issued | 14,132 | 7,066 | 8,607 | 8,280 |
| Letters of credit | <u>39,819</u> | <u>19,910</u> | <u>23,780</u> | <u>11,492</u> |
| Total contingent liabilities | <u>53,951</u> | <u>26,976</u> | <u>32,387</u> | <u>19,772</u> |

As of 30 September 2007 and 31 December 2006, guarantees and similar commitments issued of KZT 920 million and KZT 158 million, respectively, were secured by cash deposited at customer accounts.

As of 31 December 2006 standby letters of credit of KZT 61 million were secured by cash deposited at customer accounts.

The Group has made a provision of KZT 35 million and KZT 169 million against commitments under guarantees issued and KZT 94 million and KZT 337 million against letter of credit as of 30 September 2007 and 31 December 2006, respectively. (Note 5)

Operating lease commitments

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

| | 30 September 2007 | 31 December 2006 |
|--|----------------------|---------------------|
| Not later than 1 year | 3 | 1 |
| Later than 1 year and not later than 5 years | 400 | 473 |
| Later than 5 years | <u>287</u> | <u>453</u> |
| Total operating lease commitments | <u>690</u> | <u>927</u> |

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 this condensed consolidated interim financial information.

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.

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As at 30 September 2007 and 31 December 2006, 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.

27. TRANSACTIONS WITH RELATED PARTIES

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

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

| | 30 September 2007 | | 31 December 2006 | |
|---|---------------------------|---|---------------------------|--|
| | Related party balances | Total category as per financial information caption | Related party balances | Total category as per financial statements caption |
| Loans to customers, gross | 24,119 | 920,526 | 8,222 | 640,913 |
| - the parent | 3,024 | | - | |
| - other shareholders | 8,908 | | 6,877 | |
| - key management personnel of the entity or its parent | 1,622 | | 657 | |
| - other related parties | 10,565 | | 688 | |
| Allowance for impairment losses | 298 | 35,770 | 3 | 21,113 |
| - the parent | - | | - | |
| - other shareholders | 286 | | 2 | |
| - key management personnel of the entity or its parent | 11 | | 1 | |
| - other related parties | 1 | | - | |
| Other assets | 51 | 10,443 | 2,584 | 9,904 |
| - other related parties | 51 | | 2,584 | |
| Customer accounts | 29,679 | 236,325 | 623 | 245,261 |
| - the parent | 24,768 | | - | |
| - key management personnel of the entity or its parent | 232 | | 381 | |
| - other related parties | 4,679 | | 242 | |

Included in the income statement for the periods ended 30 September 2007 and 2006 are the following amounts which arose due to transactions with related parties:

| | Nine-month period ended 30 September 2007 | | Nine-month period ended 30 September 2006 | |
|---|--|---|--|---|
| | Related party balances | Total category as per financial information caption | Related party balances | Total category as per financial information caption |
| Interest income | 700 | 130,338 | 397 | 49,517 |
| - the parent | 2 | | - | |
| - other shareholders | 587 | | 251 | |
| - key management personnel of the entity or its parent | 69 | | 27 | |
| - other related parties | 42 | | 119 | |
| Interest expense | 84 | 64,116 | 28 | 25,817 |
| - the parent | 82 | | 28 | |
| - other shareholders | 2 | | - | |

| | Nine-month period ended 30 September 2007 | | Nine-month period ended 30 September 2006 | |
|--|--|---|--|---|
| | Related party balances | Total category as per financial information caption | Related party balances | Total category as per financial information caption |
| Operating expenses | 608 | 15,584 | 104 | 6,731 |
| - other related parties | 228 | | - | |
| - key management personnel of the entity or its parent | 380 | | 104 | |
| Fee and commission income | 38 | 9,030 | 11 | 4,060 |
| - the parent | 37 | | - | |
| - other shareholders | | | 6 | |
| - other related parties | 1 | | 5 | |
| Fee and commission expense | 5,636 | 7,492 | 1,625 | 2,103 |
| - other related parties | 5,636 | | 1,625 | |
| Key management personnel compensation | 392 | 6,672 | 113 | 2,799 |
| short-term employee benefits, including pension fund payments | 392 | | 113 | |

28. 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.

