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EURASIAN BANK JSC

Unconsolidated Financial Statements

for the year ended 31 December 2007

Contents

KPMG Audit LLC
Koktem Business Centre
180 Dostyk Avenue
050051 Almaty, Kazakhstan

Telephone +7 (727) 298 08 98
Fax +7 (727) 298 07 08
E-mail company@kpmg.kz

Independent Auditors' Report

To the Board of Directors and Management Board of Eurasian Bank JSC

Report on the Unconsolidated Financial Statements

We have audited the accompanying unconsolidated financial statements of Eurasian Bank JSC (the "Bank"), which comprise the unconsolidated balance sheet as at 31 December 2007, and the unconsolidated income statement, unconsolidated statement of changes in equity and unconsolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

Berdalina J. K. Certified Auditor Managing Partner	Wilson Mitchell Audit Partner

KPMG Audit LLC
Licence # 0000021 dated 6 December 2006
to conduct audits

15 April 2008

	Note	2007 '000 KZT	2006 '000 KZT
Interest income	4	18,021,645	10,416,198
Interest expense	4	(10,644,570)	(4,756,593)
Net interest income		**7,377,075**	**5,659,605**
Fee and commission income	5	1,934,801	1,903,546
Fee and commission expense	6	(146,380)	(206,176)
Net fee and commission income		**1,788,421**	**1,697,370**
Net foreign exchange gain	7	1,123,432	1,422,274
Net realised gain on available-for-sale assets	8	341,651	38,473
Other income	9	204,266	131,006
		10,834,845	**8,948,728**
Impairment losses	10	(2,501,593)	(261,660)
Personnel expenses	11	(3,383,204)	(2,301,373)
Administrative expenses	11	(2,663,785)	(1,818,443)
Provisions for off-balance sheet credit risk	33	64,330	(18,799)
Income before taxes		**2,350,593**	**4,548,453**
Income tax expense	12	(505,041)	(730,306)
Net income		**1,845,552**	**3,818,147**
Earnings per share (in KZT)	29	**22,054**	**60,668**

The unconsolidated financial statements as set out on pages 5 to 72 were approved by management on 15 April 2008, and signed on its behalf by:

Chairman of the Board
Konopasevych A.V.

Chief Accountant
Bichurina A.A.

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1
STAMPED FOR IDENTIFICATION PURPOSE

The unconsolidated income statement is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	Note	2007 '000 KZT	2006 '000 KZT
ASSETS			
Cash	38	5,063,808	3,541,164
Due from the National Bank of the Republic of Kazakhstan	38	8,658,213	6,214,200
Placements with banks and other financial institutions	13	19,142,673	22,667,968
Amounts receivable under reverse repurchase agreements	14	9,727,026	-
Derivative financial instruments	15	2,350	-
Loans to customers	16	115,757,725	92,835,826
Available-for-sale assets			
- Held by the Bank	17	2,893,965	13,622,543
- Pledged under sale and repurchase agreements	17	9,406,144	85,642
- Pledged under loans from other banks	17	-	9,892,698
Investments in subsidiaries	18	1,156,504	-
Income tax prepaid		194,946	377,877
Deferred tax assets	19	162,298	70,033
Property and equipment	20	10,076,008	2,265,301
Intangible assets	21	500,415	277,935
Other assets	22	332,115	469,739
Total assets		**183,074,190**	**152,320,926**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits and balances from banks and other financial institutions	23	38,329,428	40,298,105
Amounts payable under repurchase agreements	24	8,583,385	77,064
Derivative financial instruments	15	17,902	-
Current accounts and deposits from customers	25	91,603,245	80,320,093
Debt securities issued	26	1,505,038	1,500,120
Subordinated debt securities issued	27	17,659,923	10,656,016
Other liabilities	28	5,007,221	539,048
Total liabilities		**162,706,142**	**133,390,446**
Equity			
Share capital	29	7,999,927	7,999,927
Share premium		25,632	25,632
Reserve for general banking risks		648,282	649,315
Revaluation reserve for available-for-sale assets		54,003	461,987
Retained earnings		11,640,204	9,793,619
Total equity		**20,368,048**	**18,930,480**
Total liabilities and equity		**183,074,190**	**152,320,926**
Commitments and contingencies	33-35		

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The unconsolidated balance sheet is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	2007 '000 KZT	2006 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before taxes	2,350,593	4,548,453
Adjustments for:		
Depreciation and amortisation	456,308	235,339
Impairment losses	2,501,593	261,660
(Recovery)/charge of provisions for off-balance sheet credit risk	(64,330)	18,799
Gain on sale of property and equipment	(441)	(12,965)
Vacation accrual	80,320	43,289
Net change in replacement value of derivatives	15,552	-
Change in accrued interest income	(2,645,284)	(861,660)
Change in accrued interest expense	1,244,878	358,993
Amortisation of discount on subordinated debt securities issued	147,785	35,994
Amortisation of premium on available-for-sale assets	134,980	714,125
Operating income before changes in net operating assets	**4,221,954**	**5,342,027**
(Increase)/decrease in operating assets		
Obligatory reserve	311,180	(6,705,348)
Placements with banks and other financial institutions	469,523	(1,432,032)
Amounts receivable under reverse repurchase agreements	(9,716,034)	-
Loans to customers	(22,702,443)	(27,784,835)
Other assets	73,968	(147,893)
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	(2,964,476)	18,301,054
Amounts payable under repurchase agreements	8,496,221	(3,482,001)
Current accounts and deposits from customers	11,283,152	16,692,419
Other liabilities	448,124	129,073
Net cash (used in)/from operating activities before income tax paid	**(10,078,831)**	**912,464**
Income tax paid	(414,375)	(809,000)
Cash flows (used in)/from operations	**(10,493,206)**	**103,464**

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The unconsolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	Note	2007 '000 KZT	2006 '000 KZT
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of available-for-sale assets		(29,223,272)	(15,267,857)
Proceeds from sale and redemption of available-for-sale assets		39,981,082	14,745,275
Investments in subsidiaries		(1,156,504)	-
Sales/(purchases) of precious metals		29,691	(46,737)
Purchases of property and equipment		(4,196,117)	(1,113,805)
Sales of property and equipment		9,023	72,527
Purchases of intangible assets		(297,901)	(237,643)
Cash flows from investing activities		**5,146,002**	**(1,848,240)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts from debt securities issued		-	898,162
Receipts from subordinated debt securities issued		6,611,961	7,509,447
Shares issued		-	1,999,910
Cash flows from financing activities		**6,611,961**	**10,407,519**
Net increase in cash and cash equivalents		**1,264,757**	**8,662,743**
Cash and cash equivalents at the beginning of the year		21,602,407	12,939,664
Cash and cash equivalents at the end of the year	38	**22,867,164**	**21,602,407**

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The unconsolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

'000 KZT	Share capital	Share premium	Reserve for general banking risks	Revaluation reserve for available-for-sale assets	Retained earnings	Total equity
Balance at 1 January 2006	**6,000,017**	**25,632**	**650,346**	**325,122**	**5,974,441**	**12,975,558**
Net income for the year	-	-	-	-	3,818,147	3,818,147
Net unrealised gain on available-for-sale assets	-	-	-	175,338	-	175,338
Net realised gains on available-for-sale assets transferred to the income statement on disposal	-	-	-	(38,473)	-	(38,473)
Total recognised income for the year						3,955,012
Shares issued	1,999,910	-	-	-	-	1,999,910
Transfers	-	-	(1,031)	-	1,031	-
Balance at 31 December 2006	**7,999,927**	**25,632**	**649,315**	**461,987**	**9,793,619**	**18,930,480**
Net income for the year	-	-	-	-	1,845,552	1,845,552
Net unrealised losses on available-for-sale assets	-	-	-	(66,333)	-	(66,333)
Net realised gains on available-for-sale assets transferred to the income statement on disposal	-	-	-	(341,651)	-	(341,651)
Total recognised income for the year						**1,437,568**
Transfers	-	-	(1,033)	-	1,033	-
Balance at 31 December 2007	**7,999,927**	**25,632**	**648,282**	**54,003**	**11,640,204**	**20,368,048**

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The unconsolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

1 Background

(a) Principal activities

Eurasian Bank JSC (the "Bank") was established in 1994 in the Republic of Kazakhstan as a closed joint-stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint-stock company on 2 September 2003. The Bank operates based on general banking licence number 237 granted on 28 December 2007. The Bank also possesses licences number 0401100623 and number 0407100189 for brokerage, dealing and custodian activities granted 8 October 2003. The principal activities of the Bank are deposit taking and customer account maintenance, lending and issuing guarantees, custodian services, cash and settlement operations, operations with securities and foreign exchange.

The activities of the Bank are regulated by the Financial Markets and Organisations Supervisory and Regulatory Agency (the "FMSA") and the National Bank of the Republic of Kazakhstan ("the NBRK").

The Bank has 18 regional branches and 40 cash settlement centers from which it conducts business throughout the Republic of Kazakhstan. The registered address of the Bank's head office is 56 Kunayeva, Almaty, Republic of Kazakhstan. The majority of the Bank's assets and liabilities are located in Kazakhstan.

During the year ended 31 December 2007 the Bank acquired 100% of four subsidiaries and established a special purpose entity. A brief description of the activities of the acquired entities is given below.

- Insurance Company "Eurasia" JSC is a company incorporated in the Republic of Kazakhstan and licenced by the FMSA for the following insurance services: general liability, property, cargo and employer's liability. The subsidiary also provides re-insurance services.
- Pension Assets Investment Management Organisation "Bailyk Asset Management" JSC is a company incorporated in the Republic of Kazakhstan and licensed by the FMSA to invest contributed amounts of pension assets in government securities, securities of non-government organisations of the Republic of Kazakhstan, state securities of foreign countries, securities of foreign non-government organisations, bank deposits and securities of certain international financial organisations. Another principal activity of the subsidiary is to manage investment portfolios of individuals and corporate clients.
- Open Accumulation Pension Fund "Senim" JSC is a fund incorporated by the Administration of Justice of Almaty, Kazakhstan in accordance with the registration number 22310-1910-AO dated 5 September 2007. The fund is licenced by the FMSA with the licence number 0000016 dated 25 June 2004 and its primary purposes are to collect pension contributions from employees on behalf of the Defined Contribution Plan of the Open Accumulation Pension Fund "Senim" JSC, maintain participants' account records and distribute pensions. As at 31 December 2007 the fund managed net pension assets on behalf of 267,178 participants amounting to KZT 42,671,019 thousand.
- Eurasia Capital JSC is a company incorporated in the Republic of Kazakhstan and specialises in providing brokerage-dealing, underwriting, investment portfolio management and consulting services.
- On 8 February 2007 the Bank established a new subsidiary, Eurasian Capital B.V. This is a special purpose entity established to facilitate the Bank's issues of debt securities. As at 31 December 2007, the Bank owned 100% of the share capital of Eurasian Capital B.V.

