JOINT STOCK COMPANY DEVELOPMENT BANK OF KAZAKHSTAN

Consolidated Financial Statements
For the Year Ended 31 December 2007

and Independent Auditors' Report

JOINT STOCK COMPANY DEVELOPMENT BANK OF KAZAKHSTAN

TABLE OF CONTENTS

JOINT STOCK COMPANY DEVELOPMENT BANK OF KAZAKHSTAN

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

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Development Bank of Kazakhstan (the "Bank") and its subsidiary (collectively, the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group at 31 December 2007, the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed; and
- Preparing the consolidated financial statements on a going concern basis.

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 financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Republic of Kazakhstan and IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Detecting and preventing fraud, errors and other irregularities.

The consolidated financial statements for the year ended 31 December 2007 were authorized for issue on 29 September 2008 by the acting President of the Bank.

On behalf of the Management Board of the Group:

Bektepov M.Kh.
acting President

29 September 2008
Astana

Mamekova S.M.
Director of the finance department - Chief Accountant

29 September 2008
Astana

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Shareholder and the Board of Directors of Joint Stock Company Development Bank of Kazakhstan:

Report on the Consolidated Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinion

We were unable to satisfy ourselves that the prospective effectiveness testing, a hedge effectiveness and documentation requirement to qualify for hedge accounting treatment under IAS 39 “Financial Instruments: Recognition and Measurement”, on which the Group relied upon, was in place at 9 October 2007, the date from which the Group applied hedge accounting. At the time of preparation of such effectiveness testing, we had not commenced our fieldwork as auditors for the Group. Although we were able to satisfy ourselves as to the intention of the Group to implement hedge accounting and the effectiveness testing approach adopted, we were unable to satisfy ourselves as to the prospective effectiveness testing (in particular, in relation to components of the cash flow information which had been input into the prospective effectiveness testing model) at the date of the inception of the relationship (the hedge documentation date).

Qualified Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the existence of the prospective effectiveness testing prior to the date of inception of the relationship, as discussed in note 35, the consolidated financial statements present fairly in all material respects, the consolidated financial position of the Group as at 31 December 2007 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte, LLP

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

29 September 2008
Almaty, Kazakhstan

Nurlan Bekenov
Engagement Partner
Qualified auditor of the
Republic of Kazakhstan
Qualification Certificate No. 0082
General Director
Deloitte, LLP

JOINT STOCK COMPANY DEVELOPMENT BANK OF KAZAKHSTAN

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
(in thousands tenge, except for earnings per share which is in tenge)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Interest income	4,30	13,490,133	11,013,594
Interest expense	4	(5,136,043)	(4,530,318)
NET INTEREST INCOME BEFORE (PROVISION)/RECOVERY OF PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		8,354,090	6,483,276
(Provision)/recovery of provision for impairment losses on interest bearing assets	5	(816,053)	303,823
NET INTEREST INCOME		7,538,037	6,787,099
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	6	(1,300,573)	400,579
Net loss on foreign exchange operations	7	(138,132)	(249,138)
Fee and commission income	8	84,176	43,687
Fee and commission expense	8	(36,934)	(33,736)
Net gain on investments available-for-sale		17,956	60,082
Other income, net	9	114,459	48,417
NET NON-INTEREST (EXPENSE)/ INCOME		(1,259,048)	269,891
OPERATING INCOME		6,278,989	7,056,990
OPERATING EXPENSES	10, 30	(2,585,696)	(2,241,882)
INCOME BEFORE RECOVERY OF PROVISION/(PROVISION) FOR IMPAIRMENT LOSSES ON OTHER TRANSACTIONS		3,693,293	4,815,108
Recovery of provision/(provision) for impairment losses on other assets	5	32,197	(33,717)
Recovery of provision/(provision) on letters of credit	5	64,446	(12,684)
OPERATING PROFIT BEFORE INCOME TAX		3,789,936	4,768,707
Income tax expense	11	(835,751)	(1,180,806)
NET PROFIT		2,954,185	3,587,901
EARNINGS PER SHARE (KZT)	12	1.93	2.61

On behalf of the Management Board of the Group:

Bektepov M.Kh.
acting President

29 September 2008
Astana

Mamekova S.M.
Director of the finance department - Chief Accountant

29 September 2008
Astana

The notes on pages 9- 54 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY DEVELOPMENT BANK OF KAZAKHSTAN

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007
(in thousands tenge)

	Notes	31 December 2007	31 December 2006
ASSETS:			
Cash and cash equivalents	13	61,693,599	39,901,606
Financial assets at fair value through profit or loss	14	40,423	6,259
Investments available-for-sale	15	73,196,521	75,629,031
Due from banks	16	5,676,133	12,053,937
Loans to customers	17	80,391,310	50,037,944
Deferred income tax assets	11	1,147,111	68,446
Current income tax assets		66,484	302,616
Advances paid	18	3,946,351	785,337
Other assets	19	340,967	130,336
Assets to be transferred under finance lease agreements		735,876	671
Property, equipment and intangible assets	20	168,420	207,206
TOTAL ASSETS		227,403,195	179,123,389
LIABILITIES AND EQUITY			
LIABILITIES:			
Customer accounts	21	1,906,940	607,204
Financial liabilities at fair value through profit or loss	14	4,518,062	585
Loans from banks	22	50,961,314	10,495,158
Debt securities issued	23	41,437,580	58,223,742
Loans and advances from the Government of the Republic of Kazakhstan	24	25,563,542	26,086,750
Provision on letters of credit	5	20,369	84,815
Other liabilities	25	2,162,366	971,269
TOTAL LIABILITIES		126,570,173	96,469,523
EQUITY:			
Share capital	26	90,975,950	70,572,946
Reserve capital	27	12,889,916	9,343,234
General banking risk reserve		66,920	120,360
Investments available-for-sale fair value reserve		(3,077,224)	(1,038,807)
Hedging reserve on cash flow hedge, net of tax	28	(3,139,616)	-
Retained earnings		3,117,076	3,656,133
Total equity		100,833,022	82,653,866
TOTAL LIABILITIES AND EQUITY		227,403,195	179,123,389

On behalf of the Management Board of the Group:

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Director of the finance department - Chief Accountant

29 September 2008
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JOINT STOCK COMPANY DEVELOPMENT BANK OF KAZAKHSTAN

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

	Notes	Share capital	Reserve capital	General banking risk reserve	Investments available-for-sale fair value reserve	Hedging reserve	Retained earnings	Total Equity
31 December 2005		59,825,446	6,575,875	182,777	2,228,017	-	2,773,174	71,585,289
Loss on revaluation of investments available-for –sale, net of tax of nil tenge		-	-	-	(3,212,226)	-	-	(3,212,226)
Net loss recognized directly in equity		-	-	-	(3,212,226)	-	-	(3,212,226)
Transfers (net of any related tax):								
Gains transferred to income statement on sale of investments available-for-sale		-	-	-	(54,598)	-	-	(54,598)
Net profit		-	-	-	-	-	3,587,901	3,587,901
Total recognized income and expense		-	-	-	(3,266,824)	-	3,587,901	321,077
Share capital increase	26	10,747,500	-	-	-	-	-	10,747,500
Reserve capital increase	27	-	2,767,359	-	-	-	(2,767,359)	-
General reserves decrease		-	-	(62,417)	-	-	62,417	-
31 December 2006		70,572,946	9,343,234	120,360	(1,038,807)	-	3,656,133	82,653,866
Loss on cash flow hedge, net of tax of KZT 1,345,550 thousand	28	-	-	-	-	(3,139,616)	-	(3,139,616)
Loss on revaluation of investments available-for –sale, net of tax of nil tenge		-	-	-	(2 019,973)	-	-	(2 019,973)
Net loss recognized directly in equity		-	-	-	(2 019,973)	(3,139,616)	-	(5,159,589)
Transfers (net of any related tax):								
Gains transferred to income statement on sale of investments available-for-sale		-	-	-	(18,444)	-	-	(18,444)
Net profit		-	-	-	-	-	2,954,185	2,954,185
Total recognized income and expense		-	-	-	(2,038,417)	(3,139,616)	2,954,185	(2,223,848)
Share capital increase	26	20,403,004	-	-	-	-	-	20,403,004
Reserve capital increase	27	-	3,546,682	-	-	-	(3,546,682)	-
General reserves decrease		-	-	(53,440)	-	-	53,440	-
31 December 2007		90,975,950	12,889,916	66,920	(3,077,224)	(3,139,616)	3,117,076	100,833,022

On behalf of the Management Board of the Group:

Bektepov M.Kh.
acting President

29 September 2008
Astana

Mamekova S.M.
Director of the finance department - Chief Accountant

29 September 2008
Astana

The notes on pages 9- 54 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY DEVELOPMENT BANK OF KAZAKHSTAN

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

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		3,789,936	4,768,707
Adjustments for:			
Provision/(recovery of provision) for impairment losses on interest bearing assets	5	816,053	(303,823)
(Recovery of provision)/provision for impairment losses on other assets	5	(32,197)	33,717
(Recovery of provision)/provision on letters of credit	5	(64,446)	12,684
Unrealized loss on foreign exchange operations		367,097	-
Amortization of discounts on investments available-for-sale		(31,538)	(48,008)
Amortization of discount on debt securities issued		125,997	145,943
Depreciation and amortization	10, 20	79,555	81,819
Change in interest accruals, net		(285,615)	(313,447)
Loss on disposal of property, equipment		7,515	314
Unrealized loss/(gain) on operations with derivative financial instruments	6	97,776	(5,674)
Cash flows from operating activities before changes in operating assets and liabilities		4,870,133	4,372,232
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Due from banks		6,482,240	(3,825,916)
Loans to customers		(33,167,301)	(3,820,547)
Advances paid		(3,161,014)	(785,337)
Financial assets at fair value through profit or loss		(806,018)	-
Other assets		(693,265)	(26,726)
Increase/(decrease) in operating liabilities:			
Advances from the Government of the Republic of Kazakhstan		(523,038)	5,553,107
Loans from banks		41,148,592	517,750
Customer accounts		1,359,163	(26,418)
Other liabilities		993,601	628,144
Cash inflow from operating activities before income tax		16,503,093	2,586,289
Income tax paid		(332,734)	(1,557,264)
Net cash inflow from operating activities		16,170,359	1,029,025

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

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(199,211)	(102,834)
Proceeds from sale of property, equipment and intangible assets		150,927	-
Purchase of investments available for sale		(24,914,322)	(30,671,410)
Proceeds from sale of investments available for sale		25,365,262	21,186,242
Net cash inflow/(outflow) from investing activities		402,656	(9,588,002)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of ordinary share capital		20,403,004	10,747,500
Loans from the Government of the Republic of Kazakhstan		-	5,080,000
Proceeds from issue of debt securities		-	16,113,493
Payments of debt securities issued		(13,668,601)	-
Net cash inflow from financing activities		6,734,403	31,940,993
Effect of changes in foreign exchange rate on cash and cash equivalents		(1,515,425)	-
NET INCREASE IN CASH AND CASH EQUIVALENTS		21,791,993	23,382,016
CASH AND CASH EQUIVALENTS, beginning of year	13	39,901,606	16,519,590
CASH AND CASH EQUIVALENTS, end of year	13	61,693,599	39,901,606

Supplementary information:

Interest paid and received by the Group during the year ended 31 December 2007 amounted to KZT 4,698,003 thousand and KZT 12,766,478 thousand, respectively.