29. 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 | Nine-month period ended 30 September 2007 |
|--|-------------------|----------------------|-----------------------|-----------------|--------------|--|
| External operating revenue | 60,456 | 39,618 | (43,114) | - | - | 56,960 |
| Income from other segments | - | - | 45,218 | - | (45,218) | - |
| Expenses from other segments | (21,807) | (23,411) | - | - | 45,218 | - |
| Total operating income | 38,649 | 16,207 | 2,104 | - | - | 56,960 |
| Operating expenses | (10,559) | (4,357) | (668) | - | - | (15,584) |
| Other provisions | (178) | 233 | - | - | - | 55 |
| Profit before tax | 27,912 | 12,083 | 1,436 | - | - | 41,431 |
| Income tax expense | - | - | - | (10,706) | - | (10,706) |
| Net profit | 27,912 | 12,083 | 1,436 | (10,706) | - | 30,725 |
| Other segment items | | | | | | |
| Depreciation expense | (1,015) | (485) | (62) | - | - | (1,562) |
| External interest income | 80,060 | 41,114 | 9,164 | - | - | 130,338 |
| Internal interest income | - | - | 45,218 | - | (45,218) | - |
| External interest expense | (7,385) | (4,347) | (52,384) | - | - | (64,116) |
| Internal interest expense | (21,807) | (23,411) | - | - | 45,218 | - |
| Provision for impairment losses on interest bearing assets | (10,117) | (4,608) | - | - | - | (14,725) |
| Fee and commission income | 3,685 | 5,320 | 25 | - | - | 9,030 |
| Fee and commission expense | (7,110) | (229) | (153) | - | - | (7,492) |
| Capital expenditures | 5,584 | 4,901 | 2,584 | 164 | - | 13,233 |

| | Retail banking | Corporate banking | Investment banking | Unallocated | Eliminations | 30 September 2007 |
|--|-------------------|----------------------|-----------------------|----------------|--------------|--|
| Segment assets | 438,391 | 456,335 | 305,020 | 481,334 | (457,172) | 1,223,908 |
| Segment liabilities | 336,507 | 474,393 | 265,950 | 457,172 | (457,172) | 1,076,850 |
| Loans to customers | 437,295 | 447,461 | - | - | - | 884,756 |
| Property, plant and equipment and intangible assets | - | - | - | 24,162 | - | 24,162 |
| Customer accounts | 93,837 | 142,488 | - | - | - | 236,325 |
| | Retail banking | Corporate banking | Investment banking | Unallocated | Eliminations | Nine-month period ended 30 September 2006 |
| External operating revenue | 11,792 | 13,887 | (12,880) | - | - | 12,799 |
| Income from other segments | - | - | 14,007 | - | (14,007) | - |
| Expense on other segments | (5,236) | (8,771) | - | - | 14,007 | - |
| Total operating income | 6,556 | 5,116 | 1,127 | - | - | 12,799 |
| Operating expenses | (3,286) | (2,935) | (510) | - | - | (6,731) |
| Other provisions | (78) | (20) | - | - | - | (98) |
| Profit before tax | 3,192 | 2,161 | 617 | - | - | 5,970 |
| Income tax expense | - | - | - | (1,936) | - | (1,936) |
| Net profit | 3,192 | 2,161 | 617 | (1,936) | - | 4,034 |
| Other segment items | | | | | | |
| Depreciation expense | (138) | (148) | (159) | - | - | (445) |
| External interest income | 24,758 | 20,500 | 4,259 | - | - | 49,517 |
| Internal interest income | - | - | 14,007 | - | (14,007) | - |
| External interest expense | (3,902) | (4,709) | (17,206) | - | - | (25,817) |
| Internal interest expense | (5,236) | (8,771) | - | - | 14,007 | - |
| Provision for impairment losses on interest bearing assets | (10,852) | (2,841) | - | - | - | (13,693) |
| Fee and commission income | 1,601 | 2,459 | - | - | - | 4,060 |
| Fee and commission expense | (102) | (2,001) | - | - | - | (2,103) |
| Capital expenditures | 1,564 | 2,139 | 882 | 62 | - | 4,647 |
| | 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 | 221,625 | (221,625) | 840,712 |
| Loans to customers | 269,351 | 350,449 | - | - | - | 619,800 |
| Property, plant and equipment and intangible assets | 6,391 | 5,752 | 639 | - | - | 12,782 |
| Customer accounts | 107,886 | 137,375 | - | - | - | 245,261 |

