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# JSC Nurbank

## Consolidated Financial Statements

*Year ended December 31, 2006*
*together with Independent Auditors' Report*

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# INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of JSC Nurbank –

We have audited the accompanying consolidated financial statements of JSC Nurbank and its subsidiaries (the "Bank"), which comprise the consolidated balance sheet as of December 31, 2006 and the consolidated statement of income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

*Management's Responsibility for the Financial Statements*

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

*Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2006, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

April 12, 2007

# CONSOLIDATED BALANCE SHEET
## AS OF DECEMBER 31, 2006

*(Thousands of Kazakh tenge)*

| | *Notes* | *2006* | *2005 (restated)* |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 5 | **22,564,269** | 23,060,242 |
| Obligatory reserves | 6 | **12,774,583** | 1,344,789 |
| Financial assets at fair value through profit or loss | 7 | **6,925,476** | 9,921,757 |
| Amounts due from credit institutions | 8 | **1,999,630** | 3,888,750 |
| Available-for-sale securities | 9 | **10,102,014** | 5,276,421 |
| Loans to customers | 11, 12 | **143,832,242** | 73,491,978 |
| Investments in associates | 13 | **–** | 131,478 |
| Current income tax assets | 14 | **106,509** | 283,050 |
| Property and equipment | 15 | **3,098,031** | 3,055,164 |
| Intangible assets | 16 | **254,692** | 229,607 |
| Reserves for insurance claims, reinsurance share | | **39,459** | 25,538 |
| Other assets | | **988,453** | 773,613 |
| **Total assets** | | **202,685,358** | 121,482,387 |
| | | | |
| **Liabilities** | | | |
| Amounts due to the Government | 17 | **77,428** | 81,119 |
| Amounts due to credit institutions | 18 | **43,458,527** | 23,158,196 |
| Amounts due to customers | 19 | **74,852,653** | 46,492,311 |
| Debt securities issued | 20 | **58,045,223** | 36,154,346 |
| Reserves for insurance claims | | **347,069** | 196,269 |
| Provisions | 12 | **88,222** | 83,842 |
| Deferred income tax liabilities | 14 | **239,607** | 223,569 |
| Other liabilities | | **1,036,088** | 1,053,162 |
| **Total liabilities** | | **178,144,817** | 107,442,814 |
| | | | |
| **Equity** | | | |
| Share capital: | | | |
| - common shares | 21 | **12,997,000** | 5,120,000 |
| - preferred shares | 21 | **1,997,000** | 1,000,000 |
| Treasury stock | 21 | **(9,520)** | – |
| Additional paid-in capital | | **89,815** | 100 |
| Securities revaluation reserve | | **101,820** | 184,423 |
| Property and equipment revaluation reserve | | **489,139** | 494,728 |
| Retained earnings | | **8,502,210** | 7,038,447 |
| **Total equity attributable to shareholders of the Bank** | | **24,167,464** | 13,837,698 |
| Minority interest | | **373,077** | 201,875 |
| **Total equity** | | **24,540,541** | 14,039,573 |
| | | | |
| **Total equity and liabilities** | | **202,685,358** | 121,482,387 |

## Signed and authorized for release on behalf of the Management Board of the Bank

Gulmira D. Dzhumadillayeva Chairman of the Board

Aidyn A. Tairov Chief Accountant

April 12, 2007

*The accompanying notes on pages 6 to 40 are an integral part of these consolidated financial statements.*

# CONSOLIDATED STATEMENT OF INCOME
## FOR THE YEAR ENDED DECEMBER 31, 2006

*(Thousands of Kazakh tenge)*

| | *Notes* | *2006* | *2005* |
|---|---|---|---|
| **Interest income** | | | |
| Loans to customers | | 13,515,846 | 9,416,402 |
| Securities | | 1,054,233 | 583,150 |
| Amounts due from credit institutions | | 467,637 | 444,319 |
| | | 15,037,716 | 10,443,871 |
| **Interest expense** | | | |
| Amounts due to customers | | (2,243,849) | (2,071,437) |
| Amounts due to credit institutions | | (2,960,332) | (1,564,282) |
| Debt securities issued | | (4,131,972) | (2,648,321) |
| | | (9,336,153) | (6,284,040) |
| **Net interest income** | | 5,701,563 | 4,159,831 |
| (Impairment) reversal of interest earning assets | 12 | (2,028,525) | 784,352 |
| **Net interest income after impairment of interest earning assets** | | 3,673,038 | 4,944,183 |
| Fee and commission income | 23 | 2,331,941 | 1,495,700 |
| Fee and commission expense | 23 | (357,468) | (329,565) |
| **Net fee and commission income** | | 1,974,473 | 1,166,135 |
| Losses less gains from financial assets at fair value through profit or loss | | (71,142) | (5,040) |
| Gains less losses from available-for-sale securities | | 53,020 | 37,151 |
| Gains less losses from foreign currencies: | | | |
| - dealing | | 413,756 | 168,841 |
| - translation differences | | 592,218 | 21,405 |
| Share of income of associates | 13 | – | 22,628 |
| Insurance underwriting income | 24 | 201,960 | 247,350 |
| Insurance underwriting expense | 24 | (49,679) | (112,243) |
| Other income | 25 | 250,428 | 38,245 |
| **Other non interest income** | | 1,390,561 | 418,337 |
| Salaries and benefits | 26 | (2,317,454) | (1,699,199) |
| Depreciation and amortisation | 15, 16 | (443,105) | (342,151) |
| Taxes other than income tax | 27 | (201,214) | (187,553) |
| Other operating expenses | 26 | (2,039,978) | (2,115,041) |
| Other provisions | 12 | (4,380) | (8,159) |
| **Other non interest expense** | | (5,006,131) | (4,352,103) |
| **Profit before income tax expense** | | 2,031,941 | 2,176,552 |
| Income tax expense | 14 | (406,958) | (167,453) |
| **Profit for the year** | | 1,624,983 | 2,009,099 |
| Attributable to: | | | |
| - shareholders of the Bank | | 1,593,694 | 1,953,417 |
| - minority interest | | 31,289 | 55,682 |
| **Basic earnings per share (in Kazakh tenge)** | 28 | 1,799 | 3,904 |
| **Diluted earnings per share (in Kazakh tenge)** | 28 | 1,151 | 3,530 |

*The accompanying notes on pages 6 to 40 are an integral part of these consolidated financial statements.*

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

*(Thousands of Kazakh tenge)*

| | Attributable to shareholders of the Bank | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital-common shares | Share capital-preferred shares | Treasury stock | Additional paid-in capital | Securities revaluation reserve | Property and equipment revaluation reserve | Retained earnings | Total | Minority interest | Total equity |
| **December 31, 2004** | 4,000,000 | 1,000,000 | – | 100 | (122,439) | – | 5,536,511 | 10,414,172 | 146,193 | 10,560,365 |
| Restatement *(Note 2)* | – | – | – | – | 351,481 | – | (351,481) | – | – | – |
| **December 31, 2004 (restated)** | 4,000,000 | 1,000,000 | – | 100 | 229,042 | – | 5,185,030 | 10,414,172 | 146,193 | 10,560,365 |
| Fair value change of available-for-sale securities, net of tax | – | – | – | – | 29,531 | – | – | 29,531 | – | 29,531 |
| Realised fair value change of available-for-sale securities | – | – | – | – | (74,150) | – | – | (74,150) | – | (74,150) |
| Revaluation of property and equipment, net of tax *(Note 14, 15)* | – | – | – | – | – | 494,728 | – | 494,728 | – | 494,728 |
| Total income and expense recognized directly in equity | – | – | – | – | (44,619) | 494,728 | – | 450,109 | – | 450,109 |
| Net income | – | – | – | – | – | – | 1,953,417 | 1,953,417 | 55,682 | 2,009,099 |
| Total income | – | – | – | – | (44,619) | 494,728 | 1,953,417 | 2,403,526 | 55,682 | 2,459,208 |
| Capital contributions | 1,120,000 | – | – | – | – | – | – | 1,120,000 | – | 1,120,000 |
| Dividends - preferred shares | – | – | – | – | – | – | (100,000) | (100,000) | – | (100,000) |
| **December 31, 2005 (restated)** | 5,120,000 | 1,000,000 | – | 100 | 184,423 | 494,728 | 7,038,447 | 13,837,698 | 201,875 | 14,039,573 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
**FOR THE YEAR ENDED DECEMBER 31, 2006**

*(Thousands of Kazakh tenge)*

| | *Attributable to shareholders of the Bank* | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | *Share capital-common shares* | *Share capital-preferred shares* | *Treasury stock* | *Additional paid-in capital* | *Securities revaluation reserve* | *Property and equipment revaluation reserve* | *Retained earnings* | *Total* | *Minority interest* | *Total equity* |
| **December 31, 2005 (restated)** | 5,120,000 | 1,000,000 | – | 100 | 184,423 | 494,728 | 7,038,447 | 13,837,698 | 201,875 | 14,039,573 |
| Fair value change of available-for-sale securities, net of tax | – | – | – | – | (33,679) | – | – | (33,679) | – | (33,679) |
| Realised fair value change of available-for-sale securities | – | – | – | – | (48,924) | – | – | (48,924) | – | (48,924) |
| Revaluation of property and equipment, net of tax | – | – | – | – | – | (5,589) | 5,589 | – | – | – |
| Total income and expense recognized directly in equity | – | – | – | – | (82,603) | (5,589) | 5,589 | (82,603) | – | (82,603) |
| Net income | – | – | – | – | – | – | 1,593,694 | 1,593,694 | 31,289 | 1,624,983 |
| Total income | – | – | – | – | (82,603) | (5,589) | 1,599,283 | 1,511,091 | 31,289 | 1,542,380 |
| Capital contributions | 7,877,000 | 997,000 | – | 89,715 | – | – | – | 8,963,715 | – | 8,963,715 |
| Dividends - preferred shares | – | – | – | – | – | – | (135,520) | (135,520) | – | (135,520) |
| Minority interest arising on acquisition of subsidiary | – | – | – | – | – | – | – | – | 291,050 | 291,050 |
| Increase in ownership interest in a subsidiary | – | – | – | – | – | – | – | – | (151,137) | (151,137) |
| Purchase of treasury shares | – | – | (9,520) | – | – | – | – | (9,520) | – | (9,520) |
| **December 31, 2006** | 12,997,000 | 1,997,000 | (9,520) | 89,815 | 101,820 | 489,139 | 8,502,210 | 24,167,464 | 373,077 | 24,540,541 |

*The accompanying notes on pages 6 to 40 are an integral part of these consolidated financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS
## FOR THE YEAR ENDED DECEMBER 31, 2006