Interest paid and received by the Group during the year ended 31 December 2006 amounted to KZT 3,896,073 thousand and KZT 9,004,543 thousand, respectively.

On behalf of the Management Board of the Group:

Bektepov M.Kh.
acting President

29 September 2008
Astana

Mamekova S.M.
Director of the finance department - Chief Accountant

29 September 2008
Astana

The notes on pages 9- 54 form an integral part of these consolidated financial statements.

(in thousands tenge, unless otherwise stated)

1. ORGANISATION

Joint Stock Company "Development Bank of Kazakhstan" (the "Bank") is a joint stock company and operates in Kazakhstan since 31 May 2001 (certificate of registration of a legal entity N 4686-1900-AO). The Bank operates according to the Law of the Republic of Kazakhstan "On the Bank of Development of Kazakhstan" N 178-II dated 25 April 2001 as amended as of the date of preparation of these consolidated financial statements (the "Law"), the Statutes of the Bank and the Memorandum on the crediting policy of the Bank approved by Management Board of JSC Kazyna sustainable Development Fund N 5 dated 19 October 2006 as amended as of the date of preparation of these consolidated financial statements (the "Memorandum"). The Bank operates according to Article 7 of the Law.

The legally registered office of the Bank is located at: Left bank of Ishym, 6, 35th Street, Business-Centre "Kazyna-Tower", Astana, 010000, Republic of Kazakhstan.

The Bank is a parent company of a wholly owned consolidated subsidiary, Joint Stock Company DBK Leasing. JSC DBK Leasing (the "Subsidiary") was established on 6 September 2005 in accordance with legislation of the Republic of Kazakhstan (certificate of registration of legal entity N 20246-1901-AO). The main activity of JSC DBK Leasing is finance leasing operations.

The Bank's primary business consists of improvement and increase in efficiency of the state investment activity, development of production infrastructure and processing industry, and assistance in attraction of external and internal investments into the country's economy. The Bank finances mid-term (5 to 10 years) and long-term (10 to 20 years) investment projects and export operations.

Eurobonds issued by the Bank are listed at the Luxemburg Stock Exchange and at KASE.

The Bank is a member of the Board of Directors of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP).

On 8 October 2007 Standard & Poor's decreased long term rating for liabilities of the Bank in foreign and national currency from BBB to BBB- and confirmed short term ratings in foreign and national currency at the level A-3.

On 9 October 2007 Fitch Ratings confirmed short term and long term ratings of the Bank at the level BBB, but reconsidered prognosis of long term ratings from "stable" to "negative"

On 30 October 2006 Moody's Investors Services increased long term rating of the Bank on foreign liability from Baa1 to A2, prognosis is stable.

As of 31 December 2007 and 2006, the Bank's shares were owned by the following shareholder:

Shareholder	**31 December 2007, %**	**31 December 2006, %**
JSC Kazyna Sustainable Development Fund	100.00	100.00
Total	100.00	100.00

In accordance with resolution of the Government of the Republic of Kazakhstan N 286 dated 15 April 2006 "About realization arrangements of decree of the President of the Republic of Kazakhstan N65 dated 16 March 2006" 100% of the Bank's shares were transferred to JSC Kazyna Sustainable Development Fund.

The average number of employees of the Bank and JSC DBK Leasing (collectively, the "Group") during the year ended 31 December 2007 and 2006 was 246 and 249, respectively.

These consolidated financial statements were authorized for issue by the acting President of the Bank on 29 September 2008.

2. BASIS OF PRESENTATION

Accounting basis

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

These consolidated financial statements are presented in thousands of tenge (KZT'000), except for earnings per share amounts and unless otherwise indicated. These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments.

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

The Group maintains its accounting records in accordance with the legislation in Republic of Kazakhstan. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS. Adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement classifications.

Functional currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

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

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

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

Recognition and measurement of financial instruments

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan ("NBRK") and deposits in other banks with original maturity within 90 days from inception.

Financial assets and liabilities at fair value through profit or loss

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

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

The Group enters into derivative financial instruments to manage currency and interest rate risks and for trading purposes. These instruments include forwards, foreign currency and interest rate swaps. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each balance sheet date. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative.

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

Gains and losses resulting from derivative instruments are included in Net gain/loss from financial assets and liabilities at fair value through profit or loss in the consolidated income statement unless they are the hedging instruments in a qualifying cash flow hedge relationship of a probable forecasted transaction or a recognized asset. In this case, the fair value of the derivative is taken to reserves to the extent that the hedge is considered effective based on a prospective and retrospective effectiveness test. Any hedge ineffectiveness is immediately recognized in the consolidated income statement. The Group has engaged in cash flow hedges, principally to minimize the exchange rate risk associated with the future cash inflows from loans to customers in foreign currency. When the forecast transaction results in the recognition of a financial asset, the cumulative gain or loss is reclassified from equity in the same periods in which the asset or liability affects profit or loss. Hedge accounting is discontinued if the hedge no longer meets the criteria for hedge accounting; if the hedging instrument expires or is sold, terminated or exercised; if the forecast transaction is no longer expected to occur; or if hedge designation is revoked. On the discontinuance of hedge accounting (except where a forecast transaction is no longer expected to occur), the cumulative unrealized gain or loss recognized in equity is recognized in profit or loss when the hedged cash flow occurs or, if the forecast transaction results in the recognition of a financial asset or financial liability, in the same periods during which the asset or liability affects profit or loss. Where a forecast transaction is no longer expected to occur, the cumulative unrealized gain or loss is recognized in profit or loss immediately.

Fair values are derived primarily from discounted cash flow valuation models and from third party quotes.

Hedging relationships are formally documented at inception. The documentation includes identification of the hedged item and the hedging instrument, details the risk that is being hedged and the way in which effectiveness will be assessed at inception and during the period of the hedge. If the hedge is not highly effective in offsetting changes in cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Investments available-for-sale are initially recorded at fair value and subsequently measured at fair value, with such re-measurement recognized directly in equity, except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the consolidated income statement. When sold, the gain/loss previously recorded in equity is recycled through the consolidated income statement.

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

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

The amount of cumulative loss is the difference between the acquisition cost (net of principal repayments and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. Any portion of the cumulative net loss that is attributable to foreign currency movements that had been recognized in equity are also recognized in profit or loss.

Due from banks

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

Repurchase and reverse repurchase agreements

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

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

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

Loans to customers

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

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

Write off of loans

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

Subsequent recoveries of amounts previously written off are reflected as income in the consolidated income statement in the period of recovery.

Allowance for impairment losses

Assets carried at amortized cost

The Group accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate.

Such impairment losses are not reversed, unless if in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, such as recoveries, in which case the previously recognized impairment loss is reversed.

For financial assets carried at cost, impairment losses are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Available-for-sale financial assets

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

Finance leases

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

The lease classified as finance lease if:

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

Initial direct cost on issued leases is recognized in the consolidated income statement over the term of the leases. Initial direct cost on leases that were not issued is recognized in consolidated income statement of the Group.

The Group as lessor

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

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

The Group as lessee

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

Non-current assets held for sale

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

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

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and any recognized impairment loss. Depreciation on assets commences from the date the assets are ready for their intended use.

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

Computers	33%
Vehicles	14-17%
Other	10-25%
Intangible assets	20%

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

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

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

Taxation

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

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

Loans from banks

Loans from banks are initially recognized at fair value less transaction cost. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Loans from the Government of Republic of Kazakhstan

Loans from the Government of Republic of Kazakhstan with low interest rate are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method. In order to obtain this low cost financing the Group is required to comply with various requirements and restrictions including monthly reporting to Government on the use of funds provided and issuing loans for specific projects with lower interest rates. These loans are disclosed in more details in Note 24.

Customer accounts and debt securities issued

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

Provisions

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

Financial guarantee contracts issued and letters of credit

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

Share capital

Share capital is recognized at historical cost.

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

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the countries in which the Group operates, certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds as selected by employees. The Group does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

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

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

Interest earned on assets at fair value is classified within interest income.

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

Foreign currency translation

The individual financial statements of each entity of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). In preparing the financial statements of the individual entities, monetary assets and liabilities denominated in currencies other than the entity's functional currency (foreign currencies) are translated at the appropriate spot rates of exchange rates prevailing at the balance sheet date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

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

	31 December 2007	**31 December 2006**
KZT/ USD	120.30	127.00
KZT /EUR	177.17	167.12

Offset of financial assets and liabilities

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

Segment information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's business operations are primarily in the Republic of Kazakhstan and relate primarily to lending activities. Management believes the Group's business operations and economic environments are subject to the same risks and returns and have been presented as one business and geographical segment.

Areas of significant management judgment and sources of estimation uncertainty

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

Allowance for impairment of loans and receivables

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

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses management's judgment to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

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

The carrying amount of the allowance for impairment of loans to customers is KZT 2,842,408 thousands and KZT 2,026,355 thousands as at 31 December 2007 and 2006, respectively.

Valuation of Financial Instruments

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

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

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

The table below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 31 December 2007 and 2006:

Category	31 December 2007	31 December 2006
Assets:		
Quoted prices in active markets:		
Investments available for sale	73,196,521	75,629,031
Internal modules based on market prices:		
Financial assets at fair value through profit or loss	40,423	6,259
Liabilities:		
Internal modules based on market prices:		
Financial liabilities at fair value through profit or loss	4,518,062	585

Adoption of new and revised standards

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

IFRS 7 – During 2007, the Group adopted IFRS 7 "Financial Instruments: Disclosure" ("IFRS 7"). 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: Disclosure and Presentation". IFRS 7 requires disclosure of the significance of financial instruments for an entity's financial position and performance and of qualitative and quantitative information about exposure to risks arising from financial instruments. Adoption of IFRS 7 did not affect the classification and measurement of the Group's financial instruments in the consolidated financial statements. The required disclosures are included in these financial statements.