Geographical segments

Segment information for the main geographical segments of the Group is set out below as at 30 September 2007 and for nine-month period then ended and as at 31 December 2006 and for nine-month period ended 30 September 2007.

| | Kazakhstan | Other non-OECD countries | OECD countries | Nine-month period ended 30 September 2007 Total |
|----------------------------|------------|--------------------------|----------------|---|
| External operating revenue | 45,850 | 1,869 | 9,241 | 56,960 |
| External net profit | 24,489 | 998 | 5,238 | 30,725 |
| Capital expenditure | 10,135 | 197 | 2,901 | 13,233 |
| | Kazakhstan | Other non-OECD countries | OECD countries | 30 September 2007 Total |
| Assets | 996,540 | 40,628 | 186,740 | 1,223,908 |
| Liabilities | 340,412 | 59,302 | 677,136 | 1,076,850 |
| | Kazakhstan | Other non-OECD countries | OECD countries | Nine-month period ended 30 September 2006 Total |
| External operating revenue | 10,460 | 402 | 1,937 | 12,799 |
| External net profit | 3,297 | 127 | 610 | 4,034 |
| Capital expenditure | 4,562 | 21 | 64 | 4,647 |
| | Kazakhstan | Other non-OECD countries | OECD countries | 31 December 2006 Total |
| Assets | 752,517 | 28,898 | 139,335 | 920,750 |
| Liabilities | 337,637 | 33,753 | 469,322 | 840,712 |

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.

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. 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.

| | 30 September 2007 | | 31 December 2006 | |
|--|-------------------|------------|------------------|------------|
| | Current amount | Fair value | Current amount | Fair value |
| Cash and balances with the National Bank of the Republic of Kazakhstan | 97,818 | 97,818 | 99,594 | 99,594 |
| Financial assets at fair value through profit or loss | 162,364 | 162,364 | 133,745 | 133,745 |
| Due from banks | 39,332 | 39,332 | 20,599 | 20,599 |
| Reverse repurchase agreements | 1,662 | 1,590 | 18,099 | 20,828 |
| Investment available-for-sale | 3,371 | 3,371 | 5,176 | 5,176 |
| Investment held-to-maturity | - | - | 43 | 43 |
| Due to banks | 337,292 | 337,292 | 321,185 | 321,185 |
| Due to other financial institutions | 53,086 | 53,086 | 25,174 | 25,174 |
| Customer accounts | 236,325 | 236,325 | 245,261 | 245,261 |
| Repurchase agreements | 23,571 | 25,698 | 44,444 | 47,130 |
| Debt securities issued | 346,104 | 302,672 | 139,249 | 138,331 |
| Subordinated debt | 35,325 | 32,128 | 32,614 | 33,266 |

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

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

31. 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:

Liquidity risk

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

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

Cash flow interest rate risk

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

The Treasury Department performs management of interest rate risks through determination of the transferring rates and general rates of borrowed and allocated resources, which enables the 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.