*(Thousands of Kazakh tenge)*

| | *2006* | *2005* |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Profit before income taxes and minority interest | 2,031,941 | 2,176,552 |
| Adjustments for: | | |
| Impairment (reversal) of interest earning assets | 2,028,525 | (784,352) |
| Other provisions | 4,380 | 8,159 |
| Depreciation and amortization | 443,105 | 342,151 |
| Unrealized foreign exchange loss (gain) | 39,317 | (46,069) |
| Loss from disposal of premises and equipment | 15,929 | 6,423 |
| Reserves for insurance claims | 136,879 | (20,881) |
| Gain on subsidiary acquisition | (164,500) | – |
| Income from associate | – | (22,628) |
| Revaluation loss of premises and equipment | – | 10,047 |
| **Operating income before changes in net operating assets** | 4,535,576 | 1,669,402 |
| **(Increase) decrease in operating assets:** | | |
| Obligatory reserves | (11,429,794) | 105,123 |
| Financial assets at fair value through profit or loss | 2,881,639 | (9,189,222) |
| Amounts due from credit institutions | 1,885,088 | (3,244,951) |
| Loans to customers | (73,497,383) | (4,538,246) |
| Other assets | (384,701) | (502,576) |
| **Increase (decrease) in operating liabilities:** | | |
| Amounts due to the Government | (3,691) | (86,901) |
| Amounts due to credit institutions | 3,730,007 | 1,711,550 |
| Amounts due to customers | 28,404,421 | (2,887,214) |
| Other liabilities | (27,293) | 826,696 |
| **Net cash used in operating activities before income taxes** | (43,906,131) | (16,136,339) |
| Income tax paid | (214,379) | (351,043) |
| **Net cash used in operating activities** | (44,120,510) | (16,487,382) |
| **Cash flows from investing activities:** | | |
| Purchase of available-for-sale securities | (12,838,252) | (696,124) |
| Sale of available-for-sale securities | 8,140,601 | 1,472,815 |
| Purchase of premises and equipment | (1,150,436) | (1,283,163) |
| Proceeds from sale of premises and equipment | 124,162 | 376,308 |
| Purchase of intangible assets | (74,900) | (92,776) |
| Net cash acquired on acquisition of subsidiaries | 67,034 | – |
| **Net cash used in investing activities** | (5,731,791) | (222,940) |
| **Cash flows from financing activities:** | | |
| Proceeds from issue of share capital | 8,963,715 | 1,120,000 |
| Treasury stock | (9,520) | – |
| Dividends paid | (135,520) | (100,000) |
| Debt securities issued | 22,913,080 | 27,516,564 |
| Long-term loans received from credit institutions | 18,592,120 | 4,643,028 |
| Redemption of long-term loans received from credit institutions | (1,008,920) | (4,103,564) |
| **Net cash provided by financing activities** | 49,314,955 | 29,076,028 |
| | | |
| Effects of exchange rates changes on cash and equivalents | 41,373 | 20,126 |
| **Net change in cash and cash equivalents** | (495,973) | 12,385,832 |
| **Cash and cash equivalents at the beginning of the year** | 23,060,242 | 10,674,410 |
| **Cash and cash equivalents at the end of the year** *(Note 5)* | 22,564,269 | 23,060,242 |
| **Supplementary information:** | | |
| Interest received | 12,987,462 | 8,949,519 |
| Interest paid | (9,218,775) | (5,165,022) |

**Non-cash transactions – supplemental disclosure:**

Non-cash transactions in 2006, including the following, have been excluded from the cash flow statement: transfer of equipment of KZT 610,502 thousand to a borrower under a finance lease agreement.

*The accompanying notes on pages 6 to 40 are an integral part of these consolidated financial statements.*

## 1. Principal activities

JSC Nurbank and its subsidiaries (the "Bank") provide retail and corporate banking, insurance, pension and asset management services in Kazakhstan. The Bank was registered as open joint stock company in 1993. Due to a change in legislation introduced in 2003, the Bank was reregistered as a joint stock company on November 9, 2004. The Bank is incorporated and domiciled in the Republic of Kazakhstan. The Bank's activities are regulated by the National Bank of the Republic of Kazakhstan (the "NBK") and the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Institutions (the "FMSA").

The Bank accepts deposits from the public, extends credit, transfers payments in Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers.

Starting from February 16, 2000 the Bank is a member of the obligatory deposit insurance system. The system operates under the Law of the Republic of Kazakhstan on "Obligatory insurance of second tier banks deposits" dated on July 7, 2006 and is governed by the FMSA. Insurance covers Bank's liabilities to individual depositors for the amount up to KZT 400 thousand for each individual in case of business failure and revocation of the NBK banking license.

The address of the Bank's registered office is: 168B Zheltoksan Street, Almaty, 050013, Republic of Kazakhstan. The Bank has a primary listing in the Kazakhstani Stock Exchange ("KASE") and certain of the Bank's debt securities issued are primarily listed on London Stock Exchange with security listing on KASE. The Bank's head office is located in Almaty. As of December 31, 2006, the Bank had 15 branches, 21 cash settlement units (December 31, 2005: 15 branches, 21 cash settlements units) located throughout Kazakhstan.

As of December 31, the following shareholders own more than 5% of the outstanding common shares.

| Shareholder | *2006* % | *2005* % |
|---|---|---|
| Alma TV JSC | 9.93 | 9.53 |
| A-Holding LLP | 9.93 | – |
| Almatinsky Sakhar JSC | 9.93 | 7.62 |
| Sakharny Center JSC | 9.93 | 5.90 |
| Alma Tur JSC | 9.45 | 6.85 |
| Novy Mir Company Limited JSC | 8.88 | 2.02 |
| Aliyev M. | 6.84 | 2.34 |
| Other | 35.11 | 65.74 |
| **Total** | **100.00** | 100.00 |

Currently Rakhat Aliyev is in the process of obtaining the status of the major shareholder of the Bank.

As of December 31, 2006, members of the Board of Directors and Management Board control 47,354 shares or 3.64% (December 31, 2005: 47,354 shares or 9.25%) of the Bank.

## 2. Basis of preparation

### General

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements are prepared under the historical cost convention modified for the measurement at fair value of financial assets at fair value through profit or loss, available-for-sale securities and buildings.

These consolidated financial statements are presented in thousands of Kazakh tenge ("KZT"), except per share amounts and unless otherwise indicated.

### Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the amendment to IAS 39 "Financial Instruments: Recognition and Measurement": Financial Guarantees, effective for annual periods beginning on or after 1 January 2006. The amendment addresses the treatment of financial guarantee contracts by the issuer. Under the amended IAS 39, financial guarantee contracts are recognized initially at fair value and subsequently remeasured at the higher of the amount determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with IAS 18 "Revenue".

The adoption of the above pronouncement did not have a significant impact on the Bank's consolidated financial statements.

*(Thousands of Kazakh tenge)*

## 2. Basis of preparation (continued)

### IFRSs and IFRIC interpretations not yet effective

The Bank has not applied the following IFRSs and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) that have been issued but are not yet effective:

IFRS 7 "Financial Instruments: Disclosures";
Amendment to IAS 1 "Presentation of financial Statements" – "Capital Disclosures";
IFRIC 8 "Scope of IFRS 2";
IFRIC 9 "Reassessment of Embedded Derivatives";
IFRIC 10 "Interim Financial Reporting and Impairment"
IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"
IFRIC 12 "Service Concession Arrangements"

The Bank expects that the adoption of the pronouncements listed above will have no significant impact on the Bank's consolidated financial statements in the period of initial application, except for the inclusion of new disclosures in accordance with IFRS 7 to enable users of the consolidated financial statements to evaluate the significance of the Bank's financial instruments, the nature and extent of risks arising from those financial instruments, and the Bank's objectives, policies and processes for managing capital.

### Subsidiaries

The consolidated financial statements include the following subsidiaries:

| *Subsidiary* | *Holding %* | *Country* | *Date of incorporation* | *Activities* | *Date of acquisition* | *Total assets* | *Equity* | *Net income* |
|---|---|---|---|---|---|---|---|---|
| *December 31, 2006* | | | | | | | | |
| JSC "KUPA NUR-TRUST" | 100 | Kazakhstan | July 2001 | Asset Management | August 2001 | 318,044 | 312,502 | 81,158 |
| LLP "Leasing company NUR-INVEST" | 100 | Kazakhstan | July 2001 | Leasing | August 2001 | 1,363,856 | 367,130 | 25,888 |
| JSC "Money Experts" | 100 | Kazakhstan | March 2002 | Brokerage | October 2002 | 124,425 | 107,829 | 20,083 |
| JSC "Insurance Company Nurpolicy" | 82 | Kazakhstan | December 1999 | Insurance | May 2004 | 839,846 | 488,887 | 85,137 |
| JSC APF "Atameken" | 53 | Kazakhstan | August 1997 | Pension Fund | June 2006 | 631,059 | 599,454 | 112,992 |
| NurFinance B.V. | 100 | Netherlands | July 2006 | Finance | October 2006 | 36,792,991 | 4,159 | 1,151 |

| *Subsidiary* | *Holding %* | *Country* | *Date of incorporation* | *Activities* | *Date of acquisition* | *Total assets* | *Equity* | *Net income* |
|---|---|---|---|---|---|---|---|---|
| *December 31, 2005* | | | | | | | | |
| JSC "KUPA NUR-TRUST" | 100 | Kazakhstan | July 2001 | Asset Management | August 2001 | 237,086 | 231,344 | 34,364 |
| LLP "Leasing company NUR-INVEST" | 100 | Kazakhstan | July 2001 | Leasing | August 2001 | 1,901,344 | 341,242 | 24,864 |
| JSC "Money Experts" | 100 | Kazakhstan | March 2002 | Brokerage | October 2002 | 86,555 | 87,746 | 13,422 |
| LLP "Grand Lombard" | 100 | Kazakhstan | November 1999 | Pawn Shop | November 1999 | 34,676 | 24,506 | 853 |
| JSC "Insurance Company Nurpolicy" | 50 | Kazakhstan | December 1999 | Insurance | May 2004 | 605,911 | 403,750 | 111,364 |

*(Thousands of Kazakh tenge)*

## 2. Basis of preparation (continued)

### Subsidiaries (continued)

On July 31, 2006, the Bank established a new subsidiary, NurFinance B.V. As of December 31, 2006, the Bank owned 100% of the share capital of NurFinance B.V.

In December, 2006 the Management Board of the Bank decided to dispose its 100% owned subsidiary, LLP "Grand Lombard". The subsidiary is included in other assets at fair value of KZT 20,841 thousand.

### Business combination

On December 31, 2003, the Bank acquired 34.15% of the share capital of JSC APF "Atameken", which had been accounted for under the equity method until June 28, 2006. On June 28, 2006, the Bank acquired additional 5.10% of the voting shares of JSC APF "Atameken" from existing shareholders, and simultaneously increased its share capital to 52.95% by additional contribution to the share capital of KZT 85,700 thousand. The Bank commenced consolidating JSC APF "Atameken" within its consolidated financial statements starting from June 28, 2006.

The fair value of the identifiable assets and liabilities of JSC APF "Atameken" as of the date of acquisitions were:

| | *Recognised on acquisition (34.15%)* | *Recognised on acquisition (5.10%)* | *Recognised on acquisition (52.95%)* |
|---|---|---|---|
| Cash and cash equivalents | 187,400 | 113,534 | 199,234 |
| Available-for-sale securities | 74,063 | 325,620 | 325,620 |
| Accounts receivable | 41,266 | 40,625 | 40,625 |
| Other assets | 21,731 | 63,338 | 63,338 |
| | 324,460 | 543,117 | 628,817 |
| Other liabilities | (28,142) | (10,219) | (10,219) |
| | (28,142) | (10,219) | (10,219) |
| Fair value of net assets | 296,318 | 532,898 | 618,598 |
| Bank's share of the fair value of net assets | 101,193 | 27,178 | 327,548 |
| Consideration paid | (101,193) | (15,000) | (85,700) |
| Change of Bank's share in net assets after contribution to share capital | – | – | 118,385 |
| Excess of share in fair value of the identifiable assets and liabilities over consideration paid | – | 12,178 | 32,685 |

As of the purchase dates the estimated fair values of net assets approximated their carrying values.