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

Standards and interpretations issued and not yet adopted

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

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

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

The IASB issued a revised to IAS 32 'Financial Instruments: Presentation' and consequential revisions to other standards in February 2008 to improve the accounting for and disclosure of puttable financial instruments. The revisions are effective for accounting periods beginning on or after 1 January 2009 but together they may be adopted earlier. The revision is not expected to have a material effect on the Group's consolidated financial statements.

4. NET INTEREST INCOME

	Year ended 31 December 2007	Year ended 31 December 2006
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on unimpaired assets	5,396,503	4,143,312
- interest income on impaired assets	3,233,408	2,241,744
Interest income on financial assets reordered at fair value	4,860,222	4,628,538
Total interest income	13,490,133	11,013,594
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	5,520,734	4,318,417
Interest on due from banks	3,109,177	2,066,639
Total interest income on financial assets recorded at amortized cost	8,629,911	6,385,056
Interest income on investments available-for-sale	4,860,222	4,628,538
Total interest income	13,490,133	11,013,594
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	(5,136,043)	(4,530,318)
Total interest expense	(5,136,043)	(4,530,318)
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on debt securities issued	(3,629,383)	(3,797,416)
Interest on loans from banks	(1,465,423)	(703,220)
Interest on loans and advances from the Government of the Republic of Kazakhstan	(29,219)	(14,995)
Interest on customer accounts	(12,018)	(14,687)
Total interest expense on financial liabilities recorded at amortized cost	(5,136,043)	(4,530,318)
Net interest income before (provision)/recovery of provision for impairment losses on interest bearing assets	8,354,090	6,483,276

5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

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

	2007	2006
At the beginning of the year	2,026,355	2,330,178
Additional provision recognized/(recovery of provision)	816,053	(303,823)
At the end of the year	2,842,408	2,026,355

The movements in allowances for impairment losses on other assets were as follows:

	2007	2006
At the beginning of the year	33,717	464
(Recovery of provision)/additional provision recognized	(32,197)	33,717
Write-off of assets	(386)	(464)
At the end of the year	1,134	33,717

The movements in provision on letters of credit were as follows:

	2007	2006
At the beginning of the year	84,815	72,131
Additional provision recognized	288,612	94,131
Recovery of provision	(353,058)	(81,447)
At the end of the year	20,369	84,815

6. NET (LOSS)/GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2007	Year ended 31 December 2006
Net (loss)/gain on financial assets and liabilities held-for-trading	(1,300,573)	400,579
Total net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(1,300,573)	400,579
Net (loss)/gain on operations with financial assets and liabilities held-for-trading comprise:		
Realized (loss)/gain on operations with derivative financial instruments	(1,202,797)	394,905
Unrealized (loss)/gain on operations with derivative financial instruments	(97,776)	5,674
Total net (loss)/gain on operations with financial assets and liabilities held-for-trading	(1,300,573)	400,579

7. NET LOSS ON FOREIGN EXCHANGE OPERATIONS

Net loss on foreign exchange operations comprises:

	Year ended 31 December 2007	Year ended 31 December 2006
Dealing, net	118,118	48,047
Translation differences, net	(256,250)	(297,185)
Total net loss on foreign exchange operations	(138,132)	(249,138)

8. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2007	Year ended 31 December 2006
Fee and commission income:		
Foreign currency operations	49,685	20,614
Transfer services	13,013	5,833
Commission on leases	9,963	9,845
Commission from letters of credit issuance	7,634	4,721
Placement of deposits, opening and maintaining bank accounts of customers	162	83
Other	3,719	2,591
Total fee and commission income	84,176	43,687
Fee and commission expense:		
Fees from operations with securities	(14,468)	(13,657)
Custodian activities	(9,520)	(6,105)
Maintenance of correspondent accounts	(4,886)	(2,477)
Plastic card services	(4,795)	(4,300)
Transfer services	(858)	(502)
Other	(2,407)	(6,695)
Total fee and commission expense	(36,934)	(33,736)

9. OTHER INCOME, NET

Other income comprises:

	Year ended 31 December 2007	Year ended 31 December 2006
Other income from banking activity	79,065	16,027
Penalties, fines and forfeits	23,394	26,902
Other income from non-banking activity	6,807	5,249
Loss from sale of property, plant and equipment	(7,515)	(267)
Other	12,708	506
Total other income, net	114,459	48,417

10. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2007	Year ended 31 December 2006
Staff costs	1,410,247	992,982
Rent	260,520	79,893
Taxes, other than income tax	254,302	195,522
Accrual of reserve on annual bonuses and vacations	205,040	547,208
Professional services	86,838	41,650
Depreciation and amortization and of property, equipment and intangible assets	79,555	81,819
Telecommunications	77,142	68,718
Business trip expenses	48,935	37,300
Advertising costs	23,493	45,515
Maintenance expenses of building	20,914	29,281
Training	14,891	8,615
Security expenses	12,475	9,578
Transportation expenses	8,509	10,866
Head office re-deployment expenses	7,494	-
Polygraph production expenses	5,379	12,835
Repair and maintenance expenses of property and equipment	4,955	1,921
Maintenance and technical support of information technology	4,462	23,743
Stationery	3,950	1,061
Business development expenses	2,983	3,834
Insurance agency fees	2,092	1,182
Expenses relating to 5^{th} anniversary of Bank	-	10,259
Other expenses	51,520	38,100
Total operating expenses	2,585,696	2,241,882

11. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of the Republic of Kazakhstan and which may differ from International Financial Reporting Standards.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses such as business development expenses and a tax free regime for certain income such as interest income on state securities and securities listed at Kazakhstan Stock Exchange.

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

Temporary differences as at 31 December 2007 and 2006 comprise:

	31 December 2007	31 December 2006
Deductible temporary differences:		
Cash flow hedge	4,485,166	-
Accrued expenses on vacation provision and payroll fund	188,395	576,636
Intangible assets	59,978	46,840
Property and equipment	9,157	6,316
Taxes accrued but unpaid	-	9,370
Accrued expenses	-	3,294
Total deductible temporary differences	4,742,696	642,456
Taxable temporary differences:		
Revaluation of financial assets at fair value through profit or loss	(322,679)	(6,844)
Accrued expenses related to interest on syndicated loan	(314,145)	-
Accrued expenses related to interest on issue of Eurobonds	(282,169)	(340,598)
Property and equipment	-	(6,011)
Total taxable temporary differences	(918,993)	(353,453)
Total tax basis of deferred tax asset	3,823,703	289,003
Net deferred tax asset at the statutory tax rate (30%)	1,147,111	86,701
Less: unrecognized deferred tax asset	-	(18,255)
Net deferred tax asset	1,147,111	68,446

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

	Year ended 31 December 2007	Year ended 31 December 2006
Operating profit before income tax	3,789,936	4,768,707
Tax at the statutory tax rate (30%)	1,136,981	1,430,612
Tax effect of permanent differences:		
Non-taxable net income on state securities	(681,182)	(664,789)
Tax effect of permanent differences	379,952	396,728
Change in unrecognized deferred tax assets	-	18,255
Income tax expense	835,751	1,180,806
Current income tax expense	878,398	1,258,777
Current income tax related to prior year	(309,532)	-
Change in deferred tax asset	266,885	(77,971)
Income tax expense	835,751	1,180,806

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

Deferred income tax assets	**2007**	**2006**
Beginning of the year	68,446	(9,525)
Change in deferred tax (liabilities)/assets for the year	(266,885)	77,971
Deferred tax related loss on cash flow hedges charged directly to equity	1,345,550	-
End of the year	1,147,111	68,446

12. EARNINGS PER SHARE

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

	Year ended 31 December 2007	Year ended 31 December 2006
Profit:		
Net profit for the year	2,954,185	3,587,901
Weighted average number of ordinary shares	1,534,018	1,374,946
Earnings per share – basic and diluted (KZT)	1.93	2.61

13. CASH AND CASH EQUIVALENTS

Cash and cash equivalents presented in the consolidated statement of cash flows consisted of the following:

	31 December 2007	31 December 2006
Recorded as loans and receivables in accordance with IAS 39:		
Advances in other banks with original maturity below 90 days	40,562,365	17,722,636
Correspondent accounts in NBRK	14,759,237	17,350,054
Correspondent accounts in other banks	6,371,950	228,500
Petty cash	47	416
Advances in NBRK	-	4,600,000
Total cash and cash equivalents	61,693,599	39,901,606

14. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets and liabilities at fair value through profit or loss comprise:

	Notional amount	31 December 2007 Fair value		Notional amount	31 December 2006 Fair value	
		Asset	Liability		Asset	Liability
Derivative financial instruments:						
Foreign currency contracts						
Currency swaps	34,868,000	-	4,461,844	-	-	-
Interest rate swaps	6,022,949	37,640	32,503	11,614,150	6,259	585
Cross currency interest rate swaps	3,203,589	-	23,715	-	-	-
Currency spot	-	2,783	-	-	-	-
Total derivative financial instruments	44,094,538	40,423	4,518,062	11,614,150	6,259	585

On 16 February 2007 the Group entered into a foreign currency swap agreement to exchange KZT to USD 160,000,000 and exchange back on 14 February 2014, transaction closure date. On 22 June 2007 the Group entered into another foreign currency swap agreement to exchange KZT to USD 122,349,103 and exchange back USD on 27 June 2014, transaction closure date.

Those swap agreements were designed as cash flow hedges principally to minimize the exchange rate risk associated with the future cash inflows from loans to customers in US dollars financed out of tenge funds borrowed by the Group. The tenor of swap agreements was chosen 7 years since an average duration of a pool of loans being hedged was 7 years. The designated hedged risk is the forward exchange rate risk and, therefore, the changes in fair value of the swaps was recorded initially in the hedging reserve to the extent the hedge is effective. An undiscounted spot element of the foreign currency swaps was reclassified from the hedging reserve to the income statement in the amount of KZT 180,703 thousand to offset the spot movements in the hedged loans.. For cash flow hedging relationships, the initial and ongoing prospective effectiveness is assessed by comparing movements in the fair value of a hypothetical derivative with movements in the fair value of the hedging foreign currency swaps (the "hypothetical derivative method"). Prospective effectiveness is measured on a cumulative basis i.e. over the entire life of the hedge relationship. The hypothetical derivative method assumes there will be one forecasted cash inflow based on the weighted average duration of the pool of loans to be received on the date of maturity of the hedging instruments, whereas the actual cash inflows from the loans are expected during 2013 and 2014. Retrospective effectiveness is assessed by comparing the movements in the fair value of the cash flows of hypothetical derivative and actual movements in the fair value of the foreign currency swaps over the life to date of the hedging relationship.