The average number of people employed by the Bank during the year was 1,605 (2006: 1,070).

1 Background, continued

(b) Shareholders

The Bank is wholly-owned by Eurasian Financial Industrial Company JSC (the "Parent Company").

(c) Kazakhstan business environment

The Republic of Kazakhstan has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Republic of Kazakhstan involve risks, which do not typically exist in other markets. The accompanying unconsolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank also prepared consolidated financial statements for the year ended 31 December 2007 in accordance with IFRS that can be obtained from the Bank's head office at 56 Kunayeva, Almaty, the Republic of Kazakhstan.

(b) Basis of measurement

The unconsolidated financial statements are prepared on the historical cost basis except that available-for-sale assets and financial instruments at fair value through profit or loss are stated at fair value.

(c) Functional and Presentation Currency

The national currency of the Republic of Kazakhstan is the Kazakhstan Tenge ("KZT"). Management have determined the Bank's functional currency to be the KZT as it reflects the economic substance of the underlying events and circumstances of the Bank. The KZT is also the Bank's presentation currency for the purposes of these unconsolidated financial statements.

Financial information presented in KZT has been rounded to the nearest thousand.

(d) Use of estimates and judgments

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these unconsolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in Note 16 on loan impairment.

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the unconsolidated financial statements. The accounting policies have been consistently applied. Changes in accounting policies are described at the end of this note.

(a) Accounting for investments in subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Investments in subsidiaries are stated at cost.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

The exchange rates used by the Bank in the preparation of the unconsolidated financial statements are as follows at 31 December 2007 and 2006:

Currency	2007	2006
1 United States Dollar	120.30	127.00
1 Euro	177.17	167.12
1 Russian Rouble	4.92	4.82

(c) Cash and cash equivalents

The Bank considers cash and nostro accounts with the NBRK, nostro accounts and placements with banks with an original maturity up to 3 months to be cash and cash equivalents. The minimum reserve deposit with the NBRK is not considered to be a cash equivalent due to restrictions on its withdraw ability.

3 Significant accounting policies, continued

(d) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- a derivative (except for a derivative that is a designated and effective hedging instrument); or,
- upon initial recognition, designated by the entity as at fair value through the profit or loss.

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3 Significant accounting policies, continued

(d) Financial instruments, continued

(ii) Classification, continued

The Bank designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- the Bank intends to sell immediately or in the near term;
- the Bank upon initial recognition designates as at fair value through profit or loss;
- the Bank upon initial recognition designates as available- for-sale; or
- the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss;
- the Bank designates as available-for-sale; or
- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(ii) Recognition

Financial assets and liabilities are recognised in the balance sheet when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments which are measured at amortised cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in the income statement. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(v) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in the income statement;
- a gain or loss on an available-for-sale financial asset is recognised directly in equity through the statement of changes in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Interest in relation to an available-for-sale financial asset is recognised as earned in the income statement calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the income statement when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vi) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Bank also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(vii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the balance sheet and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents interest expense and is recognised in the income statement over the term of the repo agreement using the effective interest rate method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the reverse repo agreement using the effective interest method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(viii) Derivative financial instruments

Derivative financial instruments include swap, forward, futures, spot transactions and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the income statement.

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(ix) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(e) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences from the first day of the month subsequent to the date of acquisition or, in respect of internally constructed assets, to the month an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	25 to 40 years
Computer and banking equipment	3 to 8 years
Vehicles	7 years
Furniture	8 to 10 years
Leasehold improvements	5 years.

3 Significant accounting policies, continued

(f) Intangible assets

Intangible assets, which are acquired by the Bank, are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Amortisation commences from the first day of the month subsequent to the date the asset is available for use. The estimated useful life of intangible assets is 5 to 7 years.

(g) Impairment

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans, other receivables and unquoted available-for-sale debt securities ("loans and receivables"). The Bank reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan or receivable that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a Bank of assets such as adverse changes in the payment status of borrowers in the Bank, or economic conditions that correlate with defaults in the Bank.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

3 Significant accounting policies, continued

(g) Impairment, continued

(i) Financial assets carried at amortised cost, continued

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in the income statement and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when the Bank's management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in the income statement and can not be reversed.

(iii) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in the income statement and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Significant accounting policies, continued

(h) Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included within other liabilities.

(j) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Kazakh legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

3 Significant accounting policies, continued

(k) Taxation, continued

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Income and expense recognition

With the exception of financial assets held for trading and other financial instruments at fair value through profit or loss, interest income and expense are recognised in the income statement using the effective interest method. Interest income on financial assets held for trading and on other financial instruments at fair value through profit or loss comprises coupon interest only.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss, respectively.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortised to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Dividend income is recognised in the income statement on the date that the dividend is declared.

Gains and losses from foreign currency derivative financial instruments are included in the net foreign exchange gain.

Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided.

(m) Fiduciary assets

The Bank provides custody services that result in the holding of assets on behalf of third parties. These assets and the income arising therefrom are excluded from these unconsolidated financial statements as they are not assets of the Bank. Commissions received from such business are shown within fee and commission income in the unconsolidated income statement.

3 Significant accounting policies, continued

(n) Changes in accounting policies

As at 1 January 2007, the Bank adopted the International Financial Reporting Standard IFRS 7 "Financial Instruments: Disclosures" and the amendment to International Financial Reporting Standard IAS 1 "Presentation of Financial Statements" – "Capital Disclosures". The application of the amendment resulted in increased disclosure in respect of Bank's financial instruments and the nature and extent of risks arising from financial instruments and increased disclosure in respect of Bank's objectives, policies and processes for managing capital.

(o) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2007, and have not been applied in preparing these unconsolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Bank's operations. The Bank plans to adopt these pronouncements when they become effective. The Bank has not yet analysed the likely impact of these new standards on its financial statements.

IFRS 8 "Operating Segments", which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should report information about its operating segments and sets out requirements for related disclosures about products and services, geographical areas and major customers. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. IFRS 8 "Operating Segments" will replace International Financial Reporting Standard IAS 14 "Segment Reporting".

International Financial Reporting Standard IAS 1 "Presentation of Financial Statements" (Revised), which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should present changes in equity not resulting from transactions with owners and other changes in equity in its financial statements, and introduces certain other requirements in respect of presentation of information in the financial statements.

4 Net interest income

	2007 '000 KZT	2006 '000 KZT
Interest income		
Loans to customers	16,018,405	8,406,521
Available-for-sale assets	967,002	1,238,398
Placements with banks and other financial institutions	850,382	705,489
Amounts receivable under reverse repurchase agreements	98,981	24,227
Due from the NBRK	86,875	41,563
Total interest income	**18,021,645**	**10,416,198**
Interest expense		
Current accounts and deposits from customers	(5,283,806)	(2,742,008)
Deposits and balances from banks and other financial institutions	(3,902,955)	(1,370,844)
Subordinated debt securities issued	(1,315,680)	(452,243)
Debt securities issued	(102,419)	(97,251)
Amounts payable under repurchase agreements	(39,710)	(94,247)
Total interest expense	**(10,644,570)**	**(4,756,593)**

5 Fee and commission income

	2007 '000 KZT	2006 '000 KZT
Foreign exchange conversion charge	618,046	751,206
Cash operations	467,399	520,159
Remittance	461,981	315,281
Guarantee and letter of credit issuance	163,484	163,343
Cash delivery	70,403	64,127
Card accounts maintenance	50,613	22,431
Custodian service	38,391	36,791
Other	64,484	30,208
Total fee and commission income	**1,934,801**	**1,903,546**

6 Fee and commission expense

	2007 '000 KZT	2006 '000 KZT
Cash operations	68,084	129,407
Remittance	35,131	37,484
Custodian service	15,560	4,511
Documentary settlement	1,576	29,789
Other	26,029	4,985
Total fee and commission expense	**146,380**	**206,176**

7 Net foreign exchange gain

	2007 '000 KZT	2006 '000 KZT
Gain on spot transactions and derivatives	1,193,583	1,468,170
Loss from revaluation of financial assets and liabilities	(70,151)	(45,896)
	1,123,432	**1,422,274**

8 Net realised gain on available-for-sale assets

	2007 '000 KZT	2006 '000 KZT
Equity instruments:		
Shares of local banks	255,222	22,790
Debt instruments:		
Treasury notes of foreign governments	86,926	12,072
Other	(497)	3,611
	341,651	**38,473**

9 Other income

	2007 '000 KZT	2006 '000 KZT
Penalties and fines	128,510	88,959
Precious metals trading gain/(loss)	22,875	(2,037)
Gain on sale of property and equipment	441	12,965
Other income	52,440	31,119
	204,266	**131,006**

10 Impairment losses

	2007 '000 KZT	2006 '000 KZT
Loans to customers (Note 16)	2,452,532	278,498
Placements with banks and other financial institutions (Note 13)	15,096	(1,876)
Available-for-sale assets	-	(6,637)
Other assets (Note 22)	33,965	(8,325)
Net impairment losses	**2,501,593**	**261,660**

11 Personnel and administrative expenses

	2007 '000 KZT	2006 '000 KZT
Employee compensation	2,904,672	2,001,026
Social security costs	338,246	209,950
Other employee costs	140,286	90,397
Total personnel expense	**3,383,204**	**2,301,373**

11 Personnel and administrative expenses, continued

	2007 '000 KZT	2006 '000 KZT
Advertising and marketing	551,703	437,580
Occupancy	480,577	290,004
Depreciation and amortisation	456,308	235,339
Taxes other than on income	262,412	204,583
Professional services	203,240	44,038
Communications and information services	157,856	108,394
Travel expenses	130,162	94,084
Security	86,652	61,102
Repairs and maintenance	80,773	91,852
Stationary and office supplies	60,412	41,907
Transportation	26,755	17,065
Trainings	19,084	18,974
Insurance	4,412	3,994
Fines and penalties	3,313	1,920
Other	140,126	167,607
Total administrative expense	**2,663,785**	**1,818,443**

12 Income tax expense

	2007 '000 KZT	2006 '000 KZT
Current tax expense		
Current year	539,903	441,206
Under provided in prior years	57,403	-
	597,306	**441,206**
Deferred tax expense		
Origination and reversal of temporary differences	(92,265)	289,100
Total income tax expense in the unconsolidated income statement	**505,041**	**730,306**

The Bank's applicable tax rate for current and deferred tax is 30% (2006: 30%).

