Joint Stock Company Development Bank of Kazakhstan

Consolidated Financial Statements
For the Year Ended 31 December 2006

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 2006

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Development Bank of Kazakhstan (the "Bank") and its subsidiary (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 2006, the results of its operations, cash flows and changes in equity of the Group 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, subject to any material departures disclosed and explained in the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the 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;
- 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 2006 were authorized for issue on 26 January 2007 by the President of the Bank.

On behalf of the Bank

Sembin A.B.
President

26 January 2007
Astana

Alibayev A.E.
Director of the finance department - Chief Accountant

26 January 2007
Astana

Deloitte.

Deloitte LLP
Furmanov str., 240-v
Almaty, 050059
Kazakhstan

Tel: +7 (327) 258 13 40
Fax: +7 (327) 258 13 41
almaty@deloitte.kz
www.deloitte.kz

INDEPENDENT AUDITORS' REPORT

To the Shareholder and President of JSC 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 (the "Group"), which comprise of the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the 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. 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 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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2006, and its financial performance and its 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 MFU-2, given by the Ministry
of Finance of the Republic of Kazakhstan dated
September 13, 2006

Bekenov Nurlan
Engagement Partner
General Director
Deloitte, LLP

26 January 2007
Almaty

JOINT STOCK COMPANY DEVELOPMENT BANK OF KAZAKHSTAN

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006

(in thousands tenge, except for earnings per share which is in tenge)

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
Interest income	5, 30	11,013,099	8,657,177
Interest expense	5	(4,530,318)	(3,234,889)
NET INTEREST INCOME BEFORE RECOVERY OF PROVISION/(PROVISION) FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		6,482,781	5,422,288
Recovery of provision/(provision) for impairment losses on interest bearing assets	6	303,823	(1,176,687)
NET INTEREST INCOME		6,786,604	4,245,601
Net gain/(loss) on derivative financial instruments	7	400,579	(42,503)
Net (loss)/gain on foreign exchange operations	8	(249,138)	116,972
Fee and commission income	9	44,182	92,763
Fee and commission expense	9	(33,736)	(37,221)
Net gain/(loss) on investments available-for-sale		60,082	(901)
Other income		48,417	48,626
NET NON-INTEREST INCOME		270,386	177,736
OPERATING INCOME		7,056,990	4,423,337
OPERATING EXPENSES	10, 30	(2,241,882)	(1,544,972)
OPERATING PROFIT		4,815,108	2,878,365
Provision for impairment losses on other assets	6	(33,717)	(464)
(Provision)/recovery of provision on letters of credit	6	(12,684)	45,506
PROFIT BEFORE INCOME TAX		4,768,707	2,923,407
Income tax (expense)/benefit	11	(1,180,806)	32,544
NET PROFIT		3,587,901	2,955,951
Earnings per share (tenge)	12	2.61	2.61

On behalf of the Bank

Sembin A.B.
President

26 January 2007
Astana

Alibayev A.E.
Director of the finance department - Chief Accountant

26 January 2007
Astana

The notes on pages 9-41 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

JOINT STOCK COMPANY DEVELOPMENT BANK OF KAZAKHSTAN

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

	Notes	31 December 2006	31 December 2005
ASSETS:			
Cash and cash equivalents	13	39,901,606	16,519,590
Due from banks	14	12,053,937	8,253,537
Loans to customers	15, 30	50,037,944	45,575,848
Derivative financial instruments	16	6,259	89,982
Investments available-for-sale	17	75,629,031	67,402,756
Investments held-to-maturity	18	-	1,601,752
Property, equipment and intangible assets	19	207,206	186,505
Current income tax assets		302,616	4,129
Deferred income tax assets	11	68,446	-
Advances paid	20	785,337	-
Other assets	21	131,007	139,634
TOTAL ASSETS		179,123,389	139,773,733
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans and advances from the Government of the Republic of Kazakhstan	22	26,086,750	15,447,546
Loans from banks	23	10,495,158	9,913,265
Customer accounts	24	607,204	633,584
Debt securities issued	25	58,223,742	41,677,650
Derivative financial instruments	16	585	91,618
Provision on letters of credit	6	84,815	72,131
Deferred income tax liabilities	11	-	9,525
Other liabilities	26	971,269	343,125
Total liabilities		96,469,523	68,188,444
EQUITY:			
Share capital	27	70,572,946	59,825,446
Reserve capital		9,343,234	6,575,875
General banking risk reserve		120,360	182,777
Investments available-for-sale fair value reserve		(1,038,807)	2,228,017
Retained earnings		3,656,133	2,773,174
Total equity		82,653,866	71,585,289
TOTAL LIABILITIES AND EQUITY		179,123,389	139,773,733

On behalf of the Bank

Sembin A.B.
President

26 January 2007
Astana

Alibayev A.E.
Director of the finance department - Chief Accountant

26 January 2007
Astana

The notes on pages 9-41 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

JOINT STOCK COMPANY DEVELOPMENT BANK OF kAZAKHSTAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

(in thousands tenge)

	Notes	Share capital	Reserve capital	General banking risk reserve	Investments available-for-sale fair value reserve	Retained earnings	Total equity
31 December 2004		48,351,300	4,047,737	-	489,638	2,528,138	55,416,813
		-	-	-	-	-	-
Share capital increase	27	11,474,146	-	-	-	-	11,474,146
Reserve capital increase	28	-	2,528,138	-	-	(2,528,138)	-
General reserves increase		-	-	182,777	-	(182,777)	-
Unrealized gain on revaluation of available-for-sale investments		-	-	-	1,738,379	-	1,738,379
Net profit		-	-	-	-	2,955,951	2,955,951
31 December 2005		59,825,446	6,575,875	182,777	2,228,017	2,773,174	71,585,289
Share capital increase	27	10,747,500	-	-	-	-	10,747,500
Reserve capital increase	28	-	2,767,359	-	-	(2,767,359)	-
General reserves decrease		-	-	(62,417)	-	62,417	-
Unrealized loss on revaluation of available-for-sale investments		-	-	-	(3,266,824)	-	(3,266,824)
Net profit		-	-	-	-	3,587,901	3,587,901
31 December 2006		70,572,946	9,343,234	120,360	(1,038,807)	3,656,133	82,653,866