| | 30 September 2007 | | | | |
|---|-------------------|------|------|------|------------------|
| | KZT | USD | EURO | RUR | Other currencies |
| ASSETS | | | | | |
| Balances with the National Bank of the Republic of Kazakhstan | 5.3 | - | - | - | - |
| Financial assets at fair value through profit or loss | 6.1 | 4.5 | 5.6 | - | 7.3 |
| Due from banks | 7.5 | 6.3 | 3.7 | 5.3 | 2.7 |
| Loans to customers | 24.8 | 14.1 | 13.2 | 13.8 | 11.3 |
| Reverse repurchase agreements | 3.3 | - | - | - | - |
| Investments available-for-sale | 8.5 | 4.8 | - | - | - |
| LIABILITIES | | | | | |
| Deposit from the National Bank of the Republic of Kazakhstan | 8.1 | - | - | - | - |
| Due to banks | 9.8 | 8.6 | 7.4 | 8.7 | 5.9 |
| Due to other financial institutions | - | 8.0 | - | - | - |
| Customer accounts | 7.2 | 4.4 | 7.3 | 0.1 | - |
| Repurchase agreements | 4.5 | 3.1 | 0.4 | - | - |
| Debt securities issued | 9.8 | 10.5 | 10.1 | 9.7 | 11.8 |
| Subordinated debt | 9.1 | 11.2 | - | - | - |
| | 31 December 2006 | | | | |
| | KZT | USD | EURO | RUR | 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 | 0.9 | - |
| Loans to customers | 22.8 | 12.9 | 10.1 | 17.4 | 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 | 8.6 | 5.2 |
| Due to other financial institutions | - | 8.0 | - | - | - |
| Customer accounts | 7.5 | 6.1 | 7.3 | 0.1 | - |
| Repurchase agreements | 1.8 | 6.0 | - | - | - |
| Debt securities issued | 9.3 | 10.8 | - | - | - |
| Subordinated debt | 10.7 | 11.5 | - | - | - |

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

| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Maturity undefined | 30 September 2007 Total |
|--|------------------|------------------------|-----------------------|----------------------|-----------------|-----------------------|-------------------------------|
| ASSETS | | | | | | | |
| Financial assets at fair value through profit or loss | 145,645 | - | - | - | - | - | 145,645 |
| Due from banks | 32,818 | 2,708 | 30 | 1,210 | - | - | 36,766 |
| Loans to customers | 36,754 | 67,017 | 167,918 | 412,155 | 200,912 | - | 884,756 |
| Reverse repurchase agreements | 35 | 1,627 | - | - | - | - | 1,662 |
| Investments available-for-sale | 1,401 | - | 251 | 1,196 | 447 | - | 3,295 |
| Total interest bearing assets | 216,653 | 71,352 | 168,199 | 414,561 | 201,359 | - | 1,072,124 |
| Cash and balances with the National Bank of the Republic of Kazakhstan | 97,818 | - | - | - | - | - | 97,818 |
| Financial assets at fair value through profit or loss | - | - | 16,719 | - | - | - | 16,719 |
| Due from banks | 2,566 | - | - | - | - | - | 2,566 |
| Investments available-for-sale | - | - | - | - | - | 76 | 76 |
| Property, plant and equipment and intangible assets | - | - | - | - | - | 24,162 | 24,162 |
| Other assets | 10,077 | 366 | - | - | - | - | 10,443 |
| TOTAL ASSETS | 327,114 | 71,718 | 184,918 | 414,561 | 201,359 | 24,238 | 1,223,908 |
| LIABILITIES | | | | | | | |
| Deposit from the National Bank of the Republic of Kazakhstan | 1,042 | - | - | - | - | - | 1,042 |
| Due to banks | 25,774 | 69,282 | 125,725 | 112,106 | 4,398 | - | 337,285 |
| Due to other financial institutions | 613 | 4,498 | 20,124 | 8,109 | 19,742 | - | 53,086 |
| Other financing | - | - | - | - | 31,664 | - | 31,664 |
| Customer accounts | 30,990 | 26,867 | 45,347 | 82,968 | 2,897 | - | 189,069 |
| Repurchase agreements | 18,933 | 3,938 | 700 | - | - | - | 23,571 |
| Debt securities issued | 15,494 | - | 24,057 | 265,311 | 41,242 | - | 346,104 |
| Subordinated debt | 1,510 | - | - | 5,167 | 7,472 | 21,176 | 35,325 |
| Total interest bearing liabilities | 94,356 | 104,585 | 215,953 | 473,661 | 107,415 | 21,176 | 1,017,146 |
| Due to banks | 7 | - | - | - | - | - | 7 |
| Customer accounts | 47,256 | - | - | - | - | - | 47,256 |
| Deferred income tax liabilities | 1,331 | - | - | - | - | - | 1,331 |
| Current income tax liabilities | 3,397 | - | - | - | - | - | 3,397 |
| Other liabilities | 3,747 | 150 | 3,688 | - | - | 128 | 7,713 |
| TOTAL LIABILITIES | 150,094 | 104,735 | 219,641 | 473,661 | 107,415 | 21,304 | 1,076,850 |
| Liquidity gap | 177,020 | (33,017) | (34,723) | (59,100) | 93,944 | - | - |
| Cumulative liquidity gap | 177,020 | 144,003 | 109,280 | 50,180 | 144,124 | - | - |
| Interest sensitivity gap | 122,297 | (33,233) | (47,754) | (59,100) | 93,944 | - | - |
| Cumulative interest sensitivity gap | 122,297 | 89,064 | 41,310 | (17,790) | 76,154 | - | - |
| Cumulative interest sensitivity gap as a percentage of total assets | 10.0% | 7.3% | 3.4% | (1.5%) | 6.2% | - | - |