The financial results of JSC APF "Atameken" for the period from June 28, 2006, the date of acquisition, to December 31, 2006 were a net loss of KZT 16,500 thousand. Had the Bank consolidated in its statement of income the results of JSC APF "Atameken" starting from January 1, 2006, the Bank's revenue and net income would have been KZT 553,921 thousand and KZT 112,992 thousand, respectively. The excess of the Bank's share in the fair value of the identifiable assets and liabilities of JSC APF "Atameken" over the consideration paid of KZT 44,863 thousand was recorded in the income statement within other income.

The total cost of the combination was KZT 100,700 thousand and was paid entirely in cash. The net cash inflow on acquisition was as follows:

| | |
|---|---|
| Cash paid | (100,700) |
| Less: cash acquired with the subsidiary | 199,234 |
| **Net cash inflow** | 98,534 |

### Increase in ownership interest in subsidiaries

On June 28, 2006, the Bank increased its holding in the share capital of JSC "Insurance Company Nurpolicy" from 50.0% to 81.5% by purchase of 315 common shares from a minority holder for KZT 31,500 thousand. The excess of the Bank's cost of the additional interest in JSC "Insurance Company Nurpolicy" over the minority interest's share of the assets and liabilities reflected in the consolidated balance sheet at the acquisition date of KZT 119,637 thousand was recorded in income statement within other income.

*(Thousands of Kazakh tenge)*

## 2. Basis of preparation (continued)

**Associates accounted for under the equity method**

The following associate is accounted for under the equity method:

| *Associate* | *Holding %* | *Country* | *Date of incorporation* | *Activities* | *Date of acquisition* | *Share in net assets* | *Share in net income* |
|---|---|---|---|---|---|---|---|
| ***December 31, 2005*** | | | | | | | |
| JSC APF "Atameken" | 34.15 | Kazakhstan | August 1997 | Pension Fund | December 2003 | 138,658 | 22,628 |

The Bank has no associates as of December 31, 2006.

**Restatements**

The balances as of January 1, 2005, and December 31, 2005, were restated for the effect of an error that resulted from the recognition of foreign exchange differences and changes in amortized cost for available-for-sale securities in the available-for-sale securities revaluation reserve instead of the income statement in the periods preceding January 1, 2005. The effect of the correction of the error relating to prior periods is to decrease retained earnings and to increase available-for-sale securities revaluation reserve as of January 1, 2005, and December 31, 2005, for KZT 351,481 thousand.

## 3. Summary of significant accounting policies

**Subsidiaries**

Subsidiaries, which are those entities in which the Bank has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Bank and are no longer consolidated from the date that control ceases. All intragroup transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Bank.

*Acquisition of subsidiaries*

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Bank. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest.

The excess of purchase consideration over the Bank's share in the net fair value of the identifiable assets, liabilities and contingent liabilities is recorded as goodwill. If the cost of the acquisition is less than the Bank's share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired the difference is recognised directly in the consolidated statement of income.

Minority interest is the interest in subsidiaries not held by the Bank. Minority interest at the balance sheet date represents the minority shareholders' share in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary at the acquisition date and the minorities' share in movements in equity since the acquisition date. Minority interest is presented within equity.

Losses allocated to minority interest do not exceed the minority interest in the equity of the subsidiary unless there is a binding obligation of the minority to fund the losses. All such losses are allocated to the Bank.

*Increases in ownership interests in subsidiaries*

The differences between the carrying values of net assets attributable to interests in subsidiaries acquired and the consideration given for such increases are charged or credited to income statement.

*(Thousands of Kazakh tenge)*

## 3. Summary of significant accounting policies (continued)

### Financial assets

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial assets upon initial recognition.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

*Financial assets at fair value through profit or loss*

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in the consolidated statement of income.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the statement of income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

*Available-for-sale financial assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income. However, interest calculated using the effective interest method is recognised in the consolidated statement of income.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date.

### Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated 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 to realise the asset and settle the liability simultaneously.

### Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the NBK, excluding obligatory reserves, and due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

### Obligatory reserves

Obligatory reserves represent mandatory reserve deposits and cash which are not available to finance the Bank's day to day operations and, are not considered as part of cash and cash equivalents for the purpose of consolidated cash flow statement.

### Amounts due from credit institutions

In the normal course of business, the Bank maintains current accounts or deposits for various periods of time with other banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortized cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment.

*(Thousands of Kazakh tenge)*

## 3. Summary of significant accounting policies (continued)

### Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the consolidated balance sheet and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the consolidated balance sheet. Securities borrowed are not recorded in the consolidated balance sheet, unless these are sold to third parties, in which case the purchase and sale are recorded within losses less gains from financial assets at fair value through profit or loss in the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.

### Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments, primarily forwards in the foreign exchange markets. Such financial instruments are held for trading and are initially recognised in accordance with the policy for initial recognition of financial instruments and are subsequently measured at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of income as gains less losses from foreign currencies dealing.

### Allowances for impairment of financial assets

The Bank assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

*Assets carried at amortised cost*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss is recognised in the consolidated statement of income.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets 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, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

When an asset is uncollectible, is it written off against the related allowance for impairment. Such assets are written off after all necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the consolidated statement of income.

*(Thousands of Kazakh tenge)*

## 3. Summary of significant accounting policies (continued)

### Allowances for impairment of financial assets (continued)

*Available-for-sale financial assets*

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

### Derecognition of financial assets and liabilities

*Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

*Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated statement of income.

### Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

*(Thousands of Kazakh tenge)*

## 3. Summary of significant accounting policies (continued)

### Taxation (continued)

The Republic of Kazakhstan also has various operating taxes that are assessed on the Bank's activities. These taxes are included as a component in the statement of income.

### Leases

*Finance - Bank as lessor*

The Bank recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

*Operating - Bank as lessee*

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

### Property and equipment

Property and equipment is carried at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met. Buildings are measured at fair value less depreciation and impairment charged subsequent to the date of the revaluation.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Any revaluation surplus is credited to the revaluation reserve for property and equipment included in equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the consolidated statement of income, in which case the increase is recognised in the consolidated statement of income. A revaluation deficit is recognised in the consolidated statement of income, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Additionally, accumulated depreciation as of the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

| | *Years* |
|---|---|
| Buildings and constructions | 40 |
| Vehicles | 7 |
| Computers and banking equipment | 4 – 5 |
| Leasehold improvements | 5 |
| Other | 10 – 14 |

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

*(Thousands of Kazakh tenge)*

## 3. Summary of significant accounting policies (continued)

### Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets include computer software and licences. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are amortised over the useful economic lives of 6 to 7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired. Amortisation periods and methods for intangible assets with finite useful lives are reviewed at least at each financial year-end.

Costs associated with maintaining computer software programmes are recorded as an expense as incurred.

### Borrowings

Borrowings, which include amounts due to the Government, amounts due to credit institutions, amounts due to customers and debt securities issued are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated statement of income when the borrowings are derecognised as well as through the amortisation process.

If the Bank purchases its own debt, it is removed from the balance sheet and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of income.

### Provisions

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

### Retirement and other employee benefit obligations

The Bank does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. In addition, the Bank has no post-retirement benefits or significant other compensated benefits requiring accrual.

### Share capital

*Share capital*

Ordinary shares and non-redeemable preference shares are both classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

*Treasury shares*

Where the Bank or its subsidiaries purchases the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

*Dividends*

Dividends are recognised as a liability and deducted from equity at the balance sheet date only if they are declared before or on the balance sheet date. Dividends are disclosed when they are proposed before the balance sheet date or proposed or declared after the balance sheet date but before the financial statements are authorised for issue.

### Contingencies

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

*(Thousands of Kazakh tenge)*

## 3. Summary of significant accounting policies (continued)

### Income and expense recognition

Interest income and expense are recognised on an accrual basis calculated using the effective interest method. Loan origination fees for loans issued to customers are deferred (together with related direct costs) and recognised as an adjustment to the effective yield of the loans. Fees, commissions and other income and expense items are generally recorded on an accrual basis when the service has been provided. Portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Asset management fees related to investment funds are recorded over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

### Foreign currency translation

The consolidated financial statements are presented in KZT, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of income as gains less losses from foreign currencies - translation differences. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the KASE exchange rate on the date of the transaction are included in gains less losses from foreign currencies dealing. The official KASE exchange rates as of December 31, 2006 and 2005 were KZT 127.00 and KZT 133.98 to 1 USD, respectively.

### Insurance underwriting income

Underwriting income (loss) includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve, the provision of insurance losses and loss adjustment expenses, and policy acquisition costs.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers.

Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within other liabilities in the accompanying consolidated balance sheet.

Losses and loss adjustments are charged to income as incurred through the reassessment of the reserve for losses and loss adjustment expenses.

Commissions earned on ceded reinsurance contracts are recorded as income at the date the reinsurance contract is written and deemed enforceable.

### Reserve for insurance losses and loss adjustment expenses

The reserve for insurance losses and loss adjustment expenses is included in the accompanying consolidated balance sheet and is based on the estimated amount payable on claims reported prior to the balance sheet date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting period.

Due to the absence of prior experience, the reserve for incurred but not reported claims was established as being equal to the expected loss ratio for each line of business times the value of coverage, less the losses actually reported.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in current income.

### Reinsurance

In the ordinary course of business, the Bank cedes insurance risk to reinsurers. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from insured risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

*(Thousands of Kazakh tenge)*

## 3. Summary of significant accounting policies (continued)

**Reinsurance (continued)**

Reinsurance assets are recorded gross unless a right of offset exists and are included in the accompanying consolidated balance sheets within other assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, both are transferred by the Bank to the reinsurers.

## 4. Significant accounting judgements and estimates

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Allowance for impairment of loans and receivables*

The Bank regularly reviews its loans and receivables to assess impairment. The Bank uses its judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Bank uses its judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

*Taxation*

Kazakh tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and state authorities. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As of 31 December 2006 management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

*Claims liability arising from insurance contracts*

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the balance sheet date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the balance sheet date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies. The primary technique adopted by management in estimating the cost of declared and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claims estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

## 5. Cash and cash equivalents

Cash and cash equivalents comprise:

| | *2006* | *2005* |
|---|---|---|
| Cash on hand | **6,097,316** | 3,132,920 |
| Current accounts with the NBK | **9,203,750** | 1,282,979 |
| Current accounts with other credit institutions | **5,745,628** | 12,604,991 |
| Time deposits with the NBK up to 90 days | **1,500,375** | 4,001,361 |
| Time deposits with credit institutions up to 90 days | **17,200** | 857,889 |
| Overnight deposits with credit institutions | **–** | 1,180,102 |
| **Cash and cash equivalents** | 22,564,269 | 23,060,242 |

*(Thousands of Kazakh tenge)*

## 5. Cash and cash equivalents (continued)

Interest rates and maturity of the time deposits follow:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | *KZT* | *US Dollar, Euro* | *KZT* | *US Dollar, Euro* |
| Time deposits with the NBK up to 90 days | 4.50% | – | 3.50% | – |
| Time deposits with credit institutions up to 90 days | 9.00 - 9.10% | – | 5.50% | 4.00% - 6.50% |
| Overnight deposits with credit institutions | – | – | – | 2.20% - 6.00% |

As of December 31, 2006, top ten banks account for 72.8% of total cash and cash equivalents and represent 67.0% of the Bank's total equity. As of December 31, 2005, top ten banks accounted for 80.2% of total cash and cash equivalents and represented 131.3% of the Bank's total equity.