On behalf of the Bank

Sembin A.B.
President

26 January 2007
Astana

Alibayev A.E.
Director of the finance department - Chief Accountant

26 January 2007
Astana

The notes on pages 9-41 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

JOINT STOCK COMPANY DEVELOPMENT BANK OF KAZAKHSTAN

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

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		4,768,707	2,923,407
Adjustments for:			
(Recovery of provision)/provision for impairment losses on interest bearing assets	6	(303,823)	1,176,687
Provision for impairment losses on other assets	6	33,717	464
Provision/(recovery) of provision on letters of credit	6	12,684	(45,506)
Amortization of discounts on securities		(48,008)	(489,240)
Amortization of discount on issued securities		145,943	101,473
Depreciation and amortization	10, 19	81,819	59,491
Change in interest accruals, net		(313,447)	(137,126)
Loss on disposal of property, equipment and intangible assets		314	-
Net change in recovery value of derivative financial instruments		(7,310)	(21,462)
Cash flows from operating activities before changes in operating assets and liabilities		4,370,596	3,568,188
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Due from banks		(3,825,916)	(3,668,058)
Loans to customers		(3,820,547)	(18,068,292)
Advances paid		(785,337)	-
Other assets		(25,090)	(17,557)
Increase/(decrease) in operating liabilities:			
Advances from the Government of the Republic of Kazakhstan		5,553,107	6,546,212
Loans from banks		517,750	3,079,595
Customer accounts		(26,418)	268,929
Other liabilities		628,144	186,033
Cash inflow/(outflow) from operating activities before taxation		2,586,289	(8,104,950)
Income tax paid		(1,557,264)	-
Net cash inflow/(outflow) from operating activities		1,029,025	(8,104,950)

JOINT STOCK COMPANY DEVELOPMENT BANK OF KAZAKHSTAN

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

	Notes	Year ended 31 December 2006	Year ended 31 December 2005
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(102,834)	(84,650)
Purchase of securities		(30,671,410)	(46,059,297)
Sale and maturity of securities		21,186,242	43,522,913
Net cash outflow from investing activities		(9,588,002)	(2,621,034)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of share capital		10,747,500	11,474,146
Loans from the Government of the Republic of Kazakhstan		5,080,000	-
Issue of debt securities		16,113,493	13,714,068
Net cash inflow from financing activities		31,940,993	25,188,214
NET INCREASE IN CASH AND CASH EQUIVALENTS		23,382,016	14,462,230
CASH AND CASH EQUIVALENTS, beginning of year	13	16,519,590	2,057,360
CASH AND CASH EQUIVALENTS, end of year	13	39,901,606	16,519,590

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.

Interest paid and received by the Group during the year ended 31 December 2005 amounted to KZT 2,548,236 thousand and KZT 8,406,818 thousand, respectively.

On behalf of the Bank

Sembin A.B.
President

26 January 2007
Astana

Alibayev A.E.
Director of the finance department - Chief Accountant

26 January 2007
Astana

The notes on pages 9-41 form an integral part of these consolidated financial statements. The Independent Auditors' Report is on pages 2-3.

(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 Resolution of the Government of the Republic of Kazakhstan N 289 dated 9 March 2004 (the "Memorandum"). The Bank operates according to Article 7 of the Law.

The legally registered office of the Bank is located at: 32, Republic Ave., Astana, 010000, Republic of Kazakhstan.

The Bank is a parent company of the Joint Stock Company DBK Leasing. JSC DBK Leasing 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.

Internal bonds issued by the Bank are listed in category A at the Kazakhstan Stock Exchange (KASE). 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 2 November 2006 Standard & Poor's increased long term rating for liabilities in foreign and national currency from BBB- to BBB. On 30 October 2006 Moody's Investors Services increased long term rating of the Bank on foreign liability from Baa1 to A2. On 20 December 2005 Fitch Ratings increased long term rating of the Bank on foreign liability from BBB- to BBB.

As of 31 December 2006 and 2005, the Bank's shares were owned by the following shareholders:

Shareholders	**31 December 2006, %**	**31 December 2005, %**
JSC Kazyna Sustainable Development Fund	100.00	-
Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan	-	85.00
Local executive authorities (Akimats) of 14 regions of Kazakhstan and Almaty and Astana cities	-	15.00
Total	100.00	100.00

In accordance with resolution of the Government of the Republic of Kazakhstan N 620 dated 30 June 2006 "Approval of program for management of state assets for 2006-2008" 100% of the Bank's shares were transferred to JSC Kazyna Sustainable Development Fund.

The average number of employees of the Group during the year ended 31 December 2006 and 2005 was 249 and 178, respectively.

The consolidated financial statements were authorized for issue by the President of the Bank on 26 January 2007.

2. BASIS OF PRESENTATION

Accounting basis

These 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), unless otherwise indicated. These consolidated financial statements have been prepared under the historical cost conversion, 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.

Key assumptions

Key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year were made on loans to customers in the amount of KZT 50,037,944 thousand as of 31 December 2006.