| | Up to 1 month | 1 month to 3 months | 3 months to 1 year | 1 year to 5 years | Over 5 years | Maturity undefined | 31 December 2006 Total |
|--|------------------|------------------------|-----------------------|----------------------|-----------------|-----------------------|------------------------------|
| ASSETS | | | | | | | |
| Financial assets at fair value through profit or loss | 107,802 | 325 | 537 | 7,312 | 17,769 | - | 133,745 |
| Due from banks | 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 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 |
| Property, plant and equipment and intangible assets | - | - | - | - | - | 12,782 | 12,782 |
| Non-current assets held-for- sale | - | 1,008 | - | - | - | - | 1,008 |
| Other assets | 3,061 | 2,831 | 4,012 | - | - | - | 9,904 |
| TOTAL ASSETS | 270,902 | 9,445 | 110,440 | 361,831 | 155,274 | 12,858 | 920,750 |
| LIABILITIES | | | | | | | |
| Deposit from the National Bank of the Republic of Kazakhstan | 2,000 | - | - | - | - | - | 2,000 |
| 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 liabilities | 87,317 | 28,483 | 255,130 | 306,240 | 76,068 | 22,397 | 775,635 |
| Due to banks | 6 | - | - | - | - | - | 6 |
| Customer accounts | 59,187 | - | - | - | - | - | 59,187 |
| Deferred income tax liabilities | 1,100 | - | - | - | - | - | 1,100 |
| Current income tax liabilities | 912 | - | - | - | - | - | 912 |
| Other liabilities | 1,972 | 1,394 | - | - | - | 506 | 3,872 |
| TOTAL LIABILITIES | 150,494 | 29,877 | 255,130 | 306,240 | 76,068 | 22,903 | 840,712 |
| Liquidity gap | 120,408 | (20,432) | (144,690) | 55,591 | 79,206 | - | - |
| Cumulative liquidity gap | 120,408 | 99,976 | (44,714) | 10,877 | 90,083 | - | - |
| Interest sensitivity gap | 75,315 | (22,877) | (148,702) | 55,591 | 79,206 | - | - |
| Cumulative interest sensitivity gap | 75,315 | 52,438 | (96,264) | (40,673) | 38,533 | - | - |
| Cumulative interest sensitivity gap as a percentage of total assets | 8.2% | 5.7% | (10.5%) | (4.4%) | 4.2% | - | - |

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The 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.

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.

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. 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.

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.