Derivatives financial instruments that are designated as cash flow hedge comprise:

	Notional amount	31 December 2007 Fair value		Notional amount	31 December 2006 Fair value	
		Asset	**Liability**		**Asset**	**Liability**
Derivative financial instruments:						
Currency swaps	34,868,000	-	4,461,844	-	-	-
Total cash flow hedge	34,868,000	-	4,461,844	-	-	-

Hedge instruments are expected to affect the consolidated income statement in 2014.

15. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

	Nominal interest rate	31 December 2007	Nominal interest rate	31 December 2006
Debt securities:				
Bonds of Ministry of Finance of the Republic of Kazakhstan	3.5%-6.4%	39,455,831	3.4%-8.2%	39,496,157
Corporate bonds	4.9%-10.8%	31,710,981	4.9%-12.0%	33,818,696
Municipal bonds	8.5%-8.5%	2,029,709	8.5%	2,314,178
Total debt securities		73,196,521		75,629,031

As at 31 December 2007 and 2006 interest income was accrued on investments available-for-sale in the amount of KZT 1,134,951 thousand and KZT 1,109,642 thousand, respectively and included in investments available-for-sale balance.

As at 31 December 2007 and 2006, the Group used quoted market prices from independent sources to determine the fair value all of its investments available-for-sale.

Unrealised loss on investments available-for-sale is due to change in interest rates. Management of the Group believes there is no objective evidence of impairment of these securities as at 31 December 2007 and 2006.

16. DUE FROM BANKS

Due from banks comprise:

	31 December 2007	31 December 2006
Recorded as loans and receivables in accordance with IAS 39:		
Time deposits with other banks	5,676,133	10,052,732
Loans under reverse repurchase agreements	-	2,001,205
Total due from banks	5,676,133	12,053,937

Due from banks included accrued interest income at KZT 214,348 thousand and KZT 121,143 thousand as of 31 December 2007 and 2006, respectively.

Due from banks included deposit, which is the guarantee of liabilities on deal of swap operation with Morgan Stanley in amount of KZT 1,128,843 thousand, which consist of principal KZT 1,125,977 thousand and accrued interest KZT 2,866 thousand as at 31 December 2007.

As at 31 December 2007 and 2006 the maximum credit risk exposure on due from banks amounted to KZT 5,676,133 thousand and KZT 12,053,937 thousand, respectively.

The fair value of pledged assets and carrying value of loans under reverse repurchase agreements as of 31 December 2007 and 2006 comprised:

	31 December 2007		31 December 2006	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
Notes of NBRK	-	-	2,001,205	2,109,112
Total	-	-	2,001,205	2,109,112

Included in loans under reverse repurchase agreements is accrued interest KZT nil and KZT 1,205 thousand as at 31 December 2007 and 2006, respectively

17. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2007	31 December 2006
Net investments in finance lease	3,261,141	133,742
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans	79,972,577	51,930,557
	83,233,718	52,064,299
Less allowance for impairment losses	(2,842,408)	(2,026,355)
Loans to customers	80,391,310	50,037,944

As at 31 December 2007 and 2006 accrued interest income included in loans to customers amounted to KZT 1,884,822 thousand and KZT 1,279,681 thousand, respectively.

As at 31 December 2007 and 2006 there were no loans in non-accrual status.

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

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

	31 December 2007	**31 December 2006**
Unsecured loans	21,523,062	8,910,124
Loans collateralized by guarantees	18,713,543	15,005,957
Loans collateralized by property	17,596,456	10,203,032
Loans collateralized by machinery	12,600,650	4,777,974
Loans collateralized by goods	4,925,752	2,917,677
Loans collateralized by equipment	4,496,673	10,061,753
Net investments in finance lease	3,261,141	136,550
Loans collateralized by securities	116,441	51,232
	83,233,718	52,064,299
Less allowance for impairment losses	(2,842,408)	(2,026,355)
Loans to customers	80,391,310	50,037,944

	31 December 2007	**31 December 2006**
Analysis by sector:		
Textile industry	13,309,353	11,566,278
Chemical industry	11,390,148	9,430,331
Minerals exploration	9,825,028	973,041
Telecommunications and transport services	9,653,174	5,087,813
Energy	9,325,242	7,429,768
Pulp and paper industry	6,881,689	1,209,676
Construction	6,148,907	602,608
Agriculture	4,744,881	2,861,259
Food industry	4,194,834	5,026,534
Machinery	3,343,750	4,176,382
Electronic equipment	2,129,468	2,703,115
Fishery	371,040	522,393
Mortgage lending	59,547	68,720
Other	1,856,657	406,381
	83,233,718	52,064,299
Less allowance for impairment losses	(2,842,408)	(2,026,355)
Loans to customers	80,391,310	50,037,944

As at 31 December 2007 and 2006 a significant part of loans (97% and 99% of the total portfolio, respectively) was granted to companies operating on the territory of the Republic of Kazakhstan.

As at 31 December 2007 and 2006 the maximum credit risk with one borrower in loans to customers amounted to KZT 7,364,301 thousand and KZT 7,756,760 thousand, respectively.

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

	31 December 2007	31 December 2006
Not later than one year	1,039,418	27,753
Later than one year, but not later than five years	2,503,452	104,336
After five years	513,814	42,709
Total minimum lease payments	4,056,684	174,798
Less: unearned finance income	(795,543)	(41,056)
Net investment in finance lease	3,261,141	133,742
Minimum lease payments-current portion	770,346	17,286
Minimum lease payments -long-term portion	2,490,795	116,456
Net investment in finance lease	3,261,141	133,742

Finance lease included accrued interest income at KZT 76,744 thousand and KZT 2,240 thousand as of 31 December 2007 and 2006, respectively.

As at 31 December 2007 and 2006 no allowances or impairment of finance lease was recorded for finance lease.

18. ADVANCES PAID

Advances paid comprise:

	31 December 2007	31 December 2006
Advances paid on financial lease	3,945,587	785,231
Other advances paid	764	106
Total advances paid	3,946,351	785,337

19. OTHER ASSETS

Other assets comprise:

	31 December 2007	31 December 2006
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Accrued commission income	38,262	17,294
Other debtors	16,235	2,489
Less allowance for impairment losses	-	-
Total other financial assets	54,497	19,783
Other non-financial assets:		
Non current assets held for sale	150,597	-
Tax receivable, other than income tax	71,197	16,555
Prepayments	41,091	99,979
Inventories	14,658	7,290
Settlements with employees	1,103	1,934
Other debtors	8,958	18,512
	287,604	144,270
Less allowance for impairment losses	(1,134)	(33,717)
Total other assets	340,967	130,336

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

Non-current assets held for sale represents cost price of apartments intended for sale to employees of the Group.

20. PROPERTY, PLANT AND EQUIPMENT

The movements in property, equipment and intangible assets are presented as follows:

	Vehicles	Computers	Other	Intangible assets	Total
Historical cost:					
31 December 2005	29,319	82,594	98,708	170,362	380,983
Additions	18,639	28,752	34,989	20,454	102,834
Disposals	-	(219)	(491)	-	(710)
31 December 2006	47,958	111,127	133,206	190,816	483,107
Additions	-	11,351	165,119	22,741	199,211
Internal movement	-	11,570	(11,506)	(64)	-
Disposals	-	(22,938)	(180,136)	(7,070)	(210,144)
31 December 2007	47,958	111,110	106,683	206,423	472,174
Accumulated depreciation:					
31 December 2005	(16,899)	(52,994)	(36,097)	(88,488)	(194,478)
Charge for the period	(5,297)	(18,345)	(17,576)	(40,601)	(81,819)
Eliminated on disposals	-	138	258	-	396
31 December 2006	(22,196)	(71,201)	(53,415)	(129,089)	(275,901)
Charge for the period	(7,090)	(22,803)	(16,348)	(33,314)	(79,555)
Internal movement	-	(2,480)	2,416	64	-
Eliminated on disposals	-	22,742	21,893	7,067	51,702
31 December 2007	(29,286)	(73,742)	(45,454)	(155,272)	(303,754)
Net book value:					
31 December 2007	18,672	37,368	61,229	51,151	168,420
31 December 2006	25,762	39,926	79,791	61,727	207,206

As at 31 December 2007 and 2006 included in property, equipment and intangible assets were fully depreciated with the carrying amount of KZT 103,810 thousand and KZT 50,914 thousand, respectively.

Intangible assets include software, patents and licenses.

21. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2007	31 December 2006
Recoded at amortized cost:		
Current customer accounts and deposits repayable on demand	1,838,980	435,807
Advances received as collateral on liabilities of customers	67,960	171,397
Total customer accounts	1,906,940	607,204

As at 31 December 2007 and 2006 accrued interest expenses included in customers accounts amounted to KZT 79 thousand and KZT 915 thousand, respectively.

The Bank carries out functions of an agent of authorized government body on servicing state and municipal budget investment projects (programs), financed on repayable basis, also projects, financed by loans, which are guaranteed by government and included in the List of priority investment projects, approved by the Government of the Republic of Kazakhstan.

To carry out its agent's functions the Bank opens and maintains the special (current) accounts of contingent deposit, accounts without interest accrual and reserve (saving) accounts with interest accrual. On saving accounts customers accumulate funds to repay loans, guaranteed by the Government of the Republic of Kazakhstan.

Carrying out the functions of an agent of servicing projects and loans does not obligate the Bank to perform on customers' liabilities to state budget. However, in case of overdue payments due to Bank's fault the Bank must pay a penalty, the amount of which is determined in bank accounts agreements.