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

Functional currency

The functional currency of these consolidated financial statements is tenge.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entity controlled by the Bank (its subsidiary) made up to 31 December each year. 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.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the period of acquisition. The minority interest is stated at the minority's proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent. The equity attributable to equity holders of the parent and net income attributable to minority shareholders' interests are shown separately in the balance sheet and income statement, respectively. For a business combination involving entities or business under common control all assets and liabilities of a subsidiary are measured at their carrying values recorded in the stand-alone financial statements of the subsidiary with the difference between the carrying value of the share in net assets of the subsidiary and the cost of acquisition recorded directly in equity attributable to the equity holders of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

The difference, if any, between the carrying amount of minority interest and the amount received on its purchase is recognized in equity attributable to the equity holders of the parent.

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 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 NBRK and deposits in other banks with original maturity within 90 days from inception.

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. Those that do not have fixed maturities are carried at amortized cost based on expected maturities.

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 acquired principally for the purpose of selling them in the near future, or 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 securities that upon initial recognition are designated by the Group at fair value through profit or loss or is a derivative. Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. Fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the consolidated income statement for the period. The Group does not reclassify financial instruments in or out of this category while they are held.

The Group enters into derivative financial instruments to manage currency and liquidity risks. Derivative financial instruments are entered into by the Group principally for trading purposes and include forwards on foreign currency, precious metals and securities. No derivatives are used by the Group for hedging purposes.

Repurchase and reverse repurchase agreements

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

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

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

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

Loans to customers

Loans to customers are non-derivative assets with fixed or determinable payments that are not quoted in an active 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 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.

Allowance for impairment losses

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

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

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

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

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 is classified as a 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; or
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

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 based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the finance lease.

Investments held-to-maturity

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

Due to changes in intentions the Group sold a minor amount of investments held-to-maturity and reclassified the remaining amount into available-for-sale and revalued them at fair value. The difference between the carrying and fair values was stated in equity.

Investments available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity until sold when gain/loss previously recorded in equity recycles through the consolidated income statement, except for impairment losses, foreign exchange gains or losses and consolidated interest income accrued using the effective interest method, which are recognized directly in the income statement. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If the market for investments is not active, the Group establishes fair value by using a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique. Dividends received are included in dividend income in the consolidated income statement.

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.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property, equipment 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 life of the related leased asset. 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, equipment and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

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

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

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

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated 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 (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred 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.

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.

The Republic of Kazakhstan where the Group operates also has 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. Subsequently amounts due are stated at amortized cost and any difference between carrying and redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Debt securities issued

Debt securities issued represent debentures issued by the Group. They are accounted for according to the same principles used loans from banks.

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 cost.

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

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the Republic of Kazakhstan the Group withholds pension contributions from employee wages and transfers them to pension funds. The existing state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. Upon retirement all retirement benefit payments are made by pension funds 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 income also includes income earned on investments in securities. Other income is credited to consolidated income statement when the related transactions are completed.

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

Foreign currency translation

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

Rates of exchange

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

	31 December 2006	31 December 2005
KZT/ USD	127.00	133.98
KZT /EUR	167.12	158.99

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.

Application of new standards

The following interpretations and amendments applicable to the consolidated financial statements of the Group became effective in 2006:

- IFRIC 8 "Scope of IFRS 2" (effective 1 May 2006);
- IFRIC 39 "Reassessment of Embedded Derivatives" (effective 1 June 2006);
- Amendment to IAS 39 regarding the financial guarantee contracts (effective 1 June 2006); and
- Amendment to IAS 39 regarding the fair value option (effective 1 January 2006).

The effect of these changes on the consolidated financial statements of the Group is not significant.

At the date of authorisation of these consolidated financial statements, the following Standards and Commentaries on Standards applicable to the consolidated financial statements of the Group were issued but not yet effective:

- IFRS 7 "Financial Instruments: Disclosures" (effective 1 January 2007); and
- Amendments to IAS 1 regarding disclosure on the objectives, policies and processes for managing capital (effective 1 January 2007).

The management is currently assessing the impact of the adoption of the new Standards and amendments to Standards and Commentaries in future periods.

4. RECLASSIFICATION OF THE PRIOR PERIOD

Reclassification

Certain reclassifications have been made to the consolidated financial statements as at 31 December 2005 and for the year then ended to conform to the presentation as at 31 December 2006 and for the year then ended as the current year presentation provides a better view of the financial position of the Group.

Nature of reclassification	Amount KZT'000	Balance sheet/Income statement line as per the previous report	Balance sheet/Income statement line as per current report
Reclassification of current income tax	4,129	Other assets	Current income tax assets

5. NET INTEREST INCOME

	Year ended 31 December 2006	Year ended 31 December 2005
Interest income		
Interest on debt securities	4,628,538	4,240,574
Interest on loans to customers	4,317,922	3,746,998
Interest on advances to banks	2,066,639	669,605
Total interest income	11,013,099	8,657,177
Interest expense		
Interest on debt securities issued	(3,797,416)	(2,706,008)
Interest on loans from banks	(703,220)	(513,711)
Interest on loans from RK Government	(14,995)	(8,899)
Interest on customer accounts	(14,687)	(6,271)
Total interest expense	(4,530,318)	(3,234,889)
Net interest income before recovery of provision/(provision) for impairment losses on interest bearing assets	6,482,781	5,422,288

6. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

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

	2006	2005
At the beginning of the year	2,330,178	1,153,491
(Recovery of provision)/provision	(303,823)	1,176,687
At the end of the year	2,026,355	2,330,178

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

	2006	2005
At the beginning of the year	464	-
Provision	33,717	464
Write-off of assets	(464)	-
At the end of the year	33,717	464

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

	2006	2005
At the beginning of the year	72,131	117,637
Provision/(recovery of provision)	12,684	(45,506)
At the end of the year	84,815	72,131

7. NET GAIN/(LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

Net gain/(loss) on derivative financial instruments comprises:

	Year ended 31 December 2006	Year ended 31 December 2005
Gain/(loss) on forward operations	304,500	(52,271)
Gain on swap operations	90,405	11,404
Unrealized gain on revaluation of swap operations	5,674	3,864
Unrealized expenses from revaluation of forward operations on foreign exchange	-	(5,500)
Total net gain/(loss) on derivative financial instruments	400,579	(42,503)

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

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

	Year ended 31 December 2006	Year ended 31 December 2005
Dealing, net	48,047	80,865
Translation differences, net	(297,185)	36,107
Total net (loss)/gain on foreign exchange operations	(249,138)	116,972

9. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2006	Year ended 31 December 2005
Fee and commission income:		
Foreign exchange operations	20,614	52,660
Expertise on finance lease	10,340	-
Transfer services	5,833	12,674
Documentary operations	4,721	26,847
Placement of deposits, opening and maintaining bank accounts of customers	83	45
Other	2,591	537
Total fee and commission income	44,182	92,763
Fee and commission expense:		
Securities operations	(13,657)	(15,612)
Custodial activity	(6,105)	(5,869)
Transfer services	(502)	(1,302)
Documentary operations	(8)	-
Other	(13,464)	(14,438)
Total fee and commission expense	(33,736)	(37,221)

10. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2006	Year ended 31 December 2005
Staff costs	992,982	706,558
Accrual of reserve on annual bonuses and vacations	547,208	360,340
Taxes, other than income tax	195,524	127,696
Amortization of property, equipment and intangible assets	81,819	59,491
Current lease	79,893	10,518
Telecommunications	68,720	54,177
Advertising costs	58,347	57,426
Professional services	41,645	45,470
Business trip expenses	37,300	33,525
Maintenance expenses of building	28,994	2,170
Maintenance and technical support of information technology	15,685	5,850
Expenses relating to 5th anniversary of Bank	10,259	-
Representative expenses	3,834	4,295
Other expenses	79,672	77,456
	2,241,882	1,544,972

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 which may differ from International Financial Reporting Standards.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2006 and 2005 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2006 and 2005 comprise:

	31 December 2006	31 December 2005
Deferred assets:		
Accrued expenses on vacation provision and payroll fund	576,636	212,987
Intangible assets	46,840	2,680
Taxes accrued but unpaid	9,370	-
Property and equipment	6,316	17,976
Accrued expenses	3,294	-
Discount on zero interest loans	-	49,990
Total deferred assets	642,456	283,633
Deferred liabilities:		
Accrued expenses not related to interest on issue of Eurobonds	(340,598)	(294,210)
Accrued expenses swaps	(6,844)	-
Property and equipment	(6,011)	-
Accrued expenses not related to interest on syndicated loan	-	(21,173)
Total deferred liabilities	(353,453)	(315,383)
Net deferred assets/(liabilities)	289,003	(31,750)
Net deferred tax asset/(liability) at the statutory tax rate (30%)	86,701	(9,525)
Less: unrecognized deferred tax asset	(18,255)	-
Net deferred tax asset/(liability)	68,446	(9,525)

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

	Year ended 31 December 2006	Year ended 31 December 2005
Profit before income tax	4,768,707	2,923,407
Tax at the statutory tax rate (30%)	1,430,612	877,022
Change in unrecognized deferred tax assets	18,225	-
Non-taxable net income on state securities	(664,789)	(776,132)
Non-taxable income on investment projects	-	(747,336)
Tax effect of permanent differences	396,758	613,902
Income tax expense/(benefit)	1,180,806	(32,544)
Current income tax expense	1,258,777	8,171
Recovery on deferred income tax	(77,971)	(40,715)
Income tax expense/(benefit)	1,180,806	(32,544)

Before 31 December 2005 income received on investment projects included in interest income on loans to customers was not included in total annual income for corporate income tax purposes. Due to the expiry of clause 34, article 7 of "Law on taxes and other obligatory payments to the budget" this income is included in annual income for corporate income tax purposes from 1 January 2006.

Deferred income tax assets/(liabilities)	2006	2005
Beginning of the year	(9,525)	(50,240)
Decrease in deferred income tax for the period stated in consolidated income statement	77,971	40,715
End of the year	68,446	(9,525)

12. EARNINGS PER SHARE

	Year ended 31 December 2006	Year ended 31 December 2005
Profit:		
Net profit for the year	3,587,901	2,955,951
Weighted average number of ordinary shares	1,374,946	1,133,842
Earnings per share – basic (KZT)	2.61	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 2006	31 December 2005
Advances in other banks with original maturity below 90 days	17,722,636	9,337,421
Advances in NBRK	4,600,000	-
Correspondent accounts in other banks	228,500	549,464
Correspondent accounts in NBRK	17,350,054	6,632,615
Petty cash	416	90
Total cash and cash equivalents	39,901,606	16,519,590

14. DUE FROM BANKS

Due from banks comprise:

	31 December 2006	31 December 2005
Time deposits with other banks	10,052,732	8,253,537
Loans under reverse repos	2,001,205	-
Total due from banks	12,053,937	8,253,537

Due from banks included accrued interest income at KZT 121,143 thousand and KZT 146,659 thousand as of 31 December 2006 and 2005, respectively.

The fair value of pledged assets and carrying value of loans under reverse repos as of 31 December 2006 and 2005 comprised:

	31 December 2006		31 December 2005	
	Carrying value of loan	Fair value of collateral	Carrying value of loan	Fair value of collateral
Notes of the National Bank of the Republic of Kazakhstan	2,001,205	2,109,112	-	-
Total	2,001,205	2,109,112	-	-

15. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2006	31 December 2005
Originated loans	51,930,557	47,902,226
Net investments in finance lease	133,742	3,800
	52,064,299	47,906,026
Less allowance for impairment losses	(2,026,355)	(2,330,178)
Loans to customers	50,037,944	45,575,848

As at 31 December 2006 and 2005 accrued interest income included in loans to customers amounted to KZT 1,279,681thousand and KZT 941,955 thousand, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2006 and 2005 are disclosed in Note 6.