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1
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12 Income tax expense, continued

Reconciliation of effective tax rate:

	2007 '000 KZT	%	2006 '000 KZT	%
Income before tax	**2,350,593**	**100 %**	**4,548,453**	**100%**
Income tax at the applicable tax rate	705,178	30%	1,364,536	30%
Tax-exempt securities and loan income	(910,157)	(39)%	(677,993)	(15)%
Under provided in prior years	57,403	2%	-	-
Non-deductible items	652,617	28%	43,763	1%
	505,041	**21%**	**730,306**	**16%**

13 Placements with banks and other financial institutions

	2007 '000 KZT	2006 '000 KZT
Not impaired or past due		
Nostro accounts		
OECD banks	17,124,038	19,782,149
Largest 10 Kazakh banks	296,144	42,824
Other foreign banks	45,926	65,807
Total nostro accounts	**17,466,108**	**19,890,780**
Loans and deposits		
Largest 10 Kazakh banks	1,384,629	1,502,359
Other foreign banks	2,150	1,274,829
Total loans and deposits not impaired	**1,386,779**	**2,777,188**
Impaired		
Loans to other foreign banks	304,882	-
Impairment allowance (Note 10)	(15,096)	-
Net impaired loans to other foreign banks	**289,786**	-
	19,142,673	22,667,968

(a) Concentration of placements with banks and other financial institutions

As at 31 December 2007 and 2006 the Bank had 1 and 2 banks and financial institutions, respectively, whose balances exceeded 10% of total placements with banks and other financial institutions. The gross value of these balances as of 31 December 2007 and 2006 were KZT 15,601,845 thousand and KZT 18,492,415 thousand, respectively.

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1
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13 Placements with banks and other financial institutions, continued

(b) Analysis of movements in the impairment allowance

	2007 '000 KZT	2006 '000 KZT
Balance at the beginning of the year	-	1,876
Net charge/(recovery) for the year (Note 10)	15,096	(1,876)
Balance at the end of the year	**15,096**	-

14 Amounts receivable under reverse repurchase agreements

	2007 '000 KZT	2006 '000 KZT
Concluded on the auto-repo market through KASE	9,727,026	-

Collateral

As of 31 December 2007, amounts receivable under reverse repurchase agreements were collateralised by the following securities:

	2007 '000 KZT	2006 '000 KZT
Notes of the NBRK	7,363,866	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	2,167,740	-
Bonds of Kazakh banks	1,124,105	-
	10,655,711	-

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1
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15 Derivative financial instruments

The fair values of derivative instruments held as at 31 December 2007 (2006: nil) are set out in the following table:

'000 KZT	Contract/ notional amount	Fair value Assets	Fair value Liabilities
Foreign exchange derivative contracts			
Currency spot transactions	423,456	-	(327)
Currency forwards	1,712,725	2,350	(17,575)
Total recognised derivative assets/(liabilities)		**2,350**	**(17,902)**

Derivative financial instruments are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions or exchange traded. The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Bank's exposure to credit or price risks. The derivative instruments become favourable (positive fair value) or unfavourable (negative fair value) as a result of fluctuations in market rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly over time.

Currency forwards are over-the-counter contracts which establish terms and conditions of a deal which is settled at a future date.

Maturity, fair value and weighted average exchange rate breakdowns for currency forward contracts as at 31 December 2007 are set out in the following table.

'000 KZT	Contract/ notional amount	Weighted average contracted exchange rates	Fair value Assets	Fair value Liabilities
Currency forwards				
Buy KZT sell USD				
Less than three months	844,450	120.64	2,350	-
Buy USD sell EUR				
Less than three months	868,275	1.44	-	(17,575)
	1,712,725		**2,350**	**(17,575)**

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16 Loans to customers

	2007 '000 KZT	2006 '000 KZT
Commercial loans		
Loans to large corporate clients	53,649,255	50,379,610
Loans to small and medium size companies ("SME")	8,342,022	9,901,961
Total commercial loans	**61,991,277**	**60,281,571**
Loans to individuals		
Mortgage	28,103,930	18,176,160
Individual entrepreneurship	12,578,515	3,602,606
Consumer	10,922,411	9,388,433
Automobile	3,468,889	1,267,477
Other	2,385,115	1,881,941
Total loans to individuals	**57,458,860**	**34,316,617**
Gross loans to customers	**119,450,137**	**94,598,188**
Impairment allowance	(3,692,412)	(1,762,362)
Net loans to customers	**115,757,725**	**92,835,826**

Movements in the loan impairment allowance for the years ended 31 December 2007 and 2006 are as follows:

	2007 '000 KZT	2006 '000 KZT
Balance at the beginning of the year	1,762,362	1,593,577
Net charge for the year (Note 10)	2,452,532	278,498
Write-offs	(522,482)	(109,713)
Balance at the end of the year	**3,692,412**	**1,762,362**

As at 31 December 2007, interest accrued on impaired loans amount to KZT 544,218 thousand (31 December 2006: KZT 314,962 thousand).

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1
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16 Loans to customers, continued

(a) Credit quality of commercial loan portfolio

The following table provides information on the credit quality of the commercial loan portfolio as at 31 December 2007:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Loans to large corporate clients				
Loans for which no impairment has been identified	46,803,885	(288,468)	46,515,417	0.62
Impaired loans:				
- not past due	3,808,237	(270,752)	3,537,485	7.11
- overdue less than 90 days	2,892,773	(607,748)	2,285,025	21.01
- overdue more than 90 days and less than 1 year	144,360	(144,360)	-	100.00
Total impaired loans	6,845,370	(1,022,860)	5,822,510	14.94
Total loans to large corporate clients	**53,649,255**	**(1,311,328)**	**52,337,927**	**2.44**
Loans to small and medium size companies				
Loans for which no impairment has been identified	7,328,887	(69,150)	7,259,737	0.94
Impaired loans:				
- not past due	227,896	(9,823)	218,073	4.31
- overdue less than 90 days	389,880	(24,425)	365,455	6.26
- overdue more than 90 days and less than 1 year	387,041	(105,030)	282,011	27.14
- overdue more than 1 year	8,318	(8,318)	-	100.00
Total impaired loans	1,013,135	(147,596)	865,539	14.57
Total loans to small and medium size companies	**8,342,022**	**(216,746)**	**8,125,276**	**2.60**
Total commercial loans	**61,991,277**	**(1,528,074)**	**60,463,203**	**2.46**

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1
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16 Loans to customers, continued

(a) Credit quality of commercial loan portfolio, continued

The following table provides information on the credit quality of the commercial loan portfolio as at 31 December 2006:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Loans to large corporate clients				
Loans for which no impairment has been identified	46,818,950	-	46,818,950	-
Impaired loans:				
- not past due	2,813,585	(244,354)	2,569,231	8.68
- overdue less than 90 days	747,075	(747,075)	-	100.00
Total impaired loans	3,560,660	(991,429)	2,569,231	27.84
Total loans to large corporate clients	**50,379,610**	**(991,429)**	**49,388,181**	**1.97**
Loans to small and medium size companies				
Total loans for which no impairment has been identified	9,468,428	-	9,468,428	-
Impaired loans:				
- not past due	298,537	(23,737)	274,800	7.95
- overdue less than 90 days	104,403	(25,952)	78,451	24.86
- overdue more than 90 days and less than 1 year	15,313	(15,313)	-	100.00
- overdue more than 1 year	15,280	(15,280)	-	100.00
Total impaired loans	433,533	(80,282)	353,251	18.52
Total loans to small and medium size companies	**9,901,961**	**(80,282)**	**9,821,679**	**0.81**
Total commercial loans	**60,281,571**	**(1,071,711)**	**59,209,860**	**1.78**

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16 Loans to customers, continued

(a) Credit quality of commercial loan portfolio, continued

In determining the impairment allowance for commercial loans as at 31 December 2007 the management have assumed an average historic annual loss rates of 0.62% and 0.94% for large corporate clients and SME entities, respectively.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment provision on commercial loans as of 31 December 2007 would be KZT 604,632 thousand lower/higher.

During the year ended 31 December 2007 the Bank renegotiated commercial loans that would otherwise be past due or impaired of KZT 6,661,575 thousand (31 December 2006: KZT 3,579,474 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

(i) Analysis of collateral

The following table provides the analysis of commercial loan portfolio, net of impairment, by types of collateral as at 31 December 2007 and 2006:

	2007 '000 KZT	% of loan portfolio	2006 '000 KZT	% of loan portfolio
Real estate	34,681,223	57%	28,877,630	49%
Real estate under construction	10,021,101	17%	3,321,206	6%
Goods in transit	3,246,809	5%	2,429,891	4%
Equipment	2,937,260	5%	3,535,229	6%
Motor vehicles	2,863,318	5%	3,654,998	6%
Guarantees of legal entities and individuals	2,534,084	4%	11,677,959	20%
Bank deposits	1,431,964	2%	3,025,560	5%
Intellectual property rights	623,648	1%	-	-
Traded securities	116,468	1%	1,010,000	2%
Other collateral	1,395,143	2%	271,296	-
No collateral	612,185	1%	1,406,091	2%
Total	**60,463,203**	**100%**	**59,209,860**	**100%**

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

As at 31 December 2007 impaired or overdue loans with a gross value of KZT 754,152 thousand (2006: KZT 287,502 thousand) are secured by collateral with a fair value of KZT 60,150 thousand (2006: KZT 94,698 thousand). For the remaining impaired loans of KZT 7,104,353 thousand (2006: KZT 3,706,691 thousand) it is impracticable to determine fair value of collateral or there is no collateral.

During the year ended 31 December 2007 the Bank did not obtain any assets by taking control of collateral accepted as security for commercial loans (31 December 2006: nil).