22. LOANS FROM BANKS

Loans from banks comprise:

	31 December 2007	31 December 2006
Recorded at amortized cost:		
Loan from JP Morgan Europe Limited due on 15 February 2008, coupon rate 6 month LIBOR+0,1%, semi-annual payment of interest	18,474,627	-
Loan from Credit Suisse due on 21 November 2014, coupon rate 6,9%, semi-annual payment of interest	18,198,717	-
Loan from Bank of Tokyo Mitsubishi UFJ (Japan) due on 16 August 2010, coupon rate 6 month LIBOR+0,4%, semi-annual payment of interest	4,929,987	-
Syndicated loan from HSBC due 7 December 2008, coupon rate 6 month LIBOR+0.4%, semi-annual payment of interest	4,831,581	5,099,355
Loan from Japanese Bank of International Cooperation due 25 January 2023, coupon rate 6 month LIBOR+0.675%, semi-annual payment of interest	2,383,749	2,520,699
Loan from AKA Bank and Deutsche Bank AG		
Tranche A due 1 July 2013, coupon rate 3.57%, semi-annual payment of interest	1,723,399	1,871,037
Tranche B due 1 August 2010, coupon rate 6 month LIBOR+2.8%, semi-annual payment of interest	238,777	292,228
Loan from Standard Bank due 1 September 2009, coupon rate 6 month LIBOR+0.8%, semi-annual payment of interest	369,735	518,620
Loan from Deutsche Bank AG due 30 July 2010, coupon rate 6 month LIBOR+0.55%, semi-annual payment of interest	174,609	246,000
	51,325,181	10,547,939
Less: unamortized portion of borrowing costs	(363,867)	(52,781)
Total loans from banks	50,961,314	10,495,158

As at 31 December 2007 and 2006 accrued interest expenses included in loans from banks amounted to KZT 843,165 thousand and KZT 124,661 thousand, respectively.

The Group is obligated to comply with financial covenants in relation to loans from banks disclosed above. These covenants include capital adequacy, tangible net worth, the amount of loan portfolio and some other financial ratios. The Group has not breached any of these covenants during years ended 31 December 2007 and 2006, respectively.

23. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Maturity date day/month/year	Annual coupon rate	31 December 2007	31 December 2006
Recorded at amortized cost:				
Eurobonds issued at price of				
97.67%	23/03/2026	6.000%	18,045,000	19,050,000
97.665%	03/06/2020	6.500%	12,030,000	12,700,000
97.945%	12/11/2013	7.375%	12,030,000	12,700,000
98.97%	10/10/2007	7.125%	-	12,700,000
(Less)/including:				
Discount on debt securities issued			(1,136,089)	(1,312,559)
Amounts of accrued interest on Eurobonds issued			468,669	695,853
Total Eurobonds issued			41,437,580	56,533,294
Bonds placed at KASE	15/02/2007	8.500%	-	1,638,174
Amounts of accrued interest on bonds placed at KASE			-	52,274
Total debt securities issued			41,437,580	58,223,742

As at 31 December 2007 and 2006 accrued interest expense included in debt securities issued amounted to KZT 468,669 thousand and KZT 748,127 thousand, respectively.

Interest on debt securities is repayable semiannually.

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, lending exposures, limitations on transactions at less than fair market value and payment of dividends. The terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. Management believes that as of 31 December 2007 and 2006, the Group was in compliance with the covenants of the agreements the Group has with the notes' trustee and holders.

24. LOANS AND ADVANCES FROM GOVERNMENT OF THE REPUBLIC OF THE KAZAKHSTAN

	31 December 2007	31 December 2006
Recorded at amortized cost:		
Loans from the Government of the Republic of Kazakhstan	13,987,261	13,987,431
Advances for project finance	11,576,281	12,099,319
Total loans and advances from the Government of the Republic of Kazakhstan	25,563,542	26,086,750

As of 31 December 2006 and 2005 loans from the Government of the Republic of Kazakhstan included accrued interest expense of KZT 8,261 thousand and KZT 8,431 thousand, respectively.

As of 31 December 2007 the funds of the Government of the Republic of Kazakhstan consisted of long-term loans granted to the Bank by the Government of Kazakhstan from the state budget in November 2003 and in July 2004 under agreements N BRK 001 K and N BRK 002 K. The interest rate on loans amounts to 0.1% per annum and is payable by semiannual payments – on the first loan starting from 25 May 2004, and on the second loan starting from 30 January 2005. The principal on the loans of KZT 4,300,000 thousand and KZT 4,599,000 thousand is payable upon maturity on 25 November 2018 and 30 July 2019, respectively.

These loans were given to the Bank to reduce loan rates exclusively for investment projects in priority economic sectors as defined in the Memorandum. The Memorandum set a defined list of the economic sectors to be financed by investment projects in accordance with the general classifier of economic activities, forming a chain of technologically related operations with high added value, projects with the potential to enter global markets, including the creation and development of infrastructure (power, transport, telecommunications etc), the industrial and agricultural sectors.

Thus, the government loans help to develop commodity sectors by financing them at interest rates comparable with market rates provided by similar development institutes. These loans with low interest rate are also available to commercial banks in Kazakhstan. Due to specific requirements and limitations on the use of proceeds of these loans management believes that the interest rates on these loans represent its market interest rates.

According to agreement conditions the Bank commits to sending monthly reports to the government on the disbursement, repayment and servicing of debt, approved investment projects and average borrowing rates and other required information on intended use. In addition, the government monitors the above loans periodically for the targeted and effective use of budget funds.

As of 31 December 2007 the Bank received a loan from the Government of the Republic of Kazakhstan to finance JSC DBK Leasing, subsidiary of the Bank, intended to arrange leasing of machinery and equipment for growing cotton and development of the textile industry within the pilot cluster "Textile industry." The interest rate for the loan is 0.4% per annum and payable by semi-annual payments starting on 15 March 2007. The principal on the loan of KZT 5,080,000 thousand is payable upon maturity of the loan on 15 September 2021.

Advances for project finance represents unused loan from the budget intended for the JSC "Joint Kazakhstani Russian Entity "Baiterek" for construction of an air space complex by 2009. The loan will be repaid by equal parts starting from 2010 till 2023. The Bank acts as an agent and is not liable for any misuse of the loan by the borrower or any other risks related to the loan. The loan carries annual interest rate of 0.5%.

25. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2007	**31 December 2006**
Advances received for financial lease	1,046,270	244,798
Settlements with employees and vacation provision	743,200	583,914
Deferred income	119,148	4,166
Taxes payable, other than income tax	80,679	90,923
Delivery of equipment for finance lease	71,045	-
Accrued expenses for banking activities	34,195	22,427
Accrued commission expenses	15,412	10,018
Other accounts payable	52,417	15,023
Total other liabilities	2,162,366	971,269

Advances received represent prepayments made by customers for property held for leasing purchased under finance lease, but not transferred to the leaseholder.

26. SHARE CAPITAL

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

	Quantity of authorized shares	Quantity of issued and paid shares	Share capital authorized and issued
31 December 2005	1,267,026	1,196,508	59,825,446
Increase	205,800	214,950	10,747,500
31 December 2006	1,472,826	1,411,458	70,572,946
Increase	346,693	408,061	20,403,004
31 December 2007	1,819,519	1,819,519	90,975,950

All shares are ranked equally, carry one vote and have a par value of KZT 50 thousand each.

During the years ended 31 December 2007 and 2006 shareholders of the Bank made a decision to increase share capital by KZT 17,334,650 thousand (minute N 20 dated 13 September 2007), KZT 3,068,354 thousand (minute N 11 dated 28 March 2007) and KZT 10,290,000 thousand (minute w/n dated 20 March 2006), respectively.

During the years ended 31 December 2007 and 2006 share capital was paid in by cash in the amount of KZT 20,403,004 thousand and KZT 10,747,500 thousand, respectively.

27. RESERVE CAPITAL

According to the Law the net profit cannot be distributed and is transferred to reserve capital or General banking risk reserve annually following the approval of consolidated financial statements at the shareholder's general meeting. The reserve capital is not subject to distribution. Reserve capital and General banking risk reserve do not have any specific designation for the funds accumulated in these reserves. In 2007 portion of net profit for the year ended 31 December 2006 of KZT 3,546,682 thousand (in 2006 the portion of profit for the year ended 31 December 2005 of KZT 2,767,359 thousand) has been transferred to reserve capital.

28. HEDGING RESERVE ON CASH FLOW HEDGE, NET OF TAX

As at 9 October 2007, the Group designated two derivative instruments in the form of foreign currency swaps to hedge against the foreign currency exposure on the cash flows of a pool of loans being granted by the Group. Since the economic reason to enter into the currency swaps was to hedge forward rate risk on the future cash flows of a pool of loans in US dollars, the Group applied hedge accounting and documented the hedging relationship at inception in line with requirements of IAS 39.

29. FINANCIAL 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 consolidated balance sheet.

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

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

As of 31 December 2007 and 2006 the Group created allowances for impairment losses on letters of credit amounting to KZT 20,369 thousand and KZT 84,815 thousand, respectively.

As at 31 December 2007 and 2006, the nominal or contract amounts were:

	31 December 2007 Nominal Amount	31 December 2006 Nominal Amount
Contingent liabilities and credit commitments		
Commitments on loans, unused credit lines and finance lease	49,935,698	25,448,326
Letters of credit and other transaction relating to contingent obligations	4,614,657	6,268,083
Total contingent liabilities and credit commitments	54,550,355	31,716,409

The table below summarizes the amounts of commitments on loans and unused credit line secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2007	31 December 2006
Land	4,738,617	-
Equipment	-	7,323,223
Unsecured commitments on loans and unused credit lines	45,197,081	18,125,103
Total	49,935,698	25,448,326

Capital commitments

The Group had no significant capital commitments as at 31 December 2007.

Operating lease commitments

The Group had no significant operating lease commitments as at 31 December 2007.

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 unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxes

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

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

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2007 and 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 business activities are within the Republic of Kazakhstan. Laws and regulations affecting the business environment in the Republic of Kazakhstan are subject to rapid changes and the Group's assets and operations could be at risk due to negative changes in the political and business environment.

30. TRANSACTIONS WITH RELATED PARTIES

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

a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Group (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Group that gives then significant influence over the Group; and that have joint control over the Group;
b) Associates – enterprises on which the Group has significant influence and which is neither a subsidiary nor a joint venture of the investor;
c) Joint ventures in which the Group is a venture;
d) Members of key management personnel of the Group or its parent;
e) Close members of the family of any individuals referred to in (a) or (d); and
f) Parties that are entities 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).

Kazyna – Sole shareholder

Government of the Republic of Kazakhstan – Sole shareholder of Kazyna

During the years ended 31 December 2007 and 2006 the Group had transactions with state company KEGOK.

Loans and advances from the Government of the Republic of Kazakhstan are disclosed in Note 24. Receipts of guarantees from the Government of the Republic of Kazakhstan are disclosed in table below. Interest paid to the Government of the Republic of Kazakhstan for loans and advances are disclosed in Note 4.