	31 December 2006	31 December 2005
Loans collateralized by mixed security	40,496,926	42,224,949
Loans collateralized by guarantees of financial institutions	11,567,373	5,681,077
	52,064,299	47,906,026
Less allowance for impairment losses	(2,026,355)	(2,330,178)
Loans to customers	50,037,944	45,575,848

	31 December 2006	31 December 2005
Analysis by sector:		
Textile industry	11,366,278	10,639,453
Chemical industry	9,430,331	7,154,193
Energy	7,429,768	2,877,023
Telecommunications and transport services	5,087,813	2,678,926
Food industry	5,026,534	5,318,721
Machinery	4,176,382	4,882,431
Agriculture	2,861,259	5,499,619
Electronic equipment	2,703,115	2,542,862
Pulp and paper industry	1,209,676	1,650,648
Minerals exploration	973,041	134,395
Construction	602,608	3,396,934
Fishery	522,393	688,881
Mortgage lending	68,720	93,739
Other	406,381	348,201
	52,064,299	47,906,026
Less allowance for impairment losses	(2,026,355)	(2,330,178)
Loans to customers	50,037,944	45,575,848

As at 31 December 2006 and 2005 a significant part of loans (99% of the total portfolio) was granted to companies operating on the territory of the Republic of Kazakhstan.

As at 31 December 2006 and 2005 the maximum credit risk with one borrower in loans to customers amounted to KZT 7,815,832 thousand and KZT 6,790,888 thousand, respectively.

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

	31 December 2006	31 December 2005
Not later than one year	27,753	742
From one year to five years	104,336	1,570
More than 5 years	42,709	2,062
Minimum lease payments	174,798	4,374
Less: deferred income	(41,056)	(574)
Net investment in finance lease	133,742	3,800
Current portion	17,286	380
Long-term portion	116,456	3,420
Net investment in finance lease	133,742	3,800

16. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments comprise:

	Nominal amount	31 December 2006 Net fair value		Nominal amount	31 December 2005 Net fair value	
		Asset	Liability		Asset	Liability
Interest swaps	11,614,150	6,259	585	986,111	3,982	118
Exchange forwards	-	-	-	6,693,500	86,000	91,500
Total	11,614,150	6,259	585	7,679,611	89,982	91,618

17. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprise:

	Interest to nominal	31 December 2006	Interest to nominal	31 December 2005
Debt securities				
Bonds of Ministry of Finance of the Republic of Kazakhstan	3.4%-8.2%	39,496,157	3.5%-6.4%	48,188,206
Corporate bonds	4.9%-12.0%	33,818,696	5%-11%	16,942,080
Municipal bonds	8.5%	2,314,178	8.5%	2,272,470
Total investments available-for-sale		75,629,031		67,402,756

As at 31 December 2006 and 2005 interest income was accrued on investments available-for-sale in the amount of KZT 1,109,642 thousand and KZT 729,233 thousand respectively.

18. INVESTMENTS HELD-TO-MATURITY

Investments held-to-maturity comprise:

	Interest to nominal	31 December 2006	Interest to nominal	31 December 2005
Municipal bonds of Astana		-	8.5%	773,188
Bonds of Ministry of Finance of the Republic of Kazakhstan		-	8%-8.2%	409,597
Corporate bonds		-	8%	418,967
Total investments held-to-maturity		-		1,601,752

As at 31 December 2005 interest income on investments held-to-maturity amounting to KZT 22,238 thousand was accrued.

Due to changes in intentions the Group sold more than an insignificant amount of investments held-to-maturity and reclassified the remaining amount of investments into available-for-sale and revalued them at fair value. The difference between carrying and fair values of investments was accounted for in equity.

19. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Property, equipment and intangible assets comprise:

	Vehicles	Computers	Other	Intangible assets	Total
Historical cost					
31 December 2004	25,056	63,915	77,071	130,725	296,767
Additions	4,263	19,113	21,637	39,637	84,650
Disposals	-	(434)	-	-	(434)
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
Accumulated depreciation					
31 December 2004	(12,768)	(40,275)	(24,473)	(57,905)	(135,421)
Charge for the period	(4,131)	(13,153)	(11,624)	(30,583)	(59,491)
Eliminated on disposals	-	434	-	-	434
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)
Net book value					
31 December 2006	25,762	39,926	79,791	61,727	207,206
31 December 2005	12,420	29,600	62,611	81,874	186,505

As at 31 December 2006 and 2005 property, equipment and intangible assets were fully depreciated with the carrying amount of KZT 50,914 thousand and KZT 45,426 thousand, respectively.

Intangible assets include software, patents and licenses.

20. ADVANCES PAID

Advances paid comprise:

	31 December 2006	31 December 2005
Advances paid on financial lease	785,231	-
Other advances paid	106	-
Total advances paid	785,337	-

Advances paid on financial lease are made to suppliers of equipment that is being received under financial lease agreements.

21. OTHER ASSETS

Other assets comprise:

	31 December 2006	31 December 2005
Prepayments	99,979	99,917
Tax receivable, other than income tax	16,555	2,830
Inventories	7,290	7,089
Settlements with employees	1,934	1,053
Other debtors	38,966	29,209
	164,724	140,098
Less allowance for impairment losses	(33,717)	(464)
Total other assets, net	131,007	139,634

Movements in allowances for impairment losses on other assets for the years ended 31 December 2006 and 2005 are disclosed in Note 6.

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

	31 December 2006	31 December 2005
Loans from the Government of RK	13,987,431	8,901,334
Advances for project finance	12,099,319	6,546,212
Total loans and advances from the Government of RK	26,086,750	15,447,546

As of 31 December 2006 and 2005 loans from the Government of RK included accrued interest expense of KZT 8,431 thousand and KZT 2,334 thousand, respectively.