## 6. Obligatory reserves

As of December 31, 2006 and 2005 obligatory reserves comprise non-interest deposit with the NBK.

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 the NBK or in physical cash and maintained based on average balances of the aggregate of deposits with the NBK and physical cash. The use of such funds is, therefore, subject to certain usage restrictions.

## 7. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise:

| | *2006* | *2005* |
|---|---|---|
| Eurobonds of Kazakh banks | **4,353,632** | 2,514,477 |
| Treasury bills of the OECD governments | **1,492,203** | 3,212,508 |
| Bonds of Kazakh banks | **525,769** | 533,620 |
| Bonds of Kazakh credit institutions, other than banks | **272,659** | 280,967 |
| Eurobonds of foreign banks | **125,896** | 134,789 |
| Treasury bills of the Ministry of Finance | **90,385** | 33,677 |
| Eurobonds of Kazakh credit institutions, other than banks | **64,932** | – |
| Eurobonds of foreign credit institutions, other than banks | – | 2,429,752 |
| Corporate bonds | – | 781,967 |
| **Financial assets at fair value through profit or loss** | **6,925,476** | 9,921,757 |

Nominal interest rates and maturity of these securities follow:

| | *2006* | | *2005* | |
|---|---|---|---|---|
| | *%* | *Maturity* | *%* | *Maturity* |
| Eurobonds of Kazakh banks | **5.13% - 9.25%** | **2007 - 2049** | 6.50% - 9.00% | 2007 - 2020 |
| Treasury bills of the OECD governments | **3.25% - 6.88%** | **2015 - 2037** | 5.40% - 6.90% | 2010 - 2033 |
| Bonds of Kazakh banks | **7.00%** | **2007** | 7.00% - 11.00% | 2007 - 2008 |
| Bonds of Kazakh credit institutions, other than banks | **8.50% - 9.00%** | **2009 - 2013** | 7.50% - 9.00% | 2009 - 2013 |
| Eurobonds of foreign banks | **4.63%** | **2014** | 4.60% | 2014 |
| Treasury bills of the Ministry of Finance | **3.78% - 6.30%** | **2008 - 2012** | 6.30% | 2006 - 2012 |
| Eurobonds of Kazakh credit institutions, other than banks | **7.63%** | **2009** | – | – |
| Eurobonds of foreign credit institutions, other than banks | – | – | 3.85% - 4.11% | 2031 |
| Corporate bonds | – | – | 6.90% - 14.00% | 2006 - 2011 |

*(Thousands of Kazakh tenge)*

## 8. Amounts due from credit institutions

Amounts due from credit institutions comprise:

| | *2006* | *2005* |
|---|---|---|
| Short-term placements with other banks | 957,662 | 714,583 |
| Long-term placements with other banks | 647,292 | 135,370 |
| Reverse repurchase agreements | 359,107 | 2,715,448 |
| Card settlements with credit institutions | 35,569 | 323,349 |
| **Amounts due from credit institutions** | 1,999,630 | 3,888,750 |

Interest rates and maturity of these balances follow:

| | *2006* | | *2005* | |
|---|---|---|---|---|
| | *%* | *Maturity* | *%* | *Maturity* |
| Short-term placements with other banks | 7.46% - 11.00% | 2007 | 9.00% - 9.70% | 2006 |
| Long-term placements with other banks | 3.50% - 11.13% | 2007 - 2011 | 3.50% | 2011 |
| Reverse repurchase agreements | 5.30% - 10.00% | 2007 | 3.00% - 10.50% | 2006 - 2007 |

As of December 31, 2006, the Bank has a conditional non-interest bearing deposit in local bank of amount of KZT 205,752 thousand (December 31, 2005: KZT 114,419 thousand) within short-term placements with other banks.

## 9. Available-for-sale securities

Available-for-sale securities comprise:

| | *2006* | *2005* |
|---|---|---|
| **Debt securities:** | | |
| Treasury bills of the Ministry of Finance | 2,751,597 | 464,187 |
| Eurobonds of Kazakh banks | 2,153,271 | 1,931,807 |
| Sovereign bonds of Kazakhstan | 1,103,032 | 1,643,833 |
| Notes of the NBK | 997,216 | – |
| Bonds of Kazakh banks | 916,353 | 201,075 |
| Notes of foreign banks | 660,554 | – |
| Bonds of Kazakh credit institutions, other than banks | 623,839 | 13,850 |
| Corporate bonds | 412,926 | 786,723 |
| Notes of foreign credit institutions, other than banks | 257,273 | – |
| Local municipal bonds | – | 17,637 |
| | 9,876,061 | 5,059,112 |
| **Equity securities:** | | |
| Shares of local banks and credit institutions | 222,507 | 217,309 |
| Corporate shares | 3,446 | – |
| **Available-for-sale securities** | 10,102,014 | 5,276,421 |

*(Thousands of Kazakh tenge)*

## 9. Available-for-sale securities (continued)

Interest rates and maturity of debt securities follow:

| | 2006 | | 2005 | |
|---|---|---|---|---|
| | % | Maturity | % | Maturity |
| Treasury bills of the Ministry of Finance | 3.50% - 6.48% | 2008 - 2013 | 3.50% - 8.29% | 2006 - 2013 |
| Eurobonds of Kazakh banks | 7.13% - 10.13% | 2007 - 2013 | 7.13% - 10.13% | 2007 - 2013 |
| Sovereign bonds of Kazakhstan | 11.13% | 2007 | 11.13% | 2007 |
| Notes of the NBK | 4.05% - 4.58% | 2007 | – | – |
| Bonds of Kazakh banks | 7.50% - 14.40% | 2007 - 2016 | 8.00% - 12.00% | 2007 - 2010 |
| Notes of foreign banks | 8.40% | 2008 - 2021 | – | – |
| Bonds of Kazakh credit institutions, other than banks | 8.60% - 11.20% | 2010 - 2014 | 8.30% | 2006 - 2011 |
| Corporate bonds | 8.00% - 11.00% | 2007 - 2011 | 8.50% | 2006 |
| Notes of foreign credit institutions, other than banks | 5.60% | 2013 | – | – |
| Local municipal bonds | – | – | 8.50% | 2006 |

## 10. Derivative financial instruments

The Bank enters into derivative financial instruments for trading purposes. The outstanding deals with derivative financial instruments and trading liabilities are as follows:

| | 2006 | | | 2005 | | |
|---|---|---|---|---|---|---|
| | Notional principal | Fair values Asset | Fair values Liability | Notional principal | Fair value Asset | Fair value Liability |
| Foreign exchange forwards and swaps | 33,671,780 | – | 38,930 | 931,637 | 1,923 | – |
| Other forward contracts | | – | – | 201,280 | – | 7,354 |
| **Derivative financial instruments** | | – | 38,930 | | 1,923 | 7,354 |

## 11. Loans to customers

Loans to customers comprise:

| | 2006 | 2005 |
|---|---|---|
| Loans to customers | 148,459,746 | 76,323,337 |
| Less – Allowance for loan impairment | (4,627,504) | (2,831,359) |
| **Loans to customers** | 143,832,242 | 73,491,978 |

As of December 31, 2006, the annual interest rates charged by the Bank range from 8.5% to 40.0% per annum for KZT-denominated loans (December 31, 2005: 12.0% - 23.0%) and from 9.0% to 23.0% per annum for foreign currency-denominated loans (December 31, 2005: 12.0% - 20.0%).

The amounts of loans to customers are analysed as follows:

| | 2006 | 2005 |
|---|---|---|
| Commercial entities | 119,845,976 | 61,165,539 |
| Individuals | 28,613,770 | 15,157,798 |
| | 148,459,746 | 76,323,337 |

*(Thousands of Kazakh tenge)*

## 11. Loans to customers (continued)

Loans are made to individuals and commercial entities within Kazakhstan to the following industry sectors:

| | *2006* | *%* | *2005* | *%* |
|---|---|---|---|---|
| Individuals | 28,613,770 | 19 | 15,157,798 | 20 |
| Wholesale trade, including: | 25,520,794 | 17 | 9,082,266 | 12 |
| -oil products | *16,628,788* | *11* | *3,914,079* | *5* |
| -computers and consumer electronics | *2,214,493* | *2* | *442,666* | *1* |
| -foodstuff | *2,015,035* | *1* | *1,359,639* | *2* |
| -construction materials | *1,808,522* | *1* | *204,112* | – |
| -oil field equipment | *151,781* | – | *1,789,227* | *2* |
| -mobile phones | *12,185* | – | *169,481* | – |
| -other | *2,689,990* | *2* | *1,203,062* | *2* |
| Construction | 23,964,310 | 16 | 12,071,194 | 16 |
| Real estate | 15,894,221 | 11 | 2,347,406 | 3 |
| Food industry | 13,477,066 | 9 | 10,403,920 | 14 |
| Agriculture | 10,628,200 | 7 | 6,035,767 | 8 |
| Transportation | 6,170,471 | 4 | 3,877,527 | 5 |
| Rental properties | 5,662,315 | 4 | 3,982,430 | 5 |
| Auto service and trade | 2,982,676 | 2 | 2,070,610 | 3 |
| Retail trade, including: | 2,462,971 | 2 | 744,987 | 1 |
| -rental properties | *669,753* | *1* | *208,571* | *1* |
| -foodstuff | *593,203* | – | *162,330* | – |
| -pharmaceutical products | *186,737* | – | – | – |
| -furniture | *150,929* | – | *18,041* | – |
| -clothing | *135,394* | – | *69,758* | – |
| -construction materials | *12,349* | – | *19,661* | – |
| -household appliance | *9,588* | – | *4,505* | – |
| -repair services | *5,017* | – | *189,453* | – |
| -other consumer goods | *700,001* | *1* | *72,668* | – |
| Entertainment | 2,363,599 | 2 | 1,809,137 | 2 |
| Publishing | 1,635,414 | 1 | 878,941 | 1 |
| Hotels and restaurants | 1,058,575 | 1 | 486,712 | 1 |
| Communication | 811,280 | 1 | 4,502,039 | 6 |
| Mining | 648,984 | – | 452,209 | – |
| Production of non-metal mineral products | 573,571 | – | 297,873 | – |
| Power, gas and water distribution | 373,592 | – | 237,067 | – |
| Research and consulting service | 220,171 | – | 580,890 | 1 |
| Medical care | 178,523 | – | 35,298 | – |
| Other | 5,219,243 | 4 | 1,269,266 | 2 |
| | 148,459,746 | 100 | 76,323,337 | 100 |

Interest income accrued on loans, for which individual impairment allowances have been recognized, as of December 31, 2006, comprises KZT 1,201,519 thousand (December 31, 2005: KZT 824,605 thousand).

As of December 31, 2006, the top ten borrowers account for 25% of the Bank's gross loan portfolio and represent 150% of the Bank's total equity. As of December 31, 2005, ten major borrowers accounted for 29% of the Bank's gross loan portfolio and represented 159% of the Bank's total equity. The gross value of these loans as of December 31, 2006 and 2005, are KZT 36,837,627 thousand and KZT 22,382,219 thousand, respectively.