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

	31 December 2007		31 December 2006	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Loans to customers				
- entities with joint control or significant influence over the entity	13,652,718	80,391,310	5,867,693	50,037,944
- guarantees received	5,702,619	18,713,543	4,453,540	15,005,957
Allowance for impairment losses				
- entities with joint control or significant influence over the entity	(337,810)	(2,842,408)	(291,159)	(2,026,355)

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

	Year ended 31 December 2007		Year ended 31 December 2006	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income:		13,490,133		11,013,594
- entities with joint control or significant influence over the entity	798,210		193,634	
Operating expenses:		2,585,696		2,241,882
- compensation of key management personnel of the entity or its parent	252,868	1,410,247	342,977	992,982
- Rent expenses for building paid to JSC Kazyna Sustainable Development Fund	97,435	260,520	-	79,893

For the years ended 31 December 2007 and 2006 compensation of key management is represented by short-term compensation.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

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

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

Debt securities issued – The securities are traded on active markets and quoted market prices have been used to determine the fair value.

During 2007 the Group placed the system and establishes methodology that allowed the Group to determine fair value of loans to customers. Therefore, fair value of Loans to customers as of 31 December 2006 in the table below is restated to the amount determined in accordance with adopted in 2007 methodology.

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

	31 December 2007		**31 December 2006**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	61,693,599	61,693,599	39,901,606	39,901,606
Due from banks	5,676,133	5,676,133	12,053,937	12,053,937
Loans to customers	80,391,310	63,321,529	50,037,944	39,420,970
Loans and advances from the Government of the Republic of Kazakhstan	25,563,542	25,563,542	26,086,750	26,086,750
Loans from banks	50,961,314	50,961,314	10,495,158	10,495,158
Customer accounts	1,906,940	1,906,940	607,204	607,204
Debt securities issued	41,437,580	37,166,390	58,223,742	60,886,821

Financial assets and liabilities at fair value through profit or loss and investments available-for-sale are carried at fair value in the consolidated balance sheet. The carrying amount of cash and cash equivalents approximate fair value due to the short-term nature of such financial assets.

32. CAPITAL RISK MANAGEMENT AND REGULATORY MATTERS

The Group's objective when managing capital, which is a broader concept than the "equity" on the face of consolidated balance sheet, are to maintain a strong capital base to support the development of its business and providing finance as according to the Memorandum. The operations of the Bank are concluded in accordance with the Law. The Law requires investing share capital into liquid securities and not to use them for financing loan to customers. In accordance with the Law the Bank does not pay dividends on its common shares. The Bank's net income is added to its reserve capital.

The Bank is required to submit monthly reports regarding the use of Government funds. Also the Bank is subject to regular inspections by various Government bodies.

There have been no changes as to the way the Group measures capital.

33. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit exposures;
- Liquidity risk; and
- Market risk.

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Credit risk

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

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

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by a borrower and a product (by industry sector, by region) are approved by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and government guarantees. 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 the inability of 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 a loss in an amount equal to the total unused commitments. However, the likely amount of the 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 off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum Exposure

The Groups maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

Limit of risk for one borrower (group of affiliated borrowers) is estimated in amount no more than 25% of equity capital, if other is not foresaw by the legislation of the Republic of Kazakhstan.

Monitoring of compliance with established limits is accomplished by approval of each deal, taking into consideration the affiliation of the borrowers to each other.

The following table presents the maximum exposure to credit risk of financial assets and financial guarantees and loan commitments. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For letter of credit and other commitments the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on (Note 29). The collateral pledged was determined based on its estimated fair value on the day of origination of the loan and limited to the outstanding balance of each loan as at the balance sheet date.

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**	**Net exposure after offset and collateral as at 31 December 2007**
Cash and cash equivalents	61,693,599	-	61,693,599	-	61,693,599
Financial assets at fair value through profit or loss	40,423	-	40,423	-	40,423
Investments available-for-sale	73,196,521	-	73,196,521	-	73,196,521
Due from banks	5,676,133	-	5,676,133	-	5,676,133
Loans to customers	80,391,310	-	80,391,310	(73,609,635)	6,781,675
TOTAL FINANCIAL ASSETS	220,997,986	-	220,997,986	(73,609,635)	147,388,351
Contingent liabilities and credit commitments	54,550,355	-	54,550,355	(4,738,617)	49,811,738

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**	**Net exposure after offset and collateral as at 31 December 2006**
Cash and cash equivalents	39,901,606	-	39,901,606	-	39,901,606
Financial assets at fair value through profit or loss	6,259	-	6,259	-	6,259
Investments available-for-sale	75,629,031	-	75,629,031	-	75,629,031
Due from banks	12,053,937	-	12,053,937	(2,558,673)	9,495,264
Loans to customers	50,037,944	-	50,037,944	(48,011,589)	2,026,355
TOTAL FINANCIAL ASSETS	177,628,777	-	177,628,777	(50,570,262)	127,058,515
Contingent liabilities and credit commitments	31,716,409	-	31,716,409	(7,323,223)	24,393,186

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

The following tables detail the credit ratings of financial assets held by the Group as at 31 December 2007 and 2006:

(KZT thousand)	Cash and cash equivalents	Financial assets at fair value through profit or loss	Investments available-for-sale	Due from banks	Loans to customers
AA+	3,022	-	-	-	-
AA	2,520,020	13,763	-	-	-
AA-	-	-	3,549,691	1,128,843	-
A	5,121	-	-	-	-
BBB	14,759,237	-	41,485,540	7,973	-
BB+	2,204,182	-	4,674,291	2,276,358	6,353,874
BB	18,033,982	-	7,914,594	2,262,959	-
BB-	1,623,338	-	-	-	-
B-	870,907	-	-	-	-
B+	-	-	1,868,284	-	-
B	-	-	702,818	-	-
Not rated	21,673,790	26,660	13,001,303	-	74,037,436
31 December 2007	61,693,599	40,423	73,196,521	5,676,133	80,391,310

(KZT thousand)	Cash and cash equivalents	Financial assets at fair value through profit or loss	Investments available-for-sale	Due from banks	Loans to customers
AA	41,044	1,109	-	-	-
AA-	6,809,667	5,150	3,875,699	-	-
A-	15,307	-	-	-	-
BBB	21,963,382	-	41,637,190	2,043,366	-
BB+	54	-	7,785,124	1,993,830	5,507,130
BB	15	-	3,530,342	1,387,053	-
BB-	4,680	-	-	-	-
B+	7,198,935	-	3,723,914	-	-
B	3,289,512	-	1,349,924	2,590,783	-
B-	502,708	-	-	1,971,272	-
Not rated	76,302	-	13,726,838	2,067,633	44,530,814
31 December 2006	39,901,606	6,259	75,629,031	12,053,937	50,037,944

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy and other internal regulations of the Group are not breached.

In order to limit exposure of assets of the Group to the credit risk the Assets and Liabilities Management Committee sets the limits for each bank-counterparty. Those limits are used when the Group places temporary free cash on deposits with bank-counterparty and receives guarantees from bank-counterparty under leasing operations. Limits for second-level banks of Kazakhstan at the placement of temporarily available cash are established according to bank-partner's financial position (group of affiliated borrowers) in amount not more 25% of Group's equity capital or in another amount which is established by the Board of Directors. For foreign bank-partners with credit rating not less than "A", the limit is established in amount of 25% of equity capital of the Group.

Rating model

The Group has developed an internal rating model, based on the principles and methods used by international rating agencies for the assessment of credit risk of corporate borrowers. The rating of corporate borrower is based on an analysis of the financial ratios of the borrower, and an analysis of the market and industry sector, in which the borrower operates. The model also takes into consideration various qualitative factors, such as management efficiency and borrower's market share.

The application of the internal rating model results in a standardized approach in the analysis of corporate borrowers and provides a quantitative assessment of the creditworthiness of a borrower that does not have a rating from an international rating agency. The model takes into account specific local market conditions.

The quality of the internal rating model is examined on a regular basis through an assessment of both its effectiveness and validity. The Group revises the model when deficiencies are identified.

The methodologies used in this model are tailor-made for specific type of loans and is applied at various stages over the life of the loan. As a result, it is not possible to make a comparison which would agree to the outstanding balance of loans to customers per the consolidated balance sheet. As such, more detailed information is not being presented.

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

		Financial assets past due but not impaired				31 December 2007	
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Total**
Cash and cash equivalents	61,693,599	-	-	-	-	-	61,693,599
Financial assets at fair value through profit or loss	40,423	-	-	-	-	-	40,423
Investments available-for-sale	73,196,521	-	-	-	-		73,196,521
Due from banks	5,676,133	-	-	-	-	-	5,676,133
Loans to customers	38,732,742	-	-	-	-	41,658,568	80,391,310

		Financial assets past due but not impaired				31 December 2006	
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Total**
Cash and cash equivalents	39,901,606	-	-	-	-	-	39,901,606
Financial assets at fair value through profit or loss	6,259	-	-	-	-	-	6,259
Investments available-for-sale	75,629,031	-	-	-	-	-	75,629,031
Due from banks	12,053,937	-	-	-	-	-	12,053,937
Loans to customers	21,700,702	-	-	-	-	28,337,242	50,037,944

Geographical concentration

The Assets and Liabilities Management Committee ("ALMC") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan. The Group's Management believes that Kazakhstan is the main geographical segment, as risks and awards are similar throughout the region.