As of 31 December 2006 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 semi-annual 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 granted to the Bank to decrease interest rate applied for investment projects in priority industries specified in the Memorandum.

As of 31 December 2006 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 Group 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%.

23. LOANS FROM BANKS

Loans from banks comprise:

	31 December 2006	31 December 2005
Syndicated loan from HSBC		
Due 7 December 2008, coupon rate LIBOR+0.4%	5,099,355	-
Due 14 December 2006, coupon rate LIBOR+1%	-	5,373,511
Loan from Japanese Bank of International Cooperation due 25 January 2023, coupon rate LIBOR+0.675%	2,520,699	-
Loan from AKA Bank and Deutsche Bank AG		
Tranche A due 1 July 2013, coupon rate 3.57%	1,871,037	1,243,294
Tranche B due 1 August 2010, coupon rate LIBOR+2.8%	292,228	319,288
Loan from Standard Bank due 1 September 2009, coupon rate LIBOR+0.8%	518,620	
Loan from Deutsche Bank AG due 30 July 2010, coupon rate LIBOR+0.55%	246,000	318,822
Loan from JP Morgan Chase Bank due 25 April 2008, coupon rate 5.85%	-	2,031,580
Loan from Standard Bank due 1 September 2006, coupon rate LIBOR+2%	-	683,590
	10,547,939	9,970,085
Less: unamortized portion of borrowing costs	(52,781)	(56,820)
Total loans from banks	10,495,158	9,913,265

As at 31 December 2006 and 2005 accrued interest expenses included in loans from banks amounted to KZT 124,661 thousand and KZT 60,518 thousand, respectively.

24. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2006	31 December 2005
Current customer accounts and deposits repayable on demand	435,807	543,706
Advances received as collateral on liabilities of customers	171,397	89,878
Total customer accounts	607,204	633,584

As at 31 December 2006 and 2005 accrued interest expenses included in customers accounts amounted to KZT 915 thousand and KZT 877 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 on behalf of 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.

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

25. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Maturity date day/month/ year	Annual interest rate	31 December 2006	31 December 2005
Eurobonds issued at price of				
97.67%	23/03/2026	6.000%	19,050,000	-
97.665%	03/06/2020	6.500%	12,700,000	13,398,000
97.945%	12/11/2013	7.375%	12,700,000	13,398,000
98.97%	10/10/2007	7.125%	12,700,000	13,398,000
(Less)/including:				
Discount on debt securities issued			(1,312,559)	(909,323)
Amounts of accrued interest on debt securities issued			695,853	409,197
Total Eurobonds issued			56,533,294	39,693,874
Bonds placed at KASE	15/02/2007	8.500%	1,690,448	1,983,776
Total debt securities issued			58,223,742	41,677,650

As at 31 December 2006 and 2005 accrued interest expense included in debt securities issued amounted to KZT 748,127 thousand and KZT 470,863 thousand, respectively.

26. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2006	31 December 2005
Settlements with employees and vacation provision	583,914	304,980
Advances received for financial lease	244,798	-
Taxes payable, other than income tax	90,923	4,496
Deferred income	4,166	13,493
Other accounts payable	47,468	20,156
Total other liabilities	971,269	343,125

27. SHARE CAPITAL

	Quantity of authorized shares	Quantity of issued and paid shares	Amount of issued and paid shares
31 December 2004	967,026	967,026	48,351,300
Increase	300,000	229,482	11,474,146
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

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

During the years ended 31 December 2006 and 2005 shareholders of the Bank made a decision to increase share capital by KZT 10,290,000 thousand (minute dated 20 March 2006) and KZT 15,000,000 thousand (minute N 16 dated 21 January 2005), respectively.

During the years ended 31 December 2006 and 2005 share capital was paid in by cash in the amount of KZT 10,747,500 thousand and KZT 11,474,146 thousand, respectively.

28. 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. In 2006 portion of net profit for the year ended 31 December 2005 of KZT 2,767,359 thousand (in 2005 the portion of profit for the year ended 31 December 2004 of KZT 2,528,138 thousand) has been transferred to reserve capital.

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 2006 and 2005 the Group created allowances for impairment losses on letters of credit amounting to KZT 84,815 thousand and KZT 72,131 thousand, respectively.

As at 31 December 2006 and 2005, the nominal or contract amounts were:

	31 December 2006 Nominal amount	31 December 2005 Nominal amount
Contingent liabilities and credit commitments		
Commitments on loans and unused credit lines	24,195,216	18,603,633
Letters of credit and other transaction related contingent obligations	6,268,083	2,685,097
Forward exchange contracts	-	6,693,500
Total contingent liabilities and credit commitments	30,463,299	27,982,230

Capital commitments

The Group had no significant capital commitments as at 31 December 2006.

Operating lease commitments

The Group had no significant operating lease commitments as at 31 December 2006.

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

Due to the presence in Kazakh commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on management's judgment of the Group's business activities was to be challenged by the tax authorities, the Group may by assessed additional taxes, penalties and interest. Such uncertainty may relate to the valuation of financial instruments, loss and impairment provisions and the market level for the pricing of deals. The 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 three years.

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2006 and 2005, the 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) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Group. (This includes holding companies, subsidiaries and fellow subsidiaries);

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

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

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

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

(f) Parties with joint control over the Group; and

(g) Joint ventures in which the Group is a venturer.