16 Loans to customers, continued

(a) Credit quality of commercial loan portfolio, continued

(ii) Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of commercial loans for the year ended 31 December 2007 are as follows:

'000 KZT	Loans to large corporate clients	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	991,429	80,282	1,071,711
Loans written off during the year as uncollectible	(443,855)	(40,855)	(484,710)
Loan impairment losses during the year	763,754	177,319	941,073
Loan impairment allowance as at 31 December	**1,311,328**	**216,746**	**1,528,074**

Movements in the loan impairment allowance by classes of commercial loans for the year ended 31 December 2006 are as follows:

'000 KZT	Loans to large corporate clients	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	1,288,538	138,678	1,427,216
Loans written off during the year as uncollectible	(65,380)	(12,850)	(78,230)
Loan impairment recovery during the year		(45,546)	(277,275)
Loan impairment allowance as at 31 December	**991,429**	**80,282**	**1,071,711**

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1
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16 Loans to customers, continued

(b) Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2007:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Retail loans collectively assessed for impairment				
Mortgage loans				
- Not past due	26,891,179	(356,465)	26,534,714	1.33
- Overdue less than 30 days	545,175	(108,167)	437,008	19.84
- Overdue 30-59 days	300,054	(138,503)	161,551	46.16
- Overdue 60-89 days	109,421	(68,557)	40,864	62.65
- Overdue 90-119 days	69,574	(47,313)	22,261	68.00
- Overdue 120-149 days	144,988	(137,007)	7,981	94.50
- Overdue 150 - 180 days	43,539	(40,767)	2,772	93.63
Total mortgage loans	**28,103,930**	**(896,779)**	**27,207,151**	**3.19**
Individual entrepreneurship loans				
- Not past due	11,615,620	(221,872)	11,393,748	1.91
- Overdue less than 30 days	592,768	(60,080)	532,688	10.14
- Overdue 30-59 days	185,140	(93,750)	91,390	50.64
- Overdue 60-89 days	31,473	(19,895)	11,578	63.21
- Overdue 90-119 days	80,958	(69,505)	11,453	85.85
- Overdue 120-149 days	72,556	(72,556)	-	100.00
Total individual entrepreneurship loans	**12,578,515**	**(537,658)**	**12,040,857**	**4.27**
Consumer loans				
- Not past due	10,049,370	(167,373)	9,881,997	1.67
- Overdue less than 30 days	544,664	(135,461)	409,203	24.87
- Overdue 30-59 days	152,697	(91,207)	61,490	59.73
- Overdue 60-89 days	80,216	(59,087)	21,129	73.66
- Overdue 90-119 days	44,281	(41,491)	2,790	93.70
- Overdue 120-149 days	34,595	(34,595)	-	100.00
- Overdue 150 - 180 days	16,588	(16,588)	-	100.00
Total consumer loans	**10,922,411**	**(545,802)**	**10,376,609**	**5.00**
Automobile loans				
- Not past due	3,239,760	(10,679)	3,229,081	0.33
- Overdue less than 30 days	157,974	(9,562)	148,412	6.05
- Overdue 30-59 days	37,430	(5,845)	31,585	15.62
- Overdue 60-89 days	13,139	(4,005)	9,134	30.48
- Overdue 90-119 days	8,099	(2,469)	5,630	30.49
- Overdue 120-149 days	9,014	(3,967)	5,047	44.01
- Overdue 150 - 180 days	3,473	(1,528)	1,945	44.00
Total automobile loans	**3,468,889**	**(38,055)**	**3,430,834**	**1.10**

16 Loans to customers, continued

(b) Credit quality of loans to individuals, continued

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Other loans to individuals				
- Not past due	2,225,447	(59,411)	2,166,036	2.67
- Overdue less than 30 days	53,111	(45)	53,066	0.08
- Overdue 30-59 days	4,529	(100)	4,429	2.21
- Overdue 60-89 days	1,504	(144)	1,360	9.57
- Overdue 90-119 days	73,028	(58,944)	14,084	80.71
- Overdue 120-149 days	27,370	(27,274)	96	99.65
- Overdue 150-180 days	126	(126)	-	100.00
Total other loans to individuals	**2,385,115**	**(146,044)**	**2,239,071**	**6.12**
Total loans to individuals	**57,458,860**	**(2,164,338)**	**55,294,522**	**3.77**

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2006:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Retail loans collectively assessed for impairment				
Mortgage loans				
- Not past due	17,923,524	(209,354)	17,714,170	1.17
- Overdue less than 30 days	210,616	(146,940)	63,676	69.77
- Overdue 30-59 days	10,972	(10,972)	-	100.00
- Overdue 60-89 days	15,866	(15,866)	-	100.00
- Overdue 90-119 days	12,699	(12,699)	-	100.00
- Overdue 120-149 days	2,483	(2,483)	-	100.00
Total mortgage loans	**18,176,160**	**(398,314)**	**17,777,846**	**2.19**
Individual entrepreneurship loans				
- Not past due	3,602,606	(21,191)	3,581,415	0.59
Total individual entrepreneurship loans	**3,602,606**	**(21,191)**	**3,581,415**	**0.59**

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1
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16 Loans to customers, continued

(b) Credit quality of loans to individuals, continued

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Consumer loans				
- Not past due	9,221,305	(28,154)	9,193,151	0.31
- Overdue less than 30 days	137,604	(54,632)	82,972	39.70
- Overdue 30-59 days	12,225	(7,863)	4,362	64.32
- Overdue 60-89 days	11,660	(7,099)	4,561	60.88
- Overdue 90-119 days	1,183	(1,183)	-	100.00
- Overdue 120-149 days	3,829	(3,829)	-	100.00
- Overdue 150 - 180 days	627	(627)	-	100.00
Total consumer loans	**9,388,433**	**(103,387)**	**9,285,046**	**1.10**
Automobile loans				
- Not past due	1,195,456	(3,965)	1,191,491	0.33
- Overdue less than 30 days	35,544	(9,977)	25,567	28.07
- Overdue 30-59 days	13,446	(13,446)	-	100.00
- Overdue 60-89 days	10,934	(10,934)	-	100.00
- Overdue 90-119 days	3,407	(3,407)	-	100.00
- Overdue 120-149 days	3,624	(3,624)	-	100.00
- Overdue 150 - 180 days	5,066	(5,066)	-	100.00
Total automobile loans	**1,267,477**	**(50,419)**	**1,217,058**	**3.98**
Other loans to individuals				
- Not past due	1,870,056	(116,523)	1,753,533	6.23
- Overdue less than 30 days	8,745	(817)	7,928	9.34
- Overdue 30-59 days	823	-	823	-
- Overdue 60-89 days	890	-	890	-
- Overdue 90-119 days	1,427	-	1,427	-
Total other loans to individuals	1,870,056	(116,523)	**1,764,601**	**6.24**
Total loans to individuals	**34,316,617**	**(690,651)**	**33,625,966**	**2.01**

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1
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16 Loans to customers, continued

(b) Credit quality of loans to individuals, continued

The Bank estimates loan impairment based on its past historical loss experience on these types of loans. The significant assumptions used at 31 December 2007 in determining the impairment losses for loans to individuals include:

- Management assumed that the Bank will not collect mortgage loans, individual entrepreneurship loans, consumer loans, automobile loans, credit cards and other loans to individuals overdue more than 180 days.
- Management assumed that loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the loan impairment on loans to individuals as of 31 December 2007 would be KZT 1,658,836 thousand lower/higher.

(i) Analysis of collateral

Mortgage loans are secured by underlying housing real estate. Individual entrepreneurship loans are secured by real estate and movable property. Automobile loans are secured by underlying car. Other loans are not secured.

16 Loans to customers, continued

(b) Credit quality of loans to individuals, continued

(ii) Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2007 are as follows:

'000 KZT	Mortgage loans	Individual entrepre-neurship loans	Consumer loans	Automobile loans	Other loans to individuals	Total
Loan impairment allowance as at 1 January	398,314	21,191	103,387	50,419	117,340	690,651
Loans (written off)/ recovered during the year as uncollectible	(7,931)	-	(52,369)	(58,535)	81,063	(37,772)
Loan impairment losses/(recoveries) during the year	506,396	516,467	494,784	46,171	(52,359)	1,511,459
Loan impairment allowance as at 31 December	**896,779**	**537,658**	**545,802**	**38,055**	**146,044**	**2,164,338**

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2006 are as follows:

'000 KZT	Mortgage loans	Individual entrepre-neurship loans	Consumer loans	Automobile loans	Other loans to individuals	Total
Loan impairment allowance as at 1 January	124,189	-	58	-	42,114	166,361
Loans (written off)/ recovered during the year as uncollectible	(42,506)	-	6,974	3,439	610	(31,483)
Loan impairment losses during the year	316,631	21,191	96,355	46,980	74,616	555,773
Loan impairment allowance as at 31 December	**398,314**	**21,191**	**103,387**	**50,419**	**117,340**	**690,651**

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16 Loans to customers, continued

(c) Industry and geographical analysis of the loan portfolio

Loans to customers are issued primarily to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	2007 '000 KZT	2006 '000 KZT
Loans to large corporate clients and SME		
Construction	16,319,270	11,563,633
Wholesale trade	12,205,166	12,379,305
Mining/metallurgy	9,072,750	4,859,572
Real estate	7,613,343	5,975,708
Food production	4,038,990	4,314,728
Transport	2,945,877	4,290,057
Entertainment	2,795,190	6,452,979
Services	1,738,144	2,070,469
Retail trade	1,343,996	1,581,142
Agriculture, forestry and timber	1,179,348	1,961,281
Manufacturing	819,641	840,498
Machinery production	624,027	722,907
Publishing	269,677	24,686
Energy production and supply	249,313	531,845
Financial intermediary	183,909	2,073,116
Medical and social care	77,956	134,811
Hotels and restaurants	77,732	264,473
Other	436,948	240,361
Total loans to large corporate clients and SME	**61,991,277**	**60,281,571**
Loans to individuals		
Mortgage loans	28,103,930	18,176,160
Individual entrepreneurship loans	12,578,515	3,602,606
Consumer loans	10,922,411	9,388,433
Automobile loans	3,468,889	1,267,477
Other loans to individuals	2,385,115	1,881,941
Total loans to individuals	**57,458,860**	**34,316,617**
Total loans to customers, gross	**119,450,137**	**94,598,188**
Impairment allowance	(3,692,412)	(1,762,362)
Total loans to customers, net	**115,757,725**	**92,835,826**

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16 Loans to customers, continued

(d) Significant credit exposures

As at 31 December 2007 and 2006 the Bank did not have borrowers or Banks of related borrowers, respectively, whose loan balances exceeded 10% of loans to customers.