*(Thousands of Kazakh tenge)*

## 12. Impairment and provisions

The movements on the allowances for impairment of interest earning assets and other assets are as follows:

| | *Loans to customers* | *Other assets* | *Total* |
|---|---|---|---|
| **December 31, 2004** | 3,489,168 | 22,009 | 3,511,177 |
| Impairment charge (reversal) | (875,067) | 90,715 | (784,352) |
| Write-offs | (140,273) | (20,568) | (160,841) |
| Recoveries | 357,531 | 1,075 | 358,606 |
| **December 31, 2005** | 2,831,359 | 93,231 | 2,924,590 |
| **Impairment charge** | **1,841,522** | **187,003** | **2,028,525** |
| **Write-offs** | **(83,389)** | **(135,643)** | **(219,032)** |
| **Recoveries** | **38,012** | **–** | **38,012** |
| **December 31, 2006** | **4,627,504** | **144,591** | **4,772,095** |

Allowances for impairment of assets are deducted from the related assets.

The movements on the other provisions are as follows:

| | *Guarantees and commitments* |
|---|---|
| **December 31, 2004** | 75,683 |
| Charge | 8,159 |
| **December 31, 2005** | 83,842 |
| Charge | **4,380** |
| **December 31, 2006** | **88,222** |

Provisions for guarantees and commitments are recorded in liabilities.

## 13. Investments in associates

The movements on the investments in associates are as follows:

| | *2006* | *2005* |
|---|---|---|
| Balance, beginning of the period | **131,478** | 108,850 |
| Share in net income | **–** | 22,628 |
| Increase in associates' capital | **100,700** | – |
| Elimination of subsidiary accounted under full consolidation method | **(232,178)** | – |
| Balance, end of the period | **–** | 131,478 |

For the general information, please refer to Note 2.

## 14. Taxation

The Republic of Kazakhstan is the only tax jurisdiction in which the Bank's income is taxable.

The income tax expense comprises:

| | *2006* | *2005* |
|---|---|---|
| Current tax charge | **390,920** | 184,331 |
| Deferred tax charge (benefit) | **16,038** | (16,878) |
| **Income tax expense** | **406,958** | 167,453 |

As of December 31, 2006 current income tax assets comprise KZT 106,509 thousand (December 31, 2005: KZT 283,050 thousand).

*(Thousands of Kazakh tenge)*

## 14. Taxation (continued)

The reconciliation between the income tax expense in the accompanying financial statements and income before taxes multiplied by the statutory tax rate of 30% for the periods ended December 31 is as follows:

| | *2006* | *2005* |
|---|---|---|
| Income before tax and minority interest | **2,031,941** | 2,176,552 |
| Statutory tax rate | **30%** | 30% |
| Theoretical income tax expense at the statutory rate | **609,582** | 652,966 |
| Non deductible expenses: | | |
| Taxes | **80,386** | 14,482 |
| Provisions for loans to customers and other assets | **62,481** | 27,214 |
| Advertising expenses | **20,627** | – |
| Charity | **20,656** | 32,014 |
| Administrative expenses | **19,720** | – |
| Depreciation | **13,216** | 9,722 |
| Transport expenses | **3,468** | 10,196 |
| Loss from property and equipment sale | **1,088** | 1,928 |
| Penalties | **13** | 718 |
| Interest expenses | **–** | 54,839 |
| Tax exempt income: | | |
| Interest on mortgage loans | **(399,633)** | (419,595) |
| Government securities | **(45,234)** | (117,282) |
| Other | **(4,452)** | (5,111) |
| Loss (income) of subsidiaries | **25,040** | (94,638) |
| **Income tax expense** | **406,958** | 167,453 |

Deferred tax assets and liabilities comprise the following:

| | *2006* | *2005* |
|---|---|---|
| Deferred tax assets: | | |
| Loans to customers | **91,678** | – |
| Forward contracts | **11,679** | 7,511 |
| | **103,357** | 7,511 |
| Deferred tax liabilities: | | |
| Property and equipment revaluation | **(209,631)** | (212,027) |
| Property and equipment | **(83,983)** | (19,053) |
| Investments in subsidiaries | **(49,350)** | – |
| | **(342,964)** | (231,080) |
| **Net deferred tax liabilities** | **(239,607)** | (223,569) |

The movements of the deferred tax liabilities are as follows:

| | |
|---|---|
| **December 31, 2004** | (28,420) |
| Charge to property and equipment revaluation reserve | (212,027) |
| Charge to statement of income | 16,878 |
| **December 31, 2005** | (223,569) |
| Charge to statement of income | (16,038) |
| **December 31, 2006** | (239,607) |

*(Thousands of Kazakh tenge)*

## 14. Taxation (continued)

Deferred tax of KZT 2,396 thousand was transferred in 2006 from property and equipment revaluation reserve to retained earnings (2005: none). This relates to the difference between the actual depreciation on the buildings and constructions and depreciation based on the cost of the buildings and constructions.

Kazakhstan currently has a number of laws related to various taxes imposed by both state and regional governmental authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Bank is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

## 15. Property and equipment

The movements on the property and equipment are as follows:

| | *Buildings and construc-tions* | *Vehicles* | *Computers and banking equipment* | *Equipment for instalment* | *Leasehold improve-ments* | *Other* | *Total* |
|---|---|---|---|---|---|---|---|
| **Cost:** | | | | | | | |
| **December 31, 2004** | 380,846 | 52,893 | 785,594 | 351,789 | 127,817 | 482,915 | 2,181,854 |
| Additions | 195,830 | 11,503 | 462,784 | 224,962 | 107,604 | 280,480 | 1,283,163 |
| Revaluation | 758,710 | – | – | – | – | – | 758,710 |
| Disposals | (27,392) | (3,536) | (2,404) | (348,664) | (3,682) | (1,840) | (387,518) |
| Transfers | (98,438) | – | – | – | – | 98,438 | – |
| **December 31, 2005** | 1,209,556 | 60,860 | 1,245,974 | 228,087 | 231,739 | 859,993 | 3,836,209 |
| Acquisition of subsidiary | – | 9,210 | 23,019 | – | – | 16,362 | 48,591 |
| Additions | 126,271 | 27,411 | 243,786 | 78,417 | 2,391 | 672,160 | 1,150,436 |
| Disposals | – | (679) | (11,037) | (133,860) | (40,286) | (629,297) | (815,159) |
| **December 31, 2006** | 1,335,827 | 96,802 | 1,501,742 | 172,644 | 193,844 | 919,218 | 4,220,077 |
| **Accumulated depreciation:** | | | | | | | |
| **December 31, 2004** | (49,666) | (13,153) | (222,590) | – | (45,536) | (93,815) | (424,760) |
| Charge | (22,022) | (8,771) | (197,790) | – | (32,407) | (38,080) | (299,070) |
| Revaluation | (62,002) | – | – | – | – | – | (62,002) |
| Disposals | 274 | 70 | 2,130 | – | 1,777 | 536 | 4,787 |
| Transfers | 11,653 | – | – | – | – | (11,653) | – |
| **December 31, 2005** | (121,763) | (21,854) | (418,250) | – | (76,166) | (143,012) | (781,045) |
| Acquisition of subsidiary | – | (2,447) | (11,309) | – | – | (2,637) | (16,393) |
| Charge | (20,710) | (13,406) | (243,985) | – | (42,526) | (68,547) | (389,174) |
| Disposals | – | 679 | 10,277 | – | 27,922 | 25,688 | 64,566 |
| **December 31, 2006** | (142,473) | (37,028) | (663,267) | – | (90,770) | (188,508) | (1,122,046) |
| **Net book value:** | | | | | | | |
| **December 31, 2006** | 1,193,354 | 59,774 | 838,475 | 172,644 | 103,074 | 730,710 | 3,098,031 |
| **December 31, 2005** | 1,087,793 | 39,006 | 827,724 | 228,087 | 155,573 | 716,981 | 3,055,164 |
| **December 31, 2004** | 331,180 | 39,740 | 563,004 | 351,789 | 82,281 | 389,100 | 1,757,094 |

In 2006, the Bank transferred equipment, included in other property and equipment, of KZT 610,502 thousand to a borrower under a finance lease agreement.

*(Thousands of Kazakh tenge)*

## 15. Property and equipment (continued)

During 2005, the Bank engaged an independent appraiser to assess the fair market value of the Bank's buildings and constructions. Fair value is determined by reference to market-based evidence. The revaluation was reflected in the Bank's financial statements with effect from December 27, 2005. The increase in the carrying value of buildings by KZT 706,755 thousand was included to the statement of changes in equity within property and equipment revaluation reserve, net of related deferred tax. The decrease of carrying value of buildings and constructions was recognized as an expense in statement of income within other operating expenses in the amount of KZT 10,047 thousand.

If the buildings and constructions were measured using the cost model, the carrying amounts would be as follows:

| | *2005* |
|---|---|
| Cost | 476,475 |
| Accumulated depreciation | (59,166) |
| Net carrying amount | 417,309 |

## 16. Intangible assets

The movements in intangible assets are as follows:

| | *License* | *Software* | *Total* |
|---|---|---|---|
| Cost: | | | |
| December 31, 2004 | 57,243 | 171,874 | 229,117 |
| Additions | 58,967 | 33,809 | 92,776 |
| December 31, 2005 | 116,210 | 205,683 | 321,893 |
| Acquisition of subsidiary | 699 | 7,455 | 8,154 |
| Additions | 17,521 | 57,379 | 74,900 |
| Disposals | – | (8) | (8) |
| December 31, 2006 | 134,430 | 270,509 | 404,939 |
| | | | |
| Accumulated amortisation: | | | |
| December 31, 2004 | (4,044) | (45,161) | (49,205) |
| Charge | (15,313) | (27,768) | (43,081) |
| December 31, 2005 | (19,357) | (72,929) | (92,286) |
| Acquisition of subsidiary | (136) | (3,896) | (4,032) |
| Charge | (16,095) | (37,836) | (53,931) |
| Disposals | – | 2 | 2 |
| December 31, 2006 | (35,588) | (114,659) | (150,247) |
| Net book value: | | | |
| December 31, 2006 | 98,842 | 155,850 | 254,692 |
| December 31, 2005 | 96,853 | 132,754 | 229,607 |
| December 31, 2004 | 53,199 | 126,713 | 179,912 |

## 17. Amounts due to the Government

Amounts due to the Government represent funding for loans to agricultural companies, industry enterprises under the program of development of small and medium size business enterprises. Under this program, the Government provided financing to small and medium size business enterprises in Kazakhstan. As of December 31, 2006, these amounts bear interest ranging between 1.0% and 5.2% per annum (December 31, 2005: 1.0% and 10.2%) and mature in 2007 - 2011 (December 31, 2005: 2006 - 2010). The Bank bears the credit risk on the loans it advances under this program.