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

	31 December 2006		31 December 2005	
	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	5,867,693	52,064,299	3,749,942	47,906,026
Allowance for impairment losses				
- entities with joint control or significant influence over the entity	(291,159)	(2,026,355)	(122,847)	(2,330,178)

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

	Year ended 31 December 2006		Year ended 31 December 2005	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income				
- entities with joint control or significant influence over the entity	193,634	11,013,099	223,150	8,657,177
Operating expenses				
- compensation of key management personnel of the entity or its parent	342,977	2,241,882	263,520	1,544,972

For the years ended 31 December 2006 and 2005 compensation of key management is represented by short-term compensation.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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 2006		31 December 2005	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and cash equivalents	39,901,606	39,901,606	16,519,590	16,519,590
Due from banks	12,053,937	12,053,937	8,253,537	8,253,537
Loans to customers	50,037,944	50,037,944	45,575,848	45,575,848
Derivative financial instruments	6,259	6,259	89,982	89,982
Investments available-for-sale	75,629,031	75,629,031	67,402,756	67,402,756
Investments held-to-maturity	-	-	1,601,752	1,793,287
Loans and advances from the Government of the Republic of Kazakhstan	26,086,750	19,406,120	15,447,546	10,886,026
Loans from banks	10,495,158	10,495,158	9,913,265	9,913,265
Customer accounts	607,204	607,204	633,584	633,584
Debt securities issued	58,223,742	60,886,821	41,677,650	45,436,908
Derivative financial instruments	585	585	91,618	91,618

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

32. 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 and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

The Group manages the following risks:

Liquidity risk

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

The 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 Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

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

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

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 2006			31 December 2005		
	KZT	USD	EUR	KZT	USD	EUR
ASSETS:						
Cash and cash equivalents	4.50%-7.75%	-	-	-	-	-
Due from banks	4.00%-13.90%	5.25%-7.00%	3.55%	7.69%	2.55-4.97%	0.82
Loans to customers	3.00%-9.82%	7.00%-10.75%	3.00%-9.00%	-	8.82%	7%
Investments available-for-sale	3.35%	6.01%-8.05%	-	6.17%	11.59%	-
Investments held-to-maturity	-	-	-	8.00%-8.50%	-	-
LIABILITIES:						
Loans and advances from the Government of the Republic of Kazakhstan	0.10%-0.50%	-	-	0.10%	-	-
Loans from banks	-	5.96%-6.41%	3.57%-6.55%	5.40%	-	-
Customer accounts	3.70%	5.05%	-	0.02%	2.62%	1.62%
Debt securities issued	9.10%	6.27%-7.79%	-	7.07%	-	-

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

	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
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
Investments available-for-sale	75,528,132	-	-	100,899	-	-	-	75,629,031
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
Derivative financial instruments	-	1,586	3,564	1,109	-	-	-	6,259
Property, equipment and intangible assets	-	-	-	-	-	-	207,206	207,206
Current income tax assets	-	-	302,616	-	-	-	-	302,616
Deferred income tax assets	-	-	-	68,446	-	-	-	68,446
Advances paid	-	-	223,501	561,836	-	-	-	785,337
Other assets	8,044	39,342	23,405	1,948	52,836	5,432	-	131,007
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	12,099,319	8,431	-	-	-	13,979,000	-	26,086,750
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	12,523,469	5,083,031	1,690,448	12,837,027	1,036,904	62,058,921	-	95,229,800
Customer accounts	11,657	-	-	-	116,196	55,201	-	183,054
Derivative financial instruments	-	585	-	-	-	-	-	585
Provision on letters of credit	-	-	-	-	-	-	84,815	84,815
Other liabilities	1,576	599,111	66,714	303,868	-	-	-	971,269
TOTAL LIABILITIES	12,536,702	5,682,727	1,757,162	13,140,895	1,153,100	62,114,122	84,815	96,469,523
Liquidity gap	80,578,444	15,552,414	12,083,401	(10,468,216)	9,733,232	(24,947,800)		
Interest sensitivity gap	63,004,663	16,111,182	11,597,029	(10,797,687)	9,796,592	(24,898,031)		
Cumulative interest sensitivity gap	63,004,663	79,115,845	90,712,874	79,915,187	89,711,779	64,813,748		
Cumulative interest sensitivity gap as a percentage of total assets	35%	44%	51%	45%	50%	36%		

	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 2005 Total
ASSETS:								
Cash and cash equivalents	-	2,278	7,608,198	-	-	-	-	7,610,476
Due from banks	-	-	-	8,253,336	201	-	-	8,253,537
Loans to customers	-	-	566,603	4,744,826	8,509,826	31,754,593	-	45,575,848
Investments available-for-sale	67,402,756	-	-	-	-	-	-	67,402,756
Investments held-to-maturity	-	22,238	-	399,046	1,180,468	-	-	1,601,752
Total interest bearing assets	67,402,756	24,516	8,174,801	13,397,208	9,690,495	31,754,593	-	130,444,369
Cash and cash equivalents	8,909,114	-	-	-	-	-	-	8,909,114
Derivative financial instruments	-	-	3,982	86,000	-	-	-	89,982
Fixed and intangible assets	-	-	-	-	-	-	186,505	186,505
Current income tax assets	-	-	4,129	-	-	-	-	4,129
Other assets	7,005	11,403	12,748	106,278	-	2,200	-	139,634
TOTAL ASSETS	76,318,875	35,919	8,195,660	13,589,486	9,690,495	31,756,793	186,505	139,773,733
LIABILITIES:								
Loans and advances from the Government of the Republic of Kazakhstan	6,546,212	2,334	-	-	-	8,899,000	-	15,447,546
Loans from banks	-	60,518	-	6,005,280	2,605,675	1,241,792	-	9,913,265
Customer accounts	465,632	-	-	-	-	-		465,632
Debt securities issued	-	-	-	-	15,447,210	26,230,440	-	41,677,650
Total interest bearing liabilities	7,011,844	62,852	-	6,005,280	18,052,885	36,371,232	-	67,504,093
Customer accounts	77,197	877	-	-	28,470	61,408	-	167,952
Derivative financial instruments and spot contacts	-	118	-	91,500	-	-	-	91,618
Provision on letters of credit	-	-	-	-	-	-	72,131	72,131
Deferred income tax liabilities	-	-	-	-	-	9,525	-	9,525
Other liabilities	21,611	287,410	-	34,104	-	-	-	343,125
TOTAL LIABILITIES	7,110,652	351,257	-	6,130,884	18,081,355	36,442,165	72,131	68,188,444
Liquidity gap	69,208,223	(315,338)	8,195,660	7,458,602	(8,390,860)	(4,685,372)		
Interest sensitivity gap	60,390,912	(38,336)	8,174,801	7,391,928	(8,362,390)	(4,616,639)		
Cumulative interest sensitivity gap	60,390,912	60,352,576	68,527,377	75,919,305	67,556,915	62,940,276		
Cumulative interest sensitivity gap as a percentage of total assets	43%	43%	49%	54%	48%	45%		