(e) Loan maturities

The maturity of the Bank's loan portfolio is presented in Note 41, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio. Due to short-term nature of the loans issued by the Bank, it is likely that many of the Bank's loans to customers will be prolonged on maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the classification indicated based on contractual terms.

17 Available-for-sale assets

	2007 '000 KZT	2006 '000 KZT
Held by the Bank		
Debt and other fixed-income instruments		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	1,175,964	4,654,727
Bonds of local financial institutions, other than banks	677,562	781,866
Bonds of local banks	442,209	1,506,311
Notes of the NBRK	310,679	-
Treasury notes of the US government	149,721	-
Local municipal bonds	119,865	869,782
Eurobonds of local banks	7,965	287,058
Corporate bonds	-	245,695
Euronotes of the Government of the Republic of Kazakhstan	-	3,400,574
Equity investments		
Corporate shares	10,000	10,000
Shares of local banks	-	1,866,530
	2,893,965	**13,622,543**
Pledged under sale and repurchase agreements		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	5,856,536	85,642
Treasury notes of the US government	1,720,913	-
Notes of the NBRK	947,689	-
Eurobonds of local banks	881,006	-
	9,406,144	**85,642**
Pledged under loans from other banks		
Euronotes of the Government of the Republic of Kazakhstan	-	8,497,637
Eurobonds of local banks	-	1,395,061
	-	**9,892,698**
Total available-for-sale assets	**12,300,109**	**23,600,883**

17 Available-for-sale assets, continued

As at 31 December 2006 debt instruments with a total fair value of KZT 9,892,698 thousand were pledged to secure a loan, which is included in the amount of deposits and balances from banks. The loan was repaid in installments in January - May 2007.

Included in available-for-sale assets are non-quoted equity securities - the ordinary shares of Processing Centre JSC are unquoted and carried at cost with a carrying value of KZT 10,000 thousand (2006: KZT 10,000 thousand), the fair value of which cannot be reliably determined.

18 Investments in subsidiaries

During the year ended 31 December 2007 the Bank acquired four subsidiaries and established a special purpose entity. Included in the table below is the list of investments in subsidiaries as at 31 December 2007, which have been accounted for at cost.

Name	Proportion of ownership interest, %	Country of incorporation	Activities	Carrying amount '000 KZT
Open Accumulation Pension Fund "Senim" JSC	100.0	Kazakhstan	Pension fund	503,315
Pension Assets Investment Management Organisation "Bailyk Asset Management" JSC	100.0	Kazakhstan	Asset management	350,000
Insurance Company "Eurasia" JSC	100.0	Kazakhstan	Insurance	200,000
Eurasia Capital JSC	100.0	Kazakhstan	Asset management	100,000
Eurasian Capital B.V.	100.0	Netherlands	Finance	3,189
				1,156,504

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1
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19 Deferred tax assets

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as of 31 December 2007 and 2006. These deferred tax assets have been recognised in these unconsolidated financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Bank's ability to claim the deductions in future periods.

These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

	Assets		Liabilities		Net	
'000 KZT	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**
Loans to customers	561,534	232,986	-	-	561,534	232,986
Property and equipment	-	-	(480,569)	(221,414)	(480,569)	(221,414)
Other assets	44,361	19,299	-	-	44,361	19,299
Other liabilities	-	-	(25,620)	-	(25,620)	-
Vacation accrual	62,592	38,546	-	-	62,592	38,546
Taxes payable	-	616	-	-	-	616
Total net deferred tax assets	**668,487**	**291,447**	**(506,189)**	**(221,414)**	**162,298**	**70,033**

The rate of tax applicable for deferred taxes was 30% (2006: 30%).

The above deductible temporary differences do not expire under current tax legislation. The net deferred tax asset as at 31 December 2007 and 2006 has been reflected in these unconsolidated financial statements.

Movement in temporary differences during the year ended 31 December 2007

'000 KZT	**Balance 1 January 2007**	**Recognised in income**	**Balance 31 December 2007**
Loans to customers	232,986	328,548	561,534
Property and equipment	(221,414)	(259,155)	(480,569)
Other assets	19,299	25,062	44,361
Other liabilities	-	(25,620)	(25,620)
Vacation accrual	38,546	24,046	62,592
Taxes payable	616	(616)	-
	70,033	**92,265**	**162,298**

20 Property and equipment

'000 KZT	Land and buildings	Computer and banking equipment	Vehicles	Furniture	Construction in progress	Leasehold improvements	Total
Cost							
At 1 January 2007	729,932	924,166	259,142	136,336	454,509	170,064	2,674,149
Additions	6,915,152	198,637	67,659	39,917	891,474	88,219	8,201,058
Disposals	-	(11,516)	(927)	(165)	-	(58,950)	(71,558)
Transfers	414,504	481,767	-	-	(896,271)	-	-
At 31 December 2007	**8,059,588**	**1,593,054**	**325,874**	**176,088**	**449,712**	**199,333**	**10,803,649**
Depreciation							
At 1 January 2007	34,325	239,434	72,317	43,645	-	19,127	408,848
Depreciation charge	40,844	212,773	37,622	13,096	-	76,552	380,887
Disposals	-	(7,360)	(641)	(159)	-	(53,934)	(62,094)
At 31 December 2007	**75,169**	**444,847**	**109,298**	**56,582**	**-**	**41,745**	**727,641**
Carrying value							
At 31 December 2007	**7,984,419**	**1,148,207**	**216,576**	**119,506**	**449,712**	**157,588**	**10,076,008**
At 31 December 2006	695,607	684,732	186,825	92,691	454,509	150,937	2,265,301

20 Property and equipment, continued

'000 KZT	Land and buildings	Computer and banking equipment	Vehicles	Furniture	Construction in progress	Leasehold improvements	Total
Cost							
At 1 January 2006	535,253	553,635	178,329	89,882	138,325	134,026	1,629,450
Additions	120,160	266,259	86,960	46,629	497,416	96,381	1,113,805
Disposals	-	(2,441)	(6,147)	(175)	-	(60,343)	(69,106)
Transfers	74,519	106,713	-	-	(181,232)	-	-
At 31 December 2006	**729,932**	**924,166**	**259,142**	**136,336**	**454,509**	**170,064**	**2,674,149**
Depreciation							
At 1 January 2006	20,080	102,107	45,832	37,548	-	9,871	215,438
Depreciation charge	14,245	138,443	29,373	6,097	-	16,446	204,604
Disposals	-	(1,116)	(2,888)	-	-	(7,190)	(11,194)
At 31 December 2006	**34,325**	**239,434**	**72,317**	**43,645**	**-**	**19,127**	**408,848**
Carrying value							
At 31 December 2006	**695,607**	**684,732**	**186,825**	**92,691**	**454,509**	**150,937**	**2,265,301**
At 31 December 2005	515,173	451,528	132,497	52,334	138,325	124,155	1,414,012

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21 Intangible assets

KZT'000	Computer software	Other	Total
Cost			
At 1 January 2007	271,799	70,580	342,379
Additions	267,495	30,406	297,901
At 31 December 2007	**539,294**	**100,986**	**640,280**
Amortisation			
At 1 January 2007	57,053	7,391	64,444
Amortisation charge	57,904	17,517	75,421
At 31 December 2007	**114,957**	**24,908**	**139,865**
Carrying value			
At 31 December 2007	**424,337**	**76,078**	**500,415**
At 1 January 2007	214,746	63,189	277,935

KZT'000	Computer software	Other	Total
Cost			
At 1 January 2006	100,151	6,235	106,386
Additions	171,648	65,995	237,643
Disposals	-	(1,650)	(1,650)
At 31 December 2006	**271,799**	**70,580**	**342,379**
Amortisation			
At 1 January 2006	32,578	1,131	33,709
Amortisation charge	24,475	6,260	30,735
At 31 December 2006	**57,053**	**7,391**	**64,444**
Carrying value			
At 31 December 2006	**214,746**	**63,189**	**277,935**
At 1 January 2006	67,573	5,104	72,677

22 Other assets

	2007 '000 KZT	2006 '000 KZT
Accrued commission income	102,229	71,125
Prepayments	52,744	35,272
Taxes prepaid, other than income tax	39,845	31,286
Due from American Express for travel cheques accepted	39,470	–
Advances on capital expenditures	30,939	36,069
Documentary settlements	23,531	170,251
Materials and supplies	22,268	33,246
Precious metals	17,046	46,737
Other	40,933	48,928
	369,005	472,914
Impairment allowance	(36,890)	(3,175)
	332,115	**469,739**

Analysis of movements in the impairment allowance

	2007 '000 KZT	2006 '000 KZT
Balance at the beginning of the year	3,175	36,500
Net charge/(recovery) for the year (Note 10)	33,965	(8,325)
Write-offs	(250)	(25,000)
Balance at the end of the year	**36,890**	**3,175**

As at 31 December 2007, included in other assets are overdue receivables of KZT 36,606 thousand (31 December 2006: KZT 1,112 thousand), of which KZT 10,354 thousand (31 December 2006: KZT 802 thousand) are overdue for more than 90 days but less than one year and KZT 114 thousand (31 December 2006: nil) are overdue for more than one year.

23 Deposits and balances from banks and other financial institutions

	2007 '000 KZT	2006 '000 KZT
Loans from financial institutions, other than banks	14,115,848	5,153,848
Syndicated bank loans	14,000,320	20,246,097
Term deposits	8,014,862	3,698,581
Loans from banks	2,160,056	10,105,880
Vostro accounts	38,342	1,093,699
	38,329,428	**40,298,105**

Concentration of deposits and balances from banks and other financial institutions

As at 31 December 2007 and 2006 the Bank had 4 and 3 banks and financial institutions, respectively, whose balances exceeded 10% of total deposits and balances from banks and other financial institutions. The gross value of these balances as of 31 December 2007 and 2006 was KZT 29,243,315 thousand and KZT 33,507,628 thousand, respectively.

24 Amounts payable under repurchase agreements

	2007 '000 KZT	2006 '000 KZT
Amounts due to banks and other financial institutions	8,583,385	77,064

Securities pledged

As of 31 December 2007 and 2006, the Bank had pledged certain securities as collateral under repurchase agreements (refer to Note 17).