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

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2007 Total
ASSETS:				
Cash and cash equivalents	59,022,212	2,667,939	3,448	61,693,599
Financial assets at fair value through profit or loss	-	40,423	-	40,423
Investments available-for-sale	69,646,831	3,549,690	-	73,196,521
Due from banks	4,547,290	1,128,843	-	5,676,133
Loans to customers	78,226,968	-	2,164,342	80,391,310
Deferred income tax assets	1,147,111	-	-	1,147,111
Current income tax assets	66,484	-	-	66,484
Advances paid	34,627	3,350,079	561,645	3,946,351
Other assets	322,602	4,993	13,372	340,967
Assets to be transferred under finance lease agreements	735,876	-	-	735,876
Property, equipment and intangible assets	168,420	-	-	168,420
TOTAL ASSETS	213,918,421	10,741,967	2,742,807	227,403,195
LIABILITIES:				
Customer accounts	1,906,940	-	-	1,906,940
Financial liabilities at fair value through profit or loss	-	4,518,062	-	4,518,062
Loans from banks	-	50,961,314		50,961,314
Debt securities issued	41,437,580	-	-	41,437,580
Loans and advances from the Government of the Republic of Kazakhstan	25,563,542	-	-	25,563,542
Provision on letters of credit	20,369	-	-	20,369
Other liabilities	2,087,005	28,579	46,782	2,162,366
TOTAL LIABILITIES	71,015,436	55,507,955	46,782	126,570,173
NET POSITION	142,902,985	(44,765,988)	2,696,025	

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2006 Total
ASSETS:				
Cash and cash equivalents	33,026,367	6,873,088	2,151	39,901,606
Financial assets at fair value through profit or loss	-	6,259	-	6,259
Investments available-for-sale	71,846,200	3,782,831	-	75,629,031
Due from banks	12,053,937	-	-	12,053,937
Loans to customers	49,136,929	-	901,015	50,037,944
Deferred income tax assets	68,446	-	-	68,446
Current income tax assets	302,616	-	-	302,616
Advances paid	157,666	613,426	14,245	785,337
Other assets	130,336	-	-	130,336
Assets to be transferred under finance lease agreements	671	-	-	671
Property, equipment and intangible assets	207,206	-	-	207,206
TOTAL ASSETS	166,930,374	11,275,604	917,411	179,123,389
LIABILITIES:				
Customer accounts	607,204	-	-	607,204
Financial liabilities at fair value through profit or loss	-	585	-	585
Loans from banks	-	10,495,158		10,495,158
Debt securities issued	1,690,448	56,533,294	-	58,223,742
Loans and advances from the Government of the Republic of Kazakhstan	26,086,750	-	-	26,086,750
Provision on letters of credit	84,815	-	-	84,815
Other liabilities	971,269	-	-	971,269
TOTAL LIABILITIES	29,440,486	67,029,037	-	96,469,523
NET POSITION	137,489,888	(55,753,433)	917,411	

Liquidity risk

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

The Assets and Liabilities Management Committee (“ALMC”) controls these types of risks by means of maturity analysis, determining the Group’s strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients’ and banking operations, which is a part of assets/liabilities management process.

The Group’s liquidity management includes:

- The forecasting of main currency cash flows for determining a necessary amount of liquid assets.
- Monitoring of gap-positions of liquid assets on the daily, weekly and monthly basis.
- Composition of assets and liabilities repayment schedule in compliance with calculation date, management.
- Monitoring of balance liquidity ratios.
- Maintenance of various sources of financing.

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date. The presentation below is based upon the information provided internally to key management personnel of the entity.

	On demand	**Up to 1 month**	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Maturity undefined**	**31 December 2007 Total**
ASSETS:								
Cash and cash equivalents	-	40,562,365	-	-	-	-	-	40,562,365
Investments available-for-sale	73,196,521	-	-	-	-	-	-	73,196,521
Due from banks	-	247,843	4,291,474	-	-	1,128,843	-	5,668,160
Loans to customers	-	33,778	-	2,880,650	22,202,247	55,274,635	-	80,391,310
Total interest bearing assets	73,196,521	40,843,986	4,291,474	2,880,650	22,202,247	56,403,478	-	199,818,356
Cash and cash equivalents	21,131,234	-	-	-	-	-	-	21,131,234
Financial assets at fair value through profit or loss	-	2,783	-	-	13,763	23,877	-	40,423
Due from banks	-	-	-	7,973	-	-	-	7,973
Deferred income tax asset	-	-	-	-	-	1,147,111	-	1,147,111
Current income tax assets	-	-	-	66,484	-	-	-	66,484
Advances paid	-	1,117,051	683,003	2,146,297	-	-	-	3,946,351
Other assets	17,582	3,408	51,808	112,072	5,500	150,597	-	340,967
Assets to be transferred under finance lease agreements	-	-	735,876	-	-	-	-	735,876
Property, equipment and intangible assets	-	-	-	-	-	-	168,420	168,420
TOTAL ASSETS	94,345,337	41,967,228	5,762,161	5,213,476	22,221,510	57,725,063	168,420	227,403,195
LIABILITIES:								
Loans and advances from the Government of the Republic of Kazakhstan	-	-	-	-	-	13,987,261	-	13,987,261
Loans from banks	-	-	18,474,627	4,819,600	5,672,823	21,994,264	-	50,961,314
Customer accounts	1,674,891	-	-	-	-	-	-	1,674,891
Debt securities issued	-	-	-	-	-	41,437,580	-	41,437,580
Total interest bearing liabilities	1,674,891	-	18,474,627	4,819,600	5,672,823	77,419,105	-	108,061,046
Financial liabilities at fair value through profit or loss	-	23,715	-	32,298	-	4,462,049	-	4,518,062
Loans and advances from the Government of the Republic of Kazakhstan	-	-	-	-	11,576,281	-	-	11,576,281
Customer accounts	164,089	-	-	-	-	67,960	-	232,049
Provision on letters of credit	-	-	-	-	-	-	20,369	20,369
Other liabilities	725,389	80,918	88,072	166,848	1,079,266	21,873	-	2,162,366
TOTAL LIABILITIES	2,564,369	104,633	18,562,699	5,018,746	18,328,370	81,970,987	20,369	126,570,173
Liquidity gap	91,780,968	41,862,595	(12,800,538)	194,730	3,893,140	(24,245,924)		
Interest sensitivity gap	71,521,630	40,843,986	(14,183,153)	(1,938,950)	16,529,424	(21,015,627)		
Cumulative interest sensitivity gap	71,521,630	112,365,616	98,182,463	96,243,513	112,772,937	91,757,310		
Cumulative interest sensitivity gap as a percentage of total assets	31%	49%	43%	42%	50%	40%		

	On demand	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:								
Cash and cash equivalents	-	19,803,456	2,519,180	-	-	-	-	22,322,636
Investments available-for-sale	75,528,132	-	-	100,899	-	-	-	75,629,031
Due from banks	-	1,390,757	10,621,019	42,161	-	-	-	12,053,937
Loans to customers	-	-	147,278	1,896,280	10,833,496	37,160,890	-	50,037,944
Total interest bearing assets	75,528,132	21,194,213	13,287,477	2,039,340	10,833,496	37,160,890	-	160,043,548
Cash and cash equivalents	17,578,970	-	-	-	-	-	-	17,578,970
Financial assets at fair value through profit or loss	-	1,586	3,564	1,109	-	-	-	6,259
Deferred income tax assets	-	-	-	68,446	-	-	-	68,446
Current income tax assets	-	-	302,616	-	-	-	-	302,616
Advances paid	-	-	223,501	561,836	-	-	-	785,337
Other assets	8,044	39,342	22,734	1,948	52,836	5,432	-	130,336
Assets to be transferred under finance lease agreements	-	-	671	-	-	-	-	671
Property, equipment and intangible assets	-	-	-	-	-	-	207,206	207,206
TOTAL ASSETS	93,115,146	21,235,141	13,840,563	2,672,679	10,886,332	37,166,322	207,206	179,123,389
LIABILITIES:								
Loans and advances from the Government of the Republic of Kazakhstan	-	8,431	-	-	-	13,979,000	-	13,987,431
Loans from banks	-	5,074,600	-	-	1,036,904	4,383,654	-	10,495,158
Customer accounts	424,150	-	-	-	-	-	-	424,150
Debt securities issued	-	-	1,690,448	12,837,027	-	43,696,267	-	58,223,742
Total interest bearing liabilities	424,150	5,083,031	1,690,448	12,837,027	1,036,904	62,058,921	-	83,130,481
Financial liabilities at fair value through profit or loss	-	585	-	-	-	-	-	585
Customer accounts	11,657	-	-	-	116,196	55,201	-	183,054
Loans and advances from the Government of the Republic of Kazakhstan	-	-	-	-	-	12,099,319	-	12,099,319
Provision on letters of credit	-	-	-	-	-	-	84,815	84,815
Other liabilities	1,576	599,111	66,714	303,868	-	-	-	971,269
TOTAL LIABILITIES	437,383	5,682,727	1,757,162	13,140,895	1,153,100	74,213,441	84,815	96,469,523
Liquidity gap	92,677,763	15,552,414	12,083,401	(10,468,216)	9,733,232	(37,047,119)		
Interest sensitivity gap	75,103,982	16,111,182	11,597,029	(10,797,687)	9,796,592	(24,898,031)		
Cumulative interest sensitivity gap	75,103,982	91,215,164	102,812,193	92,014,506	101,811,098	76,913,067		
Cumulative interest sensitivity gap as a percentage of total assets	42%	51%	57%	51%	57%	43%		

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

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2007 Total
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss		1,354,075	-	380,088	2,809,839	36,699,861	41,243,863
Loans and advances from the Government of the Republic of Kazakhstan	0.11%	-	-	13,979	11,632,197	14,062,874	25,709,050
Loans from banks	6.04%	61,715	18,666,323	6,839,134	22,509,326	11,418,494	59,494,992
Customers accounts	2.51%	1,836,266	-	2,714	-	67,960	1,906,940
Debt securities issued	6.54%	-	541,350	2,210,633	11,007,931	63,473,408	77,233,322
TOTAL FINANCIAL LIABILITIES		3,252,056	19,207,673	9,446,548	47,959,293	125,722,597	205,588,167

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2006 Total
FINANCIAL LIABILITIES							
Financial liabilities at fair value through profit or loss		846,137	-	2,553,732	3,799,566	3,212,924	10,412,359
Loans and advances from the Government of the Republic of Kazakhstan	0.11%	-	-	13,979	12,155,235	14,076,853	26,246,067
Loans from banks	5.54%	261,712	45,951	775,026	8,373,189	3,476,218	12,932,096
Customers accounts	3.08%	432,364	-	3,443	-	171,397	607,204
Debt securities issued	6.41%	-	4,400,442	15,938,754	11,621,008	69,913,754	101,873,958
TOTAL FINANCIAL LIABILITIES		1,540,213	4,446,393	19,284,934	35,948,998	90,851,146	152,071,684

The timing of cash outflows has been prepared on the following basis:

Derivative financial instruments recorded in financial liabilities at fair value through profit or loss - Contractual payments for derivative financial instruments are determined based on gross settlements due to initial and final exchange of notional amounts and applicable interest rates in accordance with the terms of these financial instruments.

Prepayable liabilities-where a financial liability can be prepaid by the counterparty, the cash outflow has been included at the earliest date on which the counterparty can require repayment regardless whether or not such early repayment results in penalty. If the repayment of financial liability is trigged by, or is subject to, specific criteria such as market price hurdles being reached, it is included at the earliest possible that the conditions could be fulfilled without considering probability of the conditions being met.

Market risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed in 2007.

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

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin.