*(Thousands of Kazakh tenge)*

## 18. Amounts due to credit institutions

Amounts due to credit institutions comprise:

| | *2006* | *2005* |
|---|---|---|
| Syndicated bank loans | 34,387,423 | 15,483,083 |
| Interest-bearing placements from OECD banks | 4,437,010 | 5,406,259 |
| Interest-bearing placements from Kazakh banks and non OECD banks | 1,721,750 | 340,814 |
| Overnight deposits from other banks | 1,651,538 | – |
| Loans from credit institutions, other than banks | 1,217,011 | 1,762,000 |
| Loro accounts | 43,795 | 166,040 |
| **Amounts due to credit institutions** | 43,458,527 | 23,158,196 |

Interest rates and maturity of amounts due to credit institutions follow:

| | *2006* | | *2005* | |
|---|---|---|---|---|
| | *%* | *Maturity* | *%* | *Maturity* |
| Syndicated bank loans | LIBOR + 1.15% - LIBOR + 1.95% | 2007 - 2008 | LIBOR + 1.90% - LIBOR + 2.20% | 2006 |
| Interest-bearing placements from OECD banks | 3.84% - 8.87% | 2007 - 2011 | 3.18% - 7.79% | 2006 - 2010 |
| Interest-bearing placements from Kazakh banks and non OECD banks | 5.50% - 10.10% | 2007 | 7.36% - 8.00% | 2006 |
| Overnight deposits from other banks | 5.35% - 6.25% | 2007 | – | – |
| Loans from credit institutions, other than banks | 5.93% - 8.07% | 2007 - 2010 | 4.51% - 7.30% | 2007 - 2010 |

**Financial Covenants**

In accordance with the contractual terms of the syndicated bank loans, the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy, and lending exposures. In addition, and in accordance with the terms of certain of those loans, the Bank is required to obtain the approval of the lender before distributing any dividends to the common shareholders other than dividend shares.

Furthermore, certain of the Bank's outstanding financing agreements include covenants restricting the Bank's ability to create security interests over its assets. In addition, the Bank's default under these covenants could result in cross-defaults under the terms of the Bank's other financing arrangements. Management believes that the Bank is in compliance with these covenants as of December 31, 2006.

## 19. Amounts due to customers

The amounts due to customers include balances in customer current accounts and term deposits as of December 31, and are analysed as follows:

| | *2006* | *2005* |
|---|---|---|
| **Current accounts:** | | |
| Commercial entities | 20,407,757 | 9,847,066 |
| Individuals | 3,433,082 | 921,433 |
| Governmental entities | 3,844 | 6,647 |
| **Time deposits:** | | |
| Commercial entities | 19,180,011 | 20,738,164 |
| Individuals | 26,583,323 | 12,388,899 |
| **Held as security against letters of credit and guarantees** | 5,244,636 | 2,590,102 |
| **Amounts due to customers** | 74,852,653 | 46,492,311 |

*(Thousands of Kazakh tenge)*

## 19. Amounts due to customers (continued)

Interest rates and maturity of amounts due to customers follow:

| | 2006 | | | | 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | KZT | | USD/EURO | | KZT | | USD/EURO | |
| | % | Maturity | % | Maturity | % | Maturity | % | Maturity |
| Current accounts | up to 2.0% | – | – | – | up to 2.00% | – | up to 3.00% | – |
| Time deposits | 0.7% - 16.0% | 2007 - 2019 | 1.0% - 10.0% | 2007 - 2019 | 1.50% - 16.00% | 2006 - 2019 | 1.00% - 10.00% | 2006 - 2019 |
| Held as security against letters of credit | 3.5% - 11.0% | 2007 | 5.5% - 8.5% | 2007 - 2009 | 3.50% - 12.00% | 2006 - 2010 | 2.00% - 8.75% | 2006 - 2019 |

As of December 31, 2006 and 2005, the Bank's ten largest customers account for approximately 47% and 40% respectively, of the total amounts due to customers. An analysis of customer accounts by industry sector follows:

| | 2006 | % | 2005 | % |
|---|---|---|---|---|
| Wholesale trading, including: | 5,340,299 | 7 | 5,417,289 | 12 |
| - oil products | *2,845,216* | *4* | *122,837* | – |
| - computers and consumer electronics | *497,170* | *1* | *44,477* | – |
| - equipment | *420,777* | *1* | *3,067,336* | *7* |
| - foodstuff | *159,999* | – | *517,955* | *1* |
| - consumer products | *131,128* | – | *673,320* | *2* |
| - construction materials | *127,501* | – | *43,107* | – |
| - other | *1,158,508* | *1* | *948,257* | *2* |
| Individuals | 30,016,405 | 40 | 13,310,332 | 29 |
| Financial | 8,448,040 | 11 | 3,953,192 | 8 |
| Metallurgy industry | 6,784,320 | 9 | – | – |
| Held as security against letters of credit | 5,244,636 | 7 | 2,590,102 | 6 |
| Real estate | 3,488,770 | 5 | 151,570 | – |
| Construction | 2,686,231 | 4 | 9,115,909 | 20 |
| Insurance | 1,906,025 | 3 | 501,047 | 1 |
| Advertising | 1,800,736 | 3 | 20,735 | – |
| Retail trade | 1,703,785 | 2 | 378,531 | 1 |
| Agriculture | 1,535,496 | 2 | 85,768 | – |
| Oil and gas | 1,014,165 | 1 | 3,601,292 | 8 |
| Entertainment | 899,153 | 1 | 1,995,297 | 4 |
| Communication | 668,090 | 1 | 464,594 | 1 |
| Sale, repair and service of automobiles | 560,843 | 1 | 348,464 | 1 |
| Research and development | 443,037 | 1 | 205,371 | – |
| Rental properties | 283,703 | 1 | 447,309 | 1 |
| Publishing | 259,163 | – | 175,117 | – |
| Food industry | 243,424 | – | 51,267 | – |
| Medical care | 183,584 | – | 97,297 | – |
| Power, gas and water distribution | 161,035 | – | 76,344 | – |
| Mining | 108,960 | – | 2,214,646 | 5 |
| Education | 70,394 | – | 154,824 | – |
| State management | 3,844 | – | 6,647 | – |
| Other | 998,515 | 1 | 1,129,367 | 3 |
| | 74,852,653 | 100 | 46,492,311 | 100 |

*(Thousands of Kazakh tenge)*

## 20. Debt securities issued

Debt securities issued as of December 31 consist of the following:

| | *2006* | *2005* |
|---|---|---|
| USD notes with fixed rate | **38,100,000** | 20,097,000 |
| KZT notes | **10,000,000** | 9,845,415 |
| KZT notes with floating rate | **4,000,000** | 4,000,000 |
| KZT subordinated notes with fixed rate | **3,674,150** | – |
| KZT subordinated notes indexed to USD | **3,425,497** | 3,601,949 |
| | **59,199,647** | 37,544,364 |
| Own USD notes held by the Bank | **(1,043,305)** | (966,666) |
| Own KZT notes held by the Bank | **(8,335)** | (100,000) |
| Own KZT subordinated notes held by the Bank | **–** | (3,253) |
| | **58,148,007** | 36,474,445 |
| Plus unamortized premium | **7,107** | 2,085 |
| Less unamortized discount | **(977,518)** | (463,371) |
| Less unamortized cost of issuance | **(275,496)** | (176,153) |
| | **56,902,100** | 35,837,006 |
| Interest accrued | **1,143,123** | 317,340 |
| **Debt securities issued** | **58,045,223** | 36,154,346 |

The interest rates and maturities of these debt securities issued follow:

| | *2006* | | *2005* | |
|---|---|---|---|---|
| | *%* | *Maturity* | *%* | *Maturity* |
| USD notes with fixed interest rate | **9.00 - 9.38%** | **4/28/2008 - 10/17/2011** | 9.00% | 4/28/2008 |
| KZT notes | **8.00%** | **12/30/2008** | 8.00% | 12/30/2008 |
| KZT notes with floating rate | **8.00% p.a. + (1.00% multiplied by inflation index)** | **6/25/2007** | 8.00% p.a. + (1.00% multiplied by inflation index) | 6/25/2007 |
| KZT subordinated notes with fixed rate | **7.50%** | **5/18/2016** | – | – |
| KZT subordinated notes indexed to USD | **9.00%** | **6/12/2011** | 9.00% | 6/12/2011 |

KZT subordinated notes indexed to USD are unsecured obligations of the Bank and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Bank.

In accordance with the terms of the USD denominated bonds, the Bank is required to maintain certain financial covenants particularly with regard to its capital adequacy, lending exposures, limitations on transactions unless such transactions are at fair market value. In addition, the Bank is required to obtain the approval of the lender before distributing any dividends to the common shareholders. Furthermore, the terms of the USD denominated bonds include covenants restricting the Bank's ability to create security interests over its assets. In addition, the Bank's default under these covenants could result in cross-defaults under the terms of the Bank's other financing arrangements. Management believes that the Bank is in compliance with the covenants of the agreements the Bank has with the bonds' trustee and holders.

## 21. Equity

As of December 31, 2006 the Bank has 1,300,000 (December 31, 2005: 1,300,000) authorised common and 200,000 (December 31, 2005: 200,000) preferred shares. Issued and paid share capital as of December 31, 2006 consists of 1,299,700 common shares and 198,748 preferred shares (December 31, 2005: 512,000 and 100,000). Each common share is entitled to one vote and dividends. All shares are KZT denominated and have a nominal value of KZT 10 thousand each. Preferred shares are not redeemable with cumulative dividend of a minimum of 10% of the share's nominal per annum, and do not have any voting rights (December 31, 2005: 10%). Dividends on preferred shares cannot be less than dividends on common shares.

*(Thousands of Kazakh tenge)*

## 21. Equity (continued)

Movements of shares authorised, fully paid and outstanding follow:

| | *Number of shares* | | *Nominal amount* | | |
|---|---|---|---|---|---|
| | *Preferred* | *Common* | *Preferred* | *Common* | *Total* |
| **December 31, 2004** | 100,000 | 400,000 | 1,000,000 | 4,000,000 | 5,000,000 |
| Capital contributions | – | 112,000 | – | 1,120,000 | 1,120,000 |
| **December 31, 2005** | 100,000 | 512,000 | 1,000,000 | 5,120,000 | 6,120,000 |
| Capital contributions | **98,748** | **787,700** | **987,480** | **7,877,000** | **8,864,480** |
| **December 31, 2006** | **198,748** | **1,299,700** | **1,987,480** | **12,997,000** | **14,984,480** |

During 2006, the Bank placed 98,748 preferred shares and 787,700 common shares.

As of December 31, 2006, the Bank's subsidiaries hold 952 of the Bank's shares as treasury stock (December 31, 2005: nil).

According to the annual meeting of shareholders on May 25, 2006, the Bank declared and paid dividends on preferred shares of KZT 135,520 thousand in respect of the year ended December 31, 2005 (2005: KZT 100,000 thousand in respect of the year ended December 31, 2004).

In January, 2007, the Bank placed 300 ordinary and 300 preferred shares, unpaid as of December 31, 2006.

On April 10, 2007 the Bank registered additional emission of 2,900,000 ordinary and 100,000 preferred shares.

As of April 12, 2007, the total number of authorized common and preferred shares comprises 4,200,000 and 300,000 shares, respectively.

## 22. Commitments and contingencies

### Legal

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 results of future operations of the Bank.

### Commitments and contingencies

The Bank's financial commitments and contingencies comprise the following:

| | *2006* | *2005* |
|---|---|---|
| **Credit related commitments** | | |
| Commitments to extend credit | 29,588,402 | 12,751,269 |
| Guarantees | 4,185,833 | 2,343,323 |
| Commercial letters of credit | 12,951,876 | 10,139,243 |
| | 46,726,111 | 25,233,835 |
| **Operating lease commitments** | | |
| Not later than 1 year | 421,906 | 20,643 |
| Later than 1 year but not later than 5 years | 228,965 | 457,312 |
| Later than 5 years | 27,000 | 14,957 |
| | 677,871 | 492,912 |
| Less cash held as security against letters of credit and guarantees | (5,244,636) | (2,590,102) |
| Less provisions | (88,222) | (83,842) |
| **Commitments and contingencies** | 42,071,124 | 23,052,803 |

Financial guarantees are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The credit risk involved in issuing guarantees is essentially the same as involved in extending facilities to other customers.