25 Current accounts and deposits from customers

	2007 '000 KZT	2006 '000 KZT
Current accounts and demand deposits		
- Retail	4,248,729	3,182,281
- Corporate	18,224,172	17,549,570
Term deposits		
- Retail	15,202,517	8,488,572
- Corporate	53,927,827	51,099,670
	91,603,245	**80,320,093**

(a) Blocked accounts

As at 31 December 2007, the Bank maintained customer deposit balances of KZT 4,294,152 thousand (31 December 2006: KZT 7,880,735 thousand) which were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

(b) Concentrations of current accounts and customer deposits

As of 31 December 2007 and 2006, the Bank had 1 and 2 customers, respectively, whose balances exceeded 10% of total customer accounts. These balances as of 31 December 2007 and 2006 were KZT 10,716,250 thousand and KZT 25,996,308 thousand, respectively.

26 Debt securities issued

	2007 '000 KZT	2006 '000 KZT
Par value	1,500,000	1,500,000
Discount	(4,441)	(9,359)
Accrued interest	9,479	9,479
	1,505,038	**1,500,120**

As at 31 December 2007, debt securities issued comprise KZT denominated bonds issued by the Bank bearing a fixed coupon rate of 6.5% per annum and maturing in November 2008.

27 Subordinated debt securities issued

	2007 '000 KZT	2006 '000 KZT
Par value	19,010,200	11,004,120
Discount	(1,760,545)	(509,293)
Accrued interest	410,268	161,189
	17,659,923	**10,656,016**

As at 31 December 2007, subordinated debt securities issued comprise unsecured obligations of the Bank. In case of bankruptcy, the repayment of the subordinated debt securities shall be made after repayment in full of all other liabilities of the Bank. In September 2007 the Bank conducted the fourth issue of subordinated bonds with an aggregate nominal amount of KZT 6,010,200 thousand. As at 31 December 2007 the subordinated bonds of the second, third and fourth issues bear interest fixed at 7.0%, 9.5% and 9.0% per annum and mature in December 2011, April 2013 and September 2014, respectively.

28 Other liabilities

	2007 '000 KZT	2006 '000 KZT
Payable to Aktiva Plus LLC for premises acquired	4,004,059	-
Payable to American Express Bank for travel cheques	428,171	66,616
Taxes payable, other than income taxes	217,540	150,335
Vacation accrual	208,641	128,487
Deferred income	44,308	21,261
Amounts payable to employees	2,509	17,273
Provision for guarantees and letters of credit issued (Note 33)	-	64,330
Other	101,993	90,746
	5,007,221	**539,048**

29 Share capital

(a) Issued capital and share premium

The issued and outstanding share capital comprises 83,683 fully paid ordinary shares, (2006: 83,683). The authorised share capital comprises 109,998 ordinary shares (2006: 109,998). The shares have a par value of KZT 95,598.

The holder of ordinary shares is entitled to receive dividends as declared from time to time and is entitled to one vote per share at annual and general meetings of the Bank.

(b) Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Republic of Kazakhstan. In accordance with the legislation of the Republic of Kazakhstan, as of the balance sheet date, reserves available for distribution of amounted to KZT 11,640,204 thousand (2006: KZT 9,793,619 thousand).

(c) Earnings per share

Basic earnings per share is calculated by dividing the net income for the year attributable to the common shareholder by the weighted average number of ordinary shares outstanding during the year. The Bank does not have any share options, or convertible debt or equity instruments.

	2007	2006
Net income attributable to common shares, in thousands of KZT	1,845,552	3,818,147
Weighted average number of shares	83,683	62,935
Basic earnings per share, in KZT	**22,054**	**60,668**

30 Analysis by segment

The Bank's operations are highly integrated and constitute a single industry segment for the purposes of IAS 14 "Segment Reporting". The Bank's assets are concentrated primarily in the Republic of Kazakhstan, and the majority of the Bank's revenues and net income is derived from operations in, and connected with, the Republic of Kazakhstan.

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1
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31 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, which includes price, interest rate and currency risks, credit risk and liquidity risk.

(a) Risk management policies and procedures

The Bank's risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors of the Bank has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board of the Bank is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of Risk Department of the Bank is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Bank and indirectly to the Board of Directors.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of Credit Committees, an Asset and Liability Management Committee. In order to facilitate efficient decision-making, the Bank has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the Bank's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

31 Risk management, continued

(b) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Bank's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the Asset and Liability Management Committee (ALCO), chaired by the Deputy Chairman of Bank. Market risk limits are approved by ALCO based on recommendations of the Risk Department's Market Risk Management Division.

The Bank manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The management of interest rates risk by monitoring interest rate gap is supplemented by monitoring the sensitivity of the Bank's net interest margin to various standard and non-standard interest rate scenarios.

The Bank also utilises Value-at-Risk (VaR) methodology to monitor market risk of its trading positions.

(i) Value at Risk (VaR) estimates

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR models used by the Bank are predominantly based on historical simulation. The historical simulation models derive plausible future scenarios from historical market rate time series.

The historical simulation models used by the Bank incorporate the following features:

- potential market movements are calculated with reference to data from the last 12 months;
- historical market rates and prices are calculated with reference to foreign exchange rates of the NBRK and equity prices on Kazakhstan Stock Exchange (KASE) and the associated volatilities;

31 Risk management, continued

(b) Market risk, continued

(i) Value at Risk (VaR) estimates, continued

- VaR is calculated to a 95 per cent confidence level; and
- VaR is calculated for a one-day holding period.

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 95 per cent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and
- VaR is calculated on the basis of exposures outstanding at the end-of-day and therefore does not necessarily reflect intra-day exposures.
- the VaR measure is dependent upon the Bank's position and the volatility of market rates and prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The Bank does not solely rely on its VaR calculations in its market risk measurement due to inherent risk of usage of VaR as described above. The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

31 Risk management, continued

(b) Market risk, continued

(ii) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Evaluation of currency risk is performed based on analysis of open foreign exchange positions for each type of foreign currency. Bank manages currency risk by conducting operations in foreign currency, which affect the structure of foreign currency denominated assets and liabilities, within the limits approved by ALCO for each currency position. The Bank is required to be in compliance with limits on open long, short and net foreign currency positions set by the FMSA. The limits for open positions are equal to 12.5% and 5% of shareholder's equity for currencies of countries with sovereign credit rating above "A" (Standard & Poors) and below "A", respectively. The maximum limit for net currency position is 25% of shareholder's equity.

For the estimation of possible losses from currency risk the Bank uses VaR methodology.

A summary of the VaR estimates in respect of foreign currency risk as at 31 December 2007 and 2006 is as follows:

	31 December 2007	31 December 2006
Foreign exchange risk, open positions	1,610	25,798

For further information on the Bank's exposure to currency risk at year end refer to Note 42.

(iii) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Bank's income or the value of its portfolios of financial instruments.

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

31 Risk management, continued

(b) Market risk, continued

(iii) Interest rate risk, continued

An analysis of sensitivity of the Bank's projected net income for the year and equity to changes in the market interest rate based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2007 and 2006 is as follows:

	31 December 2007		31 December 2006	
	Net income	**Equity**	**Net income**	**Equity**
100 bp parallel increase	370,429	370,429	302,506	302,506
100 bp parallel decrease	(370,429)	(370,429)	(302,506)	(302,506)

An analysis of sensitivity of the net income for the year and equity as a result of changes in fair value of financial assets available for sale due to changes in the interest rates based on positions existing as at 31 December 2007 and 2006 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	31 December 2007		31 December 2006	
	Net income	**Equity**	**Net income**	**Equity**
100 bp parallel increase	-	(328,193)	-	(264,870)
100 bp parallel decrease	-	347,172	-	284,021

The above analysis assumes all available for sale assets are held one year from the balance sheet date.

(iv) Equity price risk

Equity price risk is the risk that the value of an equity financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all equity instruments traded in the market. Equity price risk arises when the Bank takes a long or short position in a financial instrument.

Equity price risk arose on the ordinary shares of local banks, held by the Bank as at 31 December 2006 and classified as available-for-sale financial instrument.

The Bank used VaR as the technique for estimation of equity price risk as at 31 December 2006. The VAR at 31 December 2006 was:

	31 December 2006
Equity price risk	151,073

No equity instruments were held by the Bank at 31 December 2007.

KPMG Audit LLC
1
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31 Risk management, continued

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank. The Bank has developed policies and procedures for the management of credit exposures (both for on balance sheet and off balance sheet exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Bank's credit risk. The Bank's credit policy is reviewed and approved by the Management Board.

The Bank established a number of credit committees, which are responsible for oversight of the Bank's credit risk.

The following credit committees are responsible for approving corporate and retail credit risk exposures:

- Credit Committee with further approval of the Board of Directors reviews and approves all loan/credit applications exceeding USD 10,000 thousand or equivalent amount in KZT;
- Credit Committee reviews and approves all loan/credit applications between USD 5,000 and USD 10,000 thousand or equivalent amount in KZT;
- Credit Commission of the Head Office reviews and approves applications for the amount between USD 1,000 and USD 5,000 thousand or equivalent amount in KZT;
- Credit Commission of the Branch network reviews and approves applications up to USD 1,000 thousand or equivalent amount in KZT;
- Credit Commissions of the branches review and approve applications within the limits set for each branch.

All Committees can approve the loan conditions different from those stated in the Bank's internal policy guidelines within certain limits. They can also submit the petition to the above committees up to the Board of Directors for resolution.

The Bank limits concentrations of exposure for a borrower or/and a group of related borrowers as well as by industry/sector, by region.