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 RUR devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Group`s open currency position with the aim to match the requirements of national (central) banks.

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

	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
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
Derivative financial instruments	-	6,259	-	-	6,259
Investments available-for-sale	66,295,216	9,333,815	-	-	75,629,031
Property, equipment and intangible assets	207,206	-	-	-	207,206
Current income tax assets	302,616	-	-	-	302,616
Deferred income tax assets	68,446	-	-	-	68,446
Advances paid	157,666	14,245	613,426	-	785,337
Other assets	50,100	15,266	64,788	853	131,007
TOTAL ASSETS	113,521,956	62,912,672	2,685,175	3,586	179,123,389
LIABILITIES:					
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
Derivative financial instruments	-	585	-	-	585
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

	KZT	USD USD 1 = KZT 133.98	EUR EUR 1 = KZT 158.99	Other currencies	31 December 2005 Total
ASSETS:					
Cash and cash equivalents	15,976,597	148,231	3,109	391,653	16,519,590
Due from banks	1,731,152	6,522,385	-	-	8,253,537
Loans to customers	93,739	43,936,984	1,545,125	-	45,575,848
Derivative financial instruments	86,000	3,982	-	-	89,982
Investments available-for-sale	66,549,394	853,362	-	-	67,402,756
Investments held-to-maturity	1,601,752	-	-	-	1,601,752
Property, equipment and intangible assets	186,505	-	-	-	186,505
Current income tax assets	4,129	-	-	-	4,129
Other assets	128,597	9,653	1,384	-	139,634
TOTAL ASSETS	86,357,865	51,474,597	1,549,618	391,653	139,773,733
LIABILITIES:					
Loans and advances from the Government of the Republic of Kazakhstan	15,447,546	-	-	-	15,447,546
Loans from banks	-	8,354,131	1,559,134	-	9,913,265
Customer accounts	64,947	178,085	-	390,552	633,584
Debt securities issued	1,983,776	39,693,874	-	-	41,677,650
Derivative financial instruments	91,500	118	-	-	91,618
Provision on letters of credit	72,131	-	-	-	72,131
Deferred income tax liabilities	9,525	-	-	-	9,525
Other liabilities	331,161	11,964	-	-	343,125
TOTAL LIABILITIES	18,000,586	48,238,172	1,559,134	390,552	68,188,444
NET BALANCE SHEET POSITION	68,357,279	3,236,425	(9,516)	1,101	71,585,289

Price risk

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. With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

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

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

The Group structures the 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 monthly (quarterly) 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 personal guarantees but a significant portion is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of a 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.

Geographical concentration

The 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 Board sets up country limits, which mainly applies to banks of the Commonwealth of Independent States and Baltic countries.

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

	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
Due from banks	12,053,937	-	-	12,053,937
Loans to customers	49,136,929	-	901,015	50,037,944
Derivative financial instruments	-	6,259	-	6,259
Investments available-for-sale	71,846,200	3,782,831	-	75,629,031
Property, equipment and intangible assets	207,206	-	-	207,206
Current income tax assets	302,616	-	-	302,616
Deferred income tax assets	68,446	-	-	68,446
Advances paid	157,666	613,426	14,245	785,337
Other assets	131,007	-	-	131,007
TOTAL ASSETS	166,930,374	11,275,604	917,411	179,123,389
LIABILITIES:				
Loans and advances from the Government of the Republic of Kazakhstan	26,086,750	-	-	26,086,750
Loans from banks	-	10,495,158		10,495,158
Customer accounts	607,204	-	-	607,204
Debt securities issued	1,690,448	56,533,294	-	58,223,742
Derivative financial instruments	-	585	-	585
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	

	Kazakhstan	OECD countries	31 December 2005 Total
ASSETS:			
Cash and cash equivalents	16,353,427	166,163	16,519,590
Due from banks	8,253,537	-	8,253,537
Loans to customers	45,575,848	-	45,575,848
Derivative financial instrements	86,000	3,982	89,982
Investments available-for-sale	67,402,756	-	67,402,756
Investments held-to-maturity	1,601,752	-	1,601,752
Property, equipment and intangible assets	186,505	-	186,505
Current income tax assets	4,129	-	4,129
Other assets	139,634	-	139,634
TOTAL ASSETS	139,603,588	170,145	139,773,733
LIABILITIES:			
Loans and advances from the Government of the Republic of Kazakhstan	15,447,546	-	15,447,546
Loans from banks	-	9,913,265	9,913,265
Customer accounts	633,584	-	633,584
Debt securities issued	1,983,776	39,693,874	41,677,650
Derivative financial instruments	91,500	118	91,618
Provision on letters of credit	72,131	-	72,131
Deferred income tax liabilities	9,525	-	9,525
Other liabilities	343,125	-	343,125
TOTAL LIABILITIES	18,581,187	49,607,257	68,188,444
NET POSITION	121,022,401	(49,437,112)	