The Bank applies similar principles as those applied in assessing the required allowance for losses under other credit facilities when assessing the likelihood of loss under a guarantee. Commercial letters of credit represent a financing transaction by the Bank to its customer where the customer is usually the buyer/importer of goods and the beneficiary is typically the seller/exporter. Credit risk is limited as the merchandise shipped serves as collateral for the transaction. The Bank requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include bank deposits, government securities, and other.

*(Thousands of Kazakh tenge)*

## 22. Commitments and contingencies (continued)

**Commitments and contingencies (continued)**

As of December 31, 2006, the top ten guarantees account for 82% of the Bank's total financial guarantees (December 31, 2005: 75%) and represent 14% (December 31, 2005: 12%) of the Bank's total equity.

At December 31, 2006, the top ten letters of credit account for 96% of the Bank's total commercial letters of credit (December 31, 2005: 95%) and represent 51% (December 31, 2005: 69%) of the Bank's total equity.

## 23. Net fee and commission income

Fee and commission income comprises:

| | *2006* | *2005* |
|---|---|---|
| Cash operations | 583,079 | 332,954 |
| Settlements operations | 351,929 | 246,286 |
| Transfer operations | 343,796 | 266,329 |
| Commission on pension activity | 295,059 | 45,564 |
| Purchase – sale of currencies | 273,586 | 194,924 |
| Letters of credit | 259,533 | 259,915 |
| Guarantees issued | 128,320 | 91,960 |
| Other | 96,639 | 57,768 |
| **Fee and commission income** | 2,331,941 | 1,495,700 |

Fee and commission expense comprises:

| | *2006* | *2005* |
|---|---|---|
| Letters of credit | (122,773) | (135,716) |
| Debit/credit cards | (86,569) | (72,813) |
| Transfer operations | (56,296) | (53,880) |
| Cash operations | (45,307) | (43,386) |
| Guarantees issued | (15,170) | (8,893) |
| Securities operations | (8,985) | (10,722) |
| Other | (22,368) | (4,155) |
| **Fee and commission expense** | (357,468) | (329,565) |

## 24. Insurance underwriting income and expense

During 2004 the Bank acquired control over the insurance company Nurpolicy JSC. Insurance operations of the Bank and results recorded in the underwriting income and expenses are related to this subsidiary.

Insurance underwriting income for the years ended December 31 comprises the following:

| | *2006* | *2005* |
|---|---|---|
| Premium written, gross | 375,702 | 246,502 |
| Ceded insurance premiums | (56,990) | (38,495) |
| Premiums written, net of ceded insurance | 318,712 | 208,007 |
| Change in unearned premiums, net | (129,200) | 30,440 |
| Premiums earned, net of reinsurance | 189,512 | 238,447 |
| Claims incurred, reinsurance share | 6,525 | 5,105 |
| Commission income from insurance | 5,923 | 3,798 |
| **Insurance underwriting income** | 201,960 | 247,350 |

Insurance underwriting expense for the years ended December 31 comprises:

| | *2006* | *2005* |
|---|---|---|
| Claims, gross | (41,838) | (106,187) |
| Commission expense from insurance | (9,383) | (7,755) |
| Change in loss reserve, net | 1,542 | 1,699 |
| **Insurance underwriting expense** | (49,679) | (112,243) |

*(Thousands of Kazakh tenge)*

## 25. Other income

Other income comprises:

| | 2006 | 2005 |
|---|---|---|
| Gain on acquisition of subsidiary | 164,500 | – |
| Other | 85,928 | 38,245 |
| **Other income** | 250,428 | 38,245 |

## 26. Salaries and other operating expenses

Salaries and benefits, and other operating expenses comprise:

| | 2006 | 2005 |
|---|---|---|
| Salaries and bonuses | 1,745,498 | 1,318,991 |
| Social security costs | 262,905 | 175,982 |
| Other payments | 309,051 | 204,226 |
| **Salaries and benefits** | 2,317,454 | 1,699,199 |
| | | |
| Rent | 595,255 | 583,078 |
| Advertising expenses | 414,174 | 593,248 |
| Communication | 178,535 | 172,917 |
| Professional services | 133,665 | 135,710 |
| Repair and maintenance | 129,081 | 77,303 |
| Transportation | 71,549 | 81,313 |
| Stationary and office supplies | 51,803 | 33,589 |
| Business trip expenses | 50,835 | 56,139 |
| Administrative expenses of subsidiaries | 49,059 | 45,265 |
| Cash collection expenses | 43,993 | 33,827 |
| Insurance of deposits | 36,780 | 26,571 |
| Charity | 35,031 | 7,767 |
| Security | 30,592 | 28,835 |
| Trainings | 30,370 | 15,249 |
| Utilities | 24,856 | 24,934 |
| Post services | 16,505 | 17,017 |
| Loss from property and equipment disposal | 15,944 | 6,423 |
| Information technologies services | 4,098 | 27,966 |
| Fines and penalties | 3,548 | 2,798 |
| Loss from revaluation of property and equipment | – | 10,047 |
| Other | 124,305 | 135,045 |
| **Other operating expenses** | 2,039,978 | 2,115,041 |

## 27. Taxes other than income tax

Taxes other than income tax comprise:

| | 2006 | 2005 |
|---|---|---|
| Value added tax | 107,385 | 102,706 |
| Withholding tax to non-residents | 19,209 | 44,376 |
| Property tax | 27,394 | 21,460 |
| Other | 47,226 | 19,011 |
| **Taxes other than income tax** | 201,214 | 187,553 |

*(Thousands of Kazakh tenge)*

## 28. Earnings per share

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

The following reflects the income and share data used in the basic and diluted earnings per share computations for the years ended December 31:

| | *2006* | *2005* |
|---|---|---|
| Net income attributable to common shareholders for basic earning per share | **1,593,694** | 1,953,417 |
| Weighted average number of participating shares for basic earnings per share (common and preferred) | **885,739** | 500,307 |
| Weighted average number of participating shares for diluted earnings per share (common and preferred) | **1,385,061** | 553,319 |

Participating shares comprise common shares and preferred shares that have the right to participate equally with common shares in net income distribution.

## 29. Risk management policies

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

### Credit risk

The Bank is exposed to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. Limits on the level of credit risk by borrower and product by industry sector and by region are approved regularly by the Board of Directors. Where appropriate, and in the case of most loans, the Bank obtains collateral. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. The maximum credit risk exposure, in the event other parties fail to meet their obligations under financial instruments is equal to the carrying value of financial assets as presented in the accompanying financial statements and the disclosed financial commitments.

*(Thousands of Kazakh tenge)*

## 29. Risk management policies (continued)

### Geographical concentration

The geographical concentration of the Bank's monetary assets and liabilities are set out below:

| | December 31, 2006 | | | | December 31, 2005 | | | |
|---|---|---|---|---|---|---|---|---|
| | Kazakhstan | OECD | CIS and other foreign countries | Total | Kazakhstan | OECD | CIS and other foreign countries | Total |
| **Assets:** | | | | | | | | |
| Cash and cash equivalents | 16,818,328 | 5,616,657 | 129,284 | 22,564,269 | 9,215,819 | 12,482,099 | 1,362,324 | 23,060,242 |
| Obligatory reserves | 12,774,583 | – | – | 12,774,583 | 1,344,789 | – | – | 1,344,789 |
| Financial assets at fair value through profit or loss | 3,642,434 | 3,283,042 | – | 6,925,476 | 4,144,707 | 5,777,050 | – | 9,921,757 |
| Amounts due from credit institutions | 953,184 | 35,569 | 1,010,877 | 1,999,630 | 3,640,913 | 46,928 | 200,909 | 3,888,750 |
| Available-for-sale securities | 8,824,779 | 1,277,235 | – | 10,102,014 | 5,276,421 | – | – | 5,276,421 |
| Loans to customers | 136,516,921 | – | 7,315,321 | 143,832,242 | 73,381,193 | – | 110,785 | 73,491,978 |
| Investments in associates | – | – | – | – | 131,478 | – | – | 131,478 |
| Current income tax assets | 106,509 | – | – | 106,509 | 283,050 | – | – | 283,050 |
| Reserves for insurance claims, reinsurance share | 39,459 | – | – | 39,459 | 25,538 | – | – | 25,538 |
| Other assets | 721,907 | 208,926 | 57,620 | 988,453 | 317,967 | 359,534 | 96,112 | 773,613 |
| | 180,398,104 | 10,421,429 | 8,513,102 | 199,332,635 | 97,761,875 | 18,665,611 | 1,770,130 | 118,197,616 |
| **Liabilities:** | | | | | | | | |
| Amounts due to the Government | 77,428 | – | – | 77,428 | 81,119 | – | – | 81,119 |
| Amounts due to credit institutions | 3,127,589 | 39,946,228 | 384,710 | 43,458,527 | 485,780 | 21,514,403 | 1,158,013 | 23,158,196 |
| Amounts due to customers | 72,536,119 | 2,315,843 | 691 | 74,852,653 | 44,700,431 | – | 1,791,880 | 46,492,311 |
| Debt securities issued | 20,852,874 | 37,192,349 | – | 58,045,223 | 35,857,826 | 296,520 | – | 36,154,346 |
| Reserves for insurance claims | 347,069 | – | – | 347,069 | 196,269 | – | – | 196,269 |
| Provisions | 88,222 | – | – | 88,222 | 83,842 | – | – | 83,842 |
| Deferred income tax liabilities | 239,607 | – | – | 239,607 | 223,569 | – | – | 223,569 |
| Other liabilities | 855,575 | 137,642 | 42,871 | 1,036,088 | 1,006,570 | – | 46,592 | 1,053,162 |
| | 98,124,483 | 79,592,062 | 428,272 | 178,144,817 | 82,635,406 | 21,810,923 | 2,996,485 | 107,442,814 |
| **Net balance sheet position** | 82,273,621 | (69,170,633) | 8,084,830 | 21,187,818 | 15,126,469 | (3,145,312) | (1,226,355) | 10,754,802 |

*(Thousands of Kazakh tenge)*

## 29. Risk management policies (continued)

### Market risk

The Bank takes on exposure to market risks. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements.