The Bank's credit policy establishes:

- Procedures for review and approval of loan/credit applications;
- Methodology for the credit assessment of borrowers (corporate, SME and retail);
- Methodology for the credit assessment of counterparties, issuers and insurance companies;
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

31 Risk management, continued

(c) Credit risk, continued

Corporate loan/credit application, accepted by a service manager, is passed on to the Department of Corporate Relations. The department is responsible for the Bank's corporate loan portfolio. Reports produced by the department's credit analysts are based on a structured analysis focusing on the customer's business and financial performance. The loan/credit application and the evaluation report are then independently reviewed by the Legal Department, who checks for the legal validity of the documents provided and expresses an opinion. The Appraisal Department is responsible for checking the value and quality of the pledged property. A valuation assessment report is prepared. The Security Department checks the reputation of the potential borrower and whether the customer has non-performing loans in other banks. The conclusion is documented in a security report. The Risk Department, including Credit Risk Analysis and Monitoring division, checks for appropriate execution of the Bank's credit policy requirements. The Credit Committee of the Bank makes a decision based on the conclusions of the Department of Corporate Relations and the Risk Department.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by either independent appraisal companies or the Bank's specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan/credit applications are reviewed by the Legal Department, the Shelf Product Division (for express loans, automobile loans and credit cards) and by the Retail Lending divisions through the use of scoring models and the application data verification procedures developed together with the Risk Department. For the loans below USD 30 thousand, no opinion of the Appraisal Department is required. For all loans above USD 50 thousand, the Security Department approval is required.

Apart from individual customer analysis, the credit portfolio of homogeneous loans is assessed by the Risk Department with regard to credit concentration, trends of the loan balances and market risks.

The Bank's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet and off balance exposures as presented in the Note 33. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The Bank monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans to customers refer to Note 16 "Loans to customers".

31 Risk management, continued

(d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Bank. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The Bank's liquidity policy is reviewed and approved by the Management Board.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy of the Bank requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

31 Risk management, continued

(d) Liquidity risk, continued

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position of the Bank are presented to senior management on a weekly basis. Decisions on the Bank's liquidity management are made by the Asset and Liability Management Committee and implemented by the Treasury Department.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the FMSA. The Bank was in compliance with these ratios during the year ended 31 December 2007.

The following tables show the undiscounted cash flows on the Bank's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The total amount (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment. The Bank's expected cash flows on these financial liabilities and unrecognised loan commitments may vary significantly from this analysis.

The position of the Bank as at 31 December 2007 was as follows:

'000 KZT	Demand and less than 1 month	From 1 to 3 month	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	38,235	6,234,504	27,234,088	2,297,895	5,445,339	41,250,061	38,329,428
Amounts payable under repurchase agreements	8,590,661	-	-	-	-	8,590,661	8,583,385
Current accounts and deposits from customers	28,360,307	1,005,014	4,813,556	71,954,510	2,476,627	108,610,014	91,603,245
Debt securities issued	-	–	1,597,500	-	-	1,597,500	1,505,038
Subordinated debt securities issued	-	270,459	1,430,459	9,593,672	17,567,036	28,861,626	17,659,923
Other liabilities	322,042	428,171	4,342,409	-	-	5,092,622	5,007,221
Derivative liabilities							
- Inflow	(1,296,453)	-	-	-	-	(1,296,453)	(1,291,731)
- Outflow	1,293,443	-	-	-	-	1,293,443	1,309,633
Total	**37,308,235**	**7,938,148**	**39,418,012**	**83,846,077**	**25,489,002**	**193,999,474**	**162,706,142**
Credit related commitments	**19,261,542**	-	-	-	-	19,261,542	-

31 Risk management, continued

(d) Liquidity risk, continued

The position of the Bank as at 31 December 2006 was as follows:

'000 KZT	Demand and less than 1 month	From 1 to 3 month	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	4,706,991	8,501,078	17,453,222	12,248,250	-	42,909,541	40,298,105
Amounts payable under repurchase agreements	77,148	-	-	-	-	77,148	77,064
Current accounts and deposits from customers	27,839,825	3,004,327	29,953,546	41,970,130	2,073,168	104,840,996	80,320,093
Debt securities issued	-	-	97,500	1,597,500	-	1,695,000	1,500,120
Subordinated debt securities issued	-	-	880,361	6,881,566	9,144,707	16,906,634	10,656,016
Other liabilities	539,048	-	-	-	-	539,048	539,048
	33,163,012	**11,505,405**	**48,384,629**	**62,697,446**	**11,217,875**	**166,968,367**	**133,390,446**
Credit related commitments	33,135,971	-	-	-	-	33,135,971	-

For further information on the Bank's exposure to liquidity risk at year end refer to Note 41.

32 Capital management

The FMSA sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the FMSA banks have to maintain a ratio of tier 1 capital to total assets and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 31 December 2007, this minimum level of tier 1 capital to total assets is 5% and the minimum level of total capital to risk weighted assets, contingent liabilities, adjusted for operational and market risk is 10%. The Bank was in compliance with the statutory capital ratios during the years ended 31 December 2007 and 31 December 2006.

33 Commitments

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

	2007 '000 KZT	2006 '000 KZT
Contracted amount		
Loan and credit line commitments	13,261,594	26,828,136
Letters of credit	3,585,830	3,737,674
Guarantees	2,414,118	2,634,491
	19,261,542	**33,200,301**
Provision for guarantees and letters of credit issued	-	(64,330)
	19,261,542	**33,135,971**

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Movements in provision for losses on credit related commitments are as follows:

	2007 '000 KZT	2006 '000 KZT
Balance at the beginning of the year	64,330	45,531
Net (recovery)/charge for the year	(64,330)	18,799
Balance at the end of the year	**-**	**64,330**

This provision is recorded within other liabilities. Refer to Note 28.

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1
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34 Operating leases

Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

	2007 '000 KZT	2006 '000 KZT
Less than one year	185,922	258,694
Between one and five years	304,631	-
	490,553	**258,694**

The Bank leases a number of premises and equipment under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the current year KZT 480,577 thousand was recognised as an expense in the unconsolidated income statement in respect of operating leases (2006: KZT 290,004 thousand).

35 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to the Bank's operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

(b) Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial condition or the future results of the Bank.

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1
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35 Contingencies, continued

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

36 Custody activities

The Bank provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Bank and are not recognised in the balance sheet.

37 Related party transactions

(a) Parent Company

The parent of the Bank is Eurasian Financial Industrial Company JSC. No publicly available financial statements are produced by the Bank's parent company.

(b) Transactions with members of the Board of Directors and the Management Board

Total remuneration included in employee compensation (refer to Note 11):

	2007 '000 KZT	2006 '000 KZT
Members of the Board of Directors	141,979	112,852
Members of the Management Board	204,673	208,653
	346,652	**321,505**

The outstanding balances and average interest rates as at and for the years ended 31 December 2007 and 2006 with members of the Board of Directors and the Management Board are as follows:

	2007 '000 KZT	Average Interest Rate	2006 '000 KZT	Average Interest Rate
Unconsolidated balance sheet				
Assets				
Loans to customers	319,068	11.59%	1,778,229	4.2%
Liabilities				
Current accounts and deposits from customers	3,628,761	9.51%	1,811,261	9.4%

Other amounts included in the income statement in relation to transactions with members of the Board of Directors and the Management Board are as follows:

	2007 '000 KZT	2006 '000 KZT
Unconsolidated income statement		
Interest income	48,463	46,837
Interest expense	(238,105)	(286,081)

37 Related party transactions, continued

(c) Transactions with other related parties

The outstanding balances and the related average interest rates as of 31 December 2007 and related income statement amounts of transactions for the year ended 31 December 2007 with other related parties are disclosed in the table below.

	Parent company		Subsidiaries		Fellow subsidiaries		Other		Total
	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT
Unconsolidated Balance Sheet									
Assets									
Loans to customers	-	-	-	-	3,642,177	12.60%	687,367	11.80%	**4,329,544**
Less: impairment allowance	-	-	-	-	(218,835)	-	-	-	**(218,835)**
Investments in subsidiaries	-	-	1,156,504	-	-	-	-	-	**1,156,504**
Other assets	-		2,443	-	1,322		61	-	**3,826**
Liabilities									
Current accounts and deposits from customers	1,142,282	3.20%	2,403,127	10.30%	31,062,382	7.20%	2,424,854	9.90%	**37,032,645**
Debt securities issued	-	-	3,421	6.89%	-	-	-	-	**3,421**
Subordinated debt securities issued	-		2,090,008	10.05%	-	-	-	-	**2,090,008**
Other liabilities	-	-	141	-	4,037,476	-	-	-	**4,037,617**
Off balance sheet items									
Loan and credit line commitments	-	-	-	-	1,461,577	-	2,635		**1,464,212**
Guarantees and letters of credit issued	-	-	3,714	-	2,032,764	-	-	-	**2,036,478**
Unconsolidated Income Statement									
Interest income	-		-		484,924		92,188		**577,112**
Interest expense	(32,175)		(176,384)		(1,714,548)		(219,456)		**(2,142,563)**
Fee and commission income	7,256		14,030		968,610		-		**989,896**
Gain on spot transactions	1,073		994		514,866		-		**516,933**
Impairment losses	-		-		(129,085)		-		**(129,085)**
Administrative expenses	(280,854)		(11,720)		(44,208)		(198,807)		**(535,589)**

During the year, ended 31 December 2007, the Bank acquired property and equipment from a fellow subsidiary in the amount of KZT 6,106,80[illegible] thousand (2006: nil).

37 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances and the related average interest rates as of 31 December 2006 and related income statement amounts of transactions for the year ended 31 December 2006 with other related parties are disclosed in the table below.

	Parent company		Fellow subsidiaries		Other		Total
	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT
Balance sheet							
Assets							
Loans to customers	-	-	5,006,735	10.60%	534,349	10.00%	**5,541,084**
Less: impairment allowance	-	-	(81,834)	-	-	-	**(81,834)**
Liabilities							
Current accounts and deposits from customers	1,104,655	3.00%	33,775,327	4.90%	180,122	9.50%	**35,060,104**
Debt securities issued	-	-	3,421	6.89%	-	-	**3,421**
Subordinated debt securities issued	-	-	2,090,008	10.05%	-	-	**2,090,008**
Off balance sheet items							
Loan and credit line commitments	-	-	865,753	-	33,497	-	**899,250**
Guarantees and letters of credit issued	342,265	-	224,596	-	-	-	**566,861**
Income statement							
Interest income	-		559,043		39,194		**598,237**
Interest expense	(19,356)		(1,086,870)		(31,276)		**(1,137,502)**
Fee and commission income	2,172		929,307		-		**931,479**
Gain on spot transactions	1,617		831,203		-		**832,820**
Administrative expenses	(196,163)		(4,441)		(153,139)		**(353,743)**

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38 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the unconsolidated statement of cash flows is composed of the following items:

	2007 '000 KZT	2006 '000 KZT
Cash	5,063,808	3,541,164
Due from the NBRK – nostro account	8,658,213	6,214,200
Placements with banks and other financial institutions with original maturities of less than 3 months	17,422,054	20,435,134
Obligatory reserve	(8,276,911)	(8,588,091)
	22,867,164	**21,602,407**

Under Kazakh legislation, the Bank is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Bank. Such reserves must be held in either non-interest bearing deposits with NBRK or in cash and maintained based on average monthly balances of the aggregate of deposits with the NBRK and cash. The use of such funds is, therefore, subject to certain restrictions.