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

Cash flow interest rate risk

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

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

	31 December 2007			31 December 2006		
	KZT	**USD**	**EUR**	**KZT**	**USD**	**EUR**
ASSETS:						
Cash and cash equivalents	7.70%-11.50%	9.20%-9.30%	-	4.50%-7.75%	-	-
Investments available-for-sale	5.50%-10.80%	5.10%-9.00%	-	3.35%	6.01%-8.05%	-
Due from banks	7.00%-10.10%	4.25%	-	4.00%-13.90%	5.25%-7.00%	3.55%
Loans to customers	2.00%-10.75%	6.57%-11.00%	7.00%-8.50%	3.00%-9.82%	7.00%-10.75%	3.00%-9.00%
LIABILITIES:						
Loans and advances from the Government of the Republic of Kazakhstan	0.10%-0.40%	-	-	0.10%-0.50%	-	-
Loans from banks	-	4.77%-6.90%	3.57%-6.55%	-	5.96%-6.41%	3.57%-6.55%
Customer accounts	-	1.00%-4.35%	-	3.70%	5.05%	-
Debt securities issued	-	6.00%-7.38%	-	9.10%	6.27%-7.79%	-

Interest rate sensitivity

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.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The impact on profit before tax is the effect of the assumed changes in interest rate on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2007 and 2006 and the effect of revaluating instruments with fixed rates accounted at fair value. The impact on equity is the effect of the assumed changes in interest rate due to changes in retained earnings and the effect of revaluating investments available for sale with fixed rates.

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

	31 December 2007		31 December 2006	
FINANCIAL ASSETS	**+1%**	**-1%**	**+1%**	**-1%**
Loans to customers	74,758	(74,758)	43,917	(43,917)
Financial assets at fair value through profit or loss	(3,480)	4,045	-	-
FINANCIAL LIABILITIES				
Loans from banks	124,668	(124,668)	82,681	(82,681)
Financial liabilities at fair value through profit or loss	89	(89)	-	-
Impact on profit before taxation	196,035	(195,470)	126,598	(126,598)

Impact on equity based on asset values as at 31 December 2007 and 2006:

	31 December 2007		31 December 2006	
FINANCIAL ASSETS	**+1%**	**-1%**	**+1%**	**-1%**
Investments available-for-sale	72,732	(72,732)	58,711	(58,711)
Loans to customers	74,758	(74,758)	43,917	(43,917)
Financial assets at fair value through profit or loss	(3,480)	4,045	-	-
FINANCIAL LIABILITIES				
Loans from banks	124,668	(124,668)	82,681	(82,681)
Financial liabilities at fair value through profit or loss	89	(89)	-	-
Net impact on equity	268,767	(268,202)	185,309	(185,309)

Increase and decrease of interest rates by 1% has an impact on profit before taxation of KZT 196,035 thousand and KZT (195,470) thousand for financial assets and liabilities as at 31 December 2007 and KZT +/- 126,598 thousands as at 31 December 2006. The effect on profit increased in 2007 year due to increasing of interest-bearing assets and liabilities. Increase and decrease of interest rates by 1% has an impact on equity in amount of KZT 268,767 thousand and KZT (268,202) thousand for financial assets and liabilities as at 31 December 2007 and KZT +/- 185,309 thousands as at 31 December 2006.

Currency risk

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

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

The Group's exposure to foreign currency exchange rate risk as at 31 December 2007 and 2006 is presented in the tables below:

	KZT	USD USD 1 = KZT 120.30	EUR EUR 1 = KZT 177.17	Other currencies	31 December 2007 Total
ASSETS:					
Cash and cash equivalents	24,040,983	34,366,965	84,257	3,201,394	61,693,599
Financial assets at fair value through profit or loss	-	37,640	2,783	-	40,423
Investments available-for-sale	62,311,437	10,600,692	-	284,392	73,196,521
Due from banks	4,539,317	1,128,843	7,973	-	5,676,133
Loans to customers	7,349,694	68,236,464	4,805,152	-	80,391,310
Deferred income tax asset	1,147,111	-	-	-	1,147,111
Current income tax assets	66,484	-	-	-	66,484
Advances paid	25,268	549,494	1,880,185	1,491,404	3,946,351
Other assets	286,904	40,188	11,657	2,218	340,967
Assets to be transferred under finance lease agreements	735,876	-	-	-	735,876
Property, equipment and intangible assets	168,420	-	-	-	168,420
TOTAL ASSETS	100,671,494	114,960,286	6,792,007	4,979,408	227,403,195
LIABILITIES:					
Financial liabilities at fair value through profit or loss	4,461,844	56,218	-	-	4,518,062
Loans and advances from the Government of the Republic of Kazakhstan	25,563,542	-	-	-	25,563,542
Loans from banks	-	48,999,138	1,962,176	-	50,961,314
Customer accounts	8,115	196,363	35,674	1,666,788	1,906,940
Debt securities issued	-	41,437,580	-	-	41,437,580
Provision on letters of credit	20,369	-	-	-	20,369
Other liabilities	2,016,091	111,524	28,743	6,008	2,162,366
TOTAL LIABILITIES	32,069,961	90,800,823	2,026,593	1,672,796	126,570,173
NET BALANCE SHEET POSITION	68,601,533	24,159,463	4,765,414	3,306,612	100,833,022

	KZT	USD USD 1 = KZT 127.00	EUR EUR 1 = KZT 167.12	Other currencies	31 December 2006 Total
ASSETS:					
Cash and cash equivalents	31,048,899	8,651,722	198,252	2,733	39,901,606
Financial assets at fair value through profit or loss	-	6,259	-	-	6,259
Investments available-for-sale	66,295,216	9,333,815	-	-	75,629,031
Due from banks	12,011,776	-	42,161	-	12,053,937
Loans to customers	3,380,031	44,891,365	1,766,548	-	50,037,944
Deferred income tax assets	68,446	-	-	-	68,446
Current income tax assets	302,616	-	-	-	302,616
Advances paid	157,666	14,245	613,426	-	785,337
Other assets	49,429	15,266	64,788	853	130,336
Assets to be transferred under finance lease agreements	671	-	-	-	671
Property, equipment and intangible assets	207,206	-	-	-	207,206
TOTAL ASSETS	113,521,956	62,912,672	2,685,175	3,586	179,123,389
LIABILITIES:					
Financial liabilities at fair value through profit or loss	-	585	-	-	585
Loans and advances from the Government of the Republic of Kazakhstan	26,086,750	-	-	-	26,086,750
Loans from banks	-	8,318,591	2,176,567	-	10,495,158
Customer accounts	241,301	365,899	-	4	607,204
Debt securities issued	1,690,448	56,533,294	-	-	58,223,742
Provision on letters of credit	84,815	-	-	-	84,815
Other liabilities	698,687	41,793	230,531	258	971,269
TOTAL LIABILITIES	28,802,001	65,260,162	2,407,098	262	96,469,523
NET BALANCE SHEET POSITION	84,719,955	(2,347,490)	278,077	3,324	82,653,866

Currency risk sensitivity

The following table details the Group's Sensitivity to fluctuations of exchange rates of main foreign currencies. As at 31 December 2007 USD, euro and pound sterling were the main currencies. In the opinion of the Group these currencies make impact on profit and loss, and also on equity of the Group. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% change in foreign currency rates. The sensitivity analysis includes cash and cash equivalents, due from banks, loans to customers and investments available-for-sale, in assets of the Group, loans from banks and debt securities issued in liabilities of the Group.

	As at 31 December 2007		**As at 31 December 2006**	
	USD/KZT +10%	**USD/KZT -10%**	**USD/KZT +10%**	**USD/KZT -10%**
Impact on profit or loss	486,881	(486,881)	(437,878)	437,878
Impact on equity (less effective tax rate)	405,906	(405,906)	(329,251)	329,251

Increase and decrease of USD exchange rate for 10% impacts on profit and loss in amount of -/+ 486,881 thousand and KZT -/+ 437,878 thousand as at 31 December 2007 and 2006 respectively. Impact on equity amounts KZT -/+ 405,906 thousand and KZT -/+ 329,251 thousand, respectively.

	As at 31 December 2007		**As at 31 December 2006**	
	EUR/KZT +10%	**EUR/KZT -10%**	**EUR/KZT +10%**	**EUR/KZT -10%**
Impact on profit or loss	158,174	(158,174)	(423,416)	423,416
Impact on equity (less effective tax rate)	137,810	(137,810)	(321,168)	321,168

Increase and decrease of EUR exchange rate for 10% impacts on profit and loss in amount of -/+ 158,174 thousand and KZT +/- 423,416 thousand as at 31 December 2007 and 2006 respectively. Impact on equity amounts KZT -/+ 137,810 thousand and KZT +/- 321,167 thousand, respectively.

	As at 31 December 2007		**As at 31 December 2006**	
	GBP/KZT +10%	**GBP/KZT -10%**	**GBP/KZT +10%**	**GBP/KZT -10%**
Impact on profit or loss	312,226	(312,226)	12	(12)
Impact on equity (less effective tax rate)	258,073	(258,073)	9	(9)

Increase and decrease of GBP exchange rate for 10% impacts on profit and loss in amount of +/- 312,226 thousand and KZT +/- 12 thousand as at 31 December 2007 and 2006 respectively. Impact on equity amounts KZT -/+ 258,073 thousand and KZT +/- 9 thousand, respectively.

Limitations of sensitivity analysis

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

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

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

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.

34. SUBSEQUENT EVENTS

The table below represents long term loans from banks and other financial institutions that were received after balance sheet date:

Currency	Issue date dd/mm/yy	Maturity date dd/mm/yy	Amount of loan originated
000'USD	04/02/2008	04/02/2015	300,000
000'USD	20/02/2008	20/03/2011	100,000
000'USD	20/02/2008	20/02/2011	300,000
000'USD	07/03/2008	07/03/2015	130,000
000'KZT	08/05/2008	08/05/2015	15,000,000
000'USD	23/06/2008	23/06/2018	100,000

35. HEDGE ACCOUNTING

On 9 October 2007, the Group applied cash flow hedge accounting. The effect of cash flow hedge accounting is to record any fair value gains or losses on the designated derivative financial instruments in a hedging reserve within equity. These gains or losses are subsequently recycled to the income statement as the transactions occur. If hedge accounting had not been applied, the derivative financial instruments would have been classified as “financial liabilities at fair value through profit or loss” and the fair value losses that are currently held in equity would have been recorded in the income statement in the line item “net loss on financial assets and liabilities at fair value through profit or loss”.

Management of the Group relied on prospective effectiveness testing prepared prior to implementing hedge accounting as required by IAS 39“Financial Instruments: Recognition and Measurement”, however, the prospective effectiveness testing that was performed has been re-documented on 26 August 2008, as the original documentation was not retained.