### Currency risk

The Bank is exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board of Directors sets limits on the level of exposure by currencies (primarily USD and EUR), by branches and in total. These limits also comply with the minimum requirements of the FMSA. The Bank's exposure to foreign currency exchange rate risk follows:

| | *December 31, 2006* | | | | |
|---|---|---|---|---|---|
| | *KZT* | *USD* | *EUR* | *Other foreign currencies* | *Total* |
| **Assets:** | | | | | |
| Cash and cash equivalents | 14,962,727 | 2,668,498 | 4,715,717 | 217,327 | 22,564,269 |
| Obligatory reserves | 12,774,583 | – | – | – | 12,774,583 |
| Financial assets at fair value through profit or loss | 888,813 | 5,047,401 | 989,262 | – | 6,925,476 |
| Amounts due from credit institutions | 620,137 | 627,940 | 503,483 | 248,070 | 1,999,630 |
| Available-for-sale securities | 5,914,479 | 4,187,535 | – | – | 10,102,014 |
| Loans to customers | 71,888,379 | 70,076,377 | 1,867,486 | – | 143,832,242 |
| Current income tax assets | 106,509 | – | – | – | 106,509 |
| Reserves for insurance claims, reinsurance share | 39,459 | – | – | – | 39,459 |
| Other assets | 656,872 | 265,988 | 23,723 | 41,870 | 988,453 |
| | 107,851,958 | 82,873,739 | 8,099,671 | 507,267 | 199,332,635 |
| **Liabilities:** | | | | | |
| Amounts due to the Government | 77,428 | – | – | – | 77,428 |
| Amounts due to credit institutions | 1,427,975 | 39,286,803 | 2,743,749 | – | 43,458,527 |
| Amounts due to customers | 54,488,632 | 10,400,606 | 9,938,110 | 25,305 | 74,852,653 |
| Debt securities issued | 20,847,581 | 37,197,642 | – | – | 58,045,223 |
| Reserves for insurance claims | 347,069 | – | – | – | 347,069 |
| Provisions | 62,297 | 25,005 | 920 | – | 88,222 |
| Deferred income tax liabilities | 239,607 | – | – | – | 239,607 |
| Other liabilities | 863,103 | 144,530 | 4,581 | 23,874 | 1,036,088 |
| | 78,353,692 | 87,054,586 | 12,687,360 | 49,179 | 178,144,817 |
| **Net balance sheet position** | 29,498,266 | (4,180,847) | (4,587,689) | 458,088 | 21,187,818 |

*(Thousands of Kazakh tenge)*

## 29. Risk management policies (continued)

Currency risk (continued)

| | *December 31, 2005* | | | | |
|---|---|---|---|---|---|
| | *KZT* | *USD* | *EUR* | *Other foreign currencies* | *Total* |
| **Assets:** | | | | | |
| Cash and cash equivalents | 7,690,577 | 13,518,549 | 1,380,653 | 470,463 | 23,060,242 |
| Obligatory reserves | 1,344,789 | – | – | – | 1,344,789 |
| Financial assets at fair value through profit or loss | 901,046 | 9,020,711 | – | – | 9,921,757 |
| Amounts due from credit institutions | 3,360,267 | 462,944 | – | 65,539 | 3,888,750 |
| Available-for-sale securities | 913,312 | 4,363,109 | – | – | 5,276,421 |
| Loans to customers | 39,552,074 | 31,207,816 | 2,700,500 | 31,588 | 73,491,978 |
| Investments in associates | 131,478 | – | – | – | 131,478 |
| Current income tax assets | 283,050 | – | – | – | 283,050 |
| Reserves for insurance claims, reinsurance share | 25,538 | – | – | – | 25,538 |
| Other assets | 312,585 | 340,630 | 54,161 | 66,237 | 773,613 |
| | 54,514,716 | 58,913,759 | 4,135,314 | 633,827 | 118,197,616 |
| **Liabilities:** | | | | | |
| Amounts due to the Government | 81,119 | – | – | – | 81,119 |
| Amounts due to credit institutions | 341,451 | 18,945,474 | 3,871,271 | – | 23,158,196 |
| Amounts due to customers | 25,932,244 | 19,874,921 | 541,230 | 143,916 | 46,492,311 |
| Debt securities issued | 16,959,870 | 19,194,476 | – | – | 36,154,346 |
| Reserves for insurance claims | 196,269 | – | – | – | 196,269 |
| Provisions | 17,696 | 45,569 | 20,577 | – | 83,842 |
| Deferred income tax liabilities | 223,569 | – | – | – | 223,569 |
| Other liabilities | 969,820 | 37,464 | 1,676 | 44,202 | 1,053,162 |
| | 44,722,038 | 58,097,904 | 4,434,754 | 188,118 | 107,442,814 |
| **Net balance sheet position** | 9,792,678 | 815,855 | (299,440) | 445,709 | 10,754,802 |

Freely convertible currencies represent mainly USD amounts, but also include currencies from other OECD countries. The Bank's principal cash flows (revenues, operating expenses) are largely generated in KZT. As a result, future movements in the exchange rate between KZT and USD will affect the carrying value of the Bank's USD denominated monetary assets and liabilities. Such changes may also affect the Bank's ability to realize investments in non-monetary assets as measured in USD in these financial statements.

*(Thousands of Kazakh tenge)*

## 29. Risk management policies (continued)

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments or the future cash flows on financial instruments. The Bank's interest rate policy is reviewed and approved by the Bank's Assets and Liabilities Management Committee.

The table below summarises the Bank's exposure to interest rate risk as of December 31, 2006. Included in the table are the Bank's monetary assets and liabilities at carrying amounts, classified by the earlier of contractual repricing or maturity dates.

| | December 31, 2006 | | | | | | |
|---|---|---|---|---|---|---|---|
| | *On demand* | *Less than 1 month* | *1 to 3 months* | *3 months to 1 year* | *1 to 5 years* | *Over 5 years* | *Total* |
| **Assets:** | | | | | | | |
| Cash and cash equivalents | 21,046,694 | 1,505,479 | 12,096 | – | – | – | 22,564,269 |
| Obligatory reserves | – | – | – | – | 12,774,583 | – | 12,774,583 |
| Financial assets at fair value through profit or loss | – | 535,212 | 36,196 | 355,324 | 1,174,727 | 4,824,017 | 6,925,476 |
| Amounts due from credit institutions | 205,752 | 337,282 | 101,795 | 1,177,494 | 177,307 | – | 1,999,630 |
| Available-for-sale securities | 6,300 | 1,043,769 | 75,234 | 1,586,193 | 4,402,571 | 2,987,947 | 10,102,014 |
| Loans to customers | – | 9,254,780 | 15,802,324 | 29,802,636 | 80,021,280 | 8,951,222 | 143,832,242 |
| Current income tax assets | – | 51,509 | 55,000 | – | – | – | 106,509 |
| Reserves for insurance claims, reinsurance share | – | – | 39,459 | – | – | – | 39,459 |
| Other assets | – | 539,175 | 142,211 | 60,141 | 234,726 | 12,200 | 988,453 |
| | 21,258,746 | 13,267,206 | 16,264,315 | 32,981,788 | 98,785,194 | 16,775,386 | 199,332,635 |
| **Liabilities:** | | | | | | | |
| Amounts due to the Government | – | 132 | – | 21,696 | 55,600 | – | 77,428 |
| Amounts due to credit institutions | 43,795 | 2,131,096 | 1,057,974 | 17,581,014 | 22,644,648 | – | 43,458,527 |
| Amounts due to customers | 23,628,088 | 2,490,052 | 4,757,475 | 16,316,565 | 27,658,808 | 1,665 | 74,852,653 |
| Debt securities issued | – | – | – | 5,133,475 | 49,643,269 | 3,268,479 | 58,045,223 |
| Reserves for insurance claims | – | – | 347,069 | – | – | – | 347,069 |
| Provisions | – | 48,474 | 14,814 | 16,053 | 8,881 | – | 88,222 |
| Deferred income tax liabilities | – | – | 239,607 | – | – | – | 239,607 |
| Other liabilities | – | 558,848 | 184,400 | 261,271 | 31,569 | – | 1,036,088 |
| | 23,671,883 | 5,228,602 | 6,601,339 | 39,330,074 | 100,042,775 | 3,270,144 | 178,144,817 |
| **Net interest sensitivity gap** | (2,413,137) | 8,038,604 | 9,662,976 | (6,348,286) | (1,257,581) | 13,505,242 | 21,187,818 |
| **Cumulative interest sensitivity gap** | (2,413,137) | 5,625,467 | 15,288,443 | 8,940,157 | 7,682,576 | 21,187,818 | |

*(Thousands of Kazakh tenge)*

## 29. Risk management policies (continued)

**Interest rate risk (continued)**

| | *December 31, 2005* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *On demand* | *Less than 1 month* | *1 to 3 months* | *3 months to 1 year* | *1 to 5 years* | *Over 5 years* | *Total* |
| **Assets:** | | | | | | | |
| Cash and cash equivalents | 17,020,890 | 5,836,352 | 22,000 | 181,000 | – | – | 23,060,242 |
| Obligatory reserves | – | – | – | – | 1,344,789 | – | 1,344,789 |
| Financial assets at fair value through profit or loss | – | – | 8 | 167,542 | 3,433,781 | 6,320,426 | 9,921,757 |
| Amounts due from credit institutions | 437,768 | 1,122,678 | 1,897,541 | 95,393 | 200,000 | 135,370 | 3,888,750 |
| Available-for-sale securities | – | – | – | 1,145,651 | 2,556,732 | 1,574,038 | 5,276,421 |
| Loans to customers | – | 6,743,593 | 5,181,093 | 18,244,587 | 33,300,487 | 10,022,218 | 73,491,978 |
| Investments in associates | – | – | – | – | – | 131,478 | 131,478 |
| Current income tax assets | – | – | 163,594 | 119,456 | – | – | 283,050 |
| Reserves for insurance claims, reinsurance share | – | – | 25,538 | – | – | – | 25,538 |
| Other assets | – | 533,790 | 108,035 | 95,768 | 23,821 | 12,199 | 773,613 |
| | 17,458,658 | 14,236,413 | 7,397,809 | 20,049,397 | 40,859,610 | 18,195,729 | 118,197,616 |
| **Liabilities:** | | | | | | | |
| Amounts due to the Government | – | – | – | 6,239 | 74,880 | – | 81,119 |
| Amounts due to credit institutions | 166,039 | 46,689 | 176,938 | 17,246,630 | 5,521,900 | – | 23,158,196 |
| Amounts due to customers | 12,404,374 | 11,121,631 | 6,509,620 | 8,369,831 | 8,049,244 | 37,611 | 46,492,311 |
| Debt securities issued | – | – | – | 4,280,741 | 28,273,057 | 3,600,548 | 36,154,346 |
| Reserves for insurance claims | 39,713 | – | – | 156,556 | – | – | 196,269 |
| Provisions | – | 390 | 28,890 | 7,974 | 46,588 | – | 83,842 |
| Deferred income tax liabilities | 223,569 | – | – | – | – | – | 223,569 |
| Other liabilities | – | 526,482 | 58,971 | 243,898 | 223,811 | – | 1,053,162 |
| | 12,833,695 | 11,695,192 | 6,774,419 | 30,311,869 | 42,189,480 | 3,638,159 | 107,442,814 |
| **Net interest sensitivity gap** | 4,624,963 | 2,541,221 | 623,390 | (10,262,472) | (1,329,870) | 14,557,570 | 10,754,802 |
| **Cumulative interest sensitivity gap** | 4,624,963 | 7,166,184 | 7,789,574 | (2,472,898) | (3,802,768) | 10,754,802 | |

As of December 31, 2006 and 2005 the effective average interest rates for interest earning/ bearing monetary financial instruments are as follows:

| | *2006* | *2005* |
|---|---|---|
| Financial assets at fair value through profit or loss | 5.1% | 4.7% |
| Amounts due from credit institutions | 3.5% | 5.1% |
| Available-for-sale securities | 8.1% | 5.7% |
| Loans to customers | 12.8% | 13.2% |
| Amounts due to credit institutions | 7.5% | 6.7% |
| Customer deposits | 5.4% | 4.6% |
| Debt securities issued | 9.6% | 9.7% |

Additionally, as disclosed in the maturity analysis below, the maturity dates applicable to the majority of the Bank's assets and liabilities are relatively short-term. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

*(Thousands of Kazakh