39 Fair value of financial instruments

The estimated fair value of the Bank's financial assets and liabilities, as required to be disclosed by IFRS 7 *Financial Instruments: Disclosure*, is as follows:

The estimated fair value of cash, nostro accounts with the NBRK, nostro accounts with other banks and other floating rate placements is their carrying value.

The estimated fair values of quoted available-for-sale assets, derivative financial instruments, debt securities issued, subordinated debt securities issued are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities, except as described below, are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the balance sheet date. As disclosed in Note 17 the fair value of unquoted equity securities available for sale with a carrying value of KZT 10,000 thousand could not be determined.

The estimated fair values of all financial instruments approximate their carrying values, except as follows:

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1
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39 Fair value of financial instruments, continued

ASSETS	2007 '000 KZT Fair Value	2007 '000 KZT Carrying Value	2006 '000 KZT Fair Value	2006 '000 KZT Carrying Value
Placements with banks and other financial institutions	19,354,041	19,142,673	22,667,968	22,667,968
Loans to customers	114,128,114	115,757,725	93,993,080	92,835,826
LIABILITIES				
Deposits and balances from banks and other financial institutions	39,624,256	38,329,428	41,173,448	40,298,105
Current accounts and deposits from customers	93,187,249	91,603,245	80,320,093	80,320,093
Debt securities issued	1,485,034	1,505,038	1,427,453	1,500,120
Subordinated debt securities issued	17,477,362	17,659,923	10,319,545	10,656,016

The estimates of fair value are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

KPMG Audit LLC
1
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40 Average effective interest rates

The table below displays the Bank's interest bearing assets and liabilities as at 31 December 2007 and 2006 and their corresponding average effective interest rates as at that date. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	Value '000 KZT	2007 Average Effective Interest Rate	Value '000 KZT	2006 Average Effective Interest Rate
Interest Bearing Assets				
Placements with banks and other financial institutions				
Nostro accounts				
- KZT	-	-	15,655	1.61%
- USD	16,998,107	4.25%	18,853,686	5.60%
- other currencies	468,001	2.85%	1,021,439	4.04%
Loans and deposits				
- USD	1,620,979	9.77%	2,330,472	8.62%
- other currencies	55,586	9.08%	446,716	3.63%
Amount receivable under reverse repurchase agreements				
- KZT	9,727,026	6.79%	-	-
Loans to customers				
- KZT	74,238,165	16.79%	56,837,690	13.53%
- USD	39,666,337	15.12%	34,734,079	12.03%
- other currencies	1,853,223	17.15%	1,264,057	9.79%
Available-for-sale assets				
- KZT	9,530,504	7.18%	8,144,024	4.87%
- USD	2,759,605	4.98%	13,580,329	5.53%

40 Average effective interest rates, continued

	Value '000 KZT	2007 Average Effective Interest Rate	Value '000 KZT	2006 Average Effective Interest Rate
Interest Bearing Liabilities				
Deposits and balances from banks and other financial institutions				
Loans from financial institutions, other than banks				
- KZT	3,061,539	11.35%	-	-
- USD	11,054,309	9.19%	5,153,848	9.94%
Syndicated bank loans				
- USD	14,000,320	7.33%	20,246,097	6.75%
Term deposits				
- KZT	8,014,862	9.58%	2,423,889	7.92%
- USD	-	-	1,274,692	7.00%
Loans from banks				
- KZT	-	-	5,504,889	8.00%
- USD	1,687,264	7.63%	3,548,548	6.23%
- other currencies	472,792	6.57%	1,052,443	4.55%
Vostro accounts				
- KZT	1,743	-	22,802	-
- USD	34,711	-	1,040,784	3.00%
- other currencies	1,888	-	30,113	-
Amount payable under repurchase agreements				
- KZT	6,187,406	4.98%	77,064	5.00%
- USD	2,395,979	6.50%	-	-
Demand deposits and term deposits from customers				
Retail customers:				
- KZT	10,233,407	9.06%	4,693,992	6.63%
- USD	8,406,937	7.32%	5,168,587	5.17%
- other currencies	675,100	7.56%	161,723	2.33%
Corporate customers:				
- KZT	32,819,892	9.64%	16,621,484	7.68%
- USD	17,708,917	8.78%	34,081,594	6.89%
- other currencies	301,275	2.24%	1,215,273	2.54%
Debt securities issued				
- KZT	1,505,038	6.89%	1,500,120	6.52%
Subordinated debt securities issued				
- KZT	17,659,923	10.05%	10,656,016	7.91%

41 Maturity analysis

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2007.

Assets	Less than 1 month '000 KZT	1 to 3 months '000 KZT	3 months to 1 year '000 KZT	1 to 5 years '000 KZT	More than 5 years '000 KZT	No maturity '000 KZT	Overdue '000 KZT	Total '000 KZT
Cash	5,063,808	-	-	-	-	-	-	5,063,808
Due from the National Bank of the Republic of Kazakhstan	381,302	-	-	-	-	8,276,911	-	8,658,213
Placements with banks and other financial institutions	17,468,257	119,741	231,375	1,323,300	-	-	-	19,142,673
Amounts receivable under reverse repurchase agreements	9,727,026	-	-	-	-	-	-	9,727,026
Derivative financial instruments	2,350	-	-	-	-	-	-	2,350
Loans to customers	5,529,337	10,043,286	38,936,484	43,775,317	16,675,162	-	798,139	115,757,725
Available-for-sale assets	-	1,425,139	4,222,815	1,921,434	4,720,721	10,000	-	12,300,109
Investments in subsidiaries	-	-	-	-	-	1,156,504	-	1,156,504
Income tax prepaid	-	-	194,946	-	-	-	-	194,946
Deferred tax assets	-	-	-	162,298	-	-	-	162,298
Property and equipment	-	-	-	-	-	10,076,008	-	10,076,008
Intangible assets	-	-	-	-	-	500,415	-	500,415
Other assets	213,486	79,315	-	-	-	39,314	-	332,115
Total assets	**38,385,566**	**11,667,481**	**43,585,620**	**47,182,349**	**21,395,883**	**20,059,152**	**798,139**	**183,074,190**

KPMG Audit LLC
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1

41 Maturity analysis, continued

	Less than 1 month '000 KZT	1 to 3 months '000 KZT	3 months to 1 year '000 KZT	1 to 5 years '000 KZT	More than 5 years '000 KZT	No maturity '000 KZT	Overdue '000 KZT	Total '000 KZT
Liabilities								
Deposits and balances from banks and other financial institutions	38,342	6,182,098	26,894,704	5,214,284	-	-	-	38,329,428
Amounts payable under repurchase agreements	8,583,385	-	-	-	-	-	-	8,583,385
Derivative financial instruments	17,902	-	-	-	-	-	-	17,902
Current accounts and deposits from customers	27,828,776	902	296,771	61,964,177	1,512,619	-	-	91,603,245
Debt securities issued	-	-	1,505,038	-	-	-	-	1,505,038
Subordinated debt securities issued	-	174,296	235,972	2,969,675	14,279,980	-	-	17,659,923
Other liabilities	322,042	428,171	4,257,008	-	-		-	5,007,221
Total liabilities	**36,790,447**	**6,785,467**	**33,189,493**	**70,148,136**	**15,792,599**	**-**	**-**	**162,706,142**
Net position as at 31 December 2007	**1,595,119**	**4,882,014**	**10,396,127**	**(22,965,787)**	**5,603,284**	**20,059,152**	**798,139**	**20,368,048**
Net position as at 31 December 2006	(5,455,483)	(7,897,347)	(4,079,149)	1,114,204	21,427,395	13,157,872	662,988	18,930,480

Due to the fact that substantially all the financial instruments of the Bank are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

The amounts in the tables above represent carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

42 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2007:

'000 KZT	KZT	USD	Other currencies	Total
Assets				
Cash	1,685,292	2,460,681	917,835	5,063,808
Due from the National Bank of the Republic of Kazakhstan	8,658,213	-	-	8,658,213
Placements with banks and other financial institutions	195,162	18,421,337	526,174	19,142,673
Amounts receivable under reverse repurchase agreements	9,727,026	-	-	9,727,026
Derivative financial instruments	2,350	-	-	2,350
Loans to customers	74,238,165	39,666,337	1,853,223	115,757,725
Available-for-sale assets	9,540,504	2,759,605	-	12,300,109
Investments in subsidiaries	1,153,315	-	3,189	1,156,504
Income tax prepaid	194,946	-	-	194,946
Deferred tax assets	162,298	-	-	162,298
Property and equipment	10,076,008	-	-	10,076,008
Intangible assets	500,415	-	-	500,415
Other assets	258,218	73,720	177	332,115
Total assets	**116,391,912**	**63,381,680**	**3,300,598**	**183,074,190**
Liabilities				
Deposits and balances from banks and other financial institutions	11,078,037	26,776,945	474,446	38,329,428
Amounts payable under repurchase agreements	6,187,406	2,395,979	-	8,583,385
Derivative financial instruments	17,902	-	-	17,902
Current accounts and deposits from customers	55,737,700	34,058,866	1,806,679	91,603,245
Debt securities issued	1,505,038	-	-	1,505,038
Subordinated debt securities issued	17,659,923	-	-	17,659,923
Other liabilities	4,565,481	130,298	311,442	5,007,221
Total liabilities	**96,751,487**	**63,362,088**	**2,592,567**	**162,706,142**
Net on balance sheet position as of 31 December 2007	**19,640,425**	**19,592**	**708,031**	**20,368,048**
Net off balance sheet position as of 31 December 2007	**844,450**	**26,175**	**(885,850)**	**(15,225)**
Net on and off balance sheet positions as of 31 December 2007	**20,484,875**	**45,767**	**(177,819)**	**20,352,823**
Net on balance sheet positions as of 31 December 2006	22,866,869	(4,167,478)	231,089	18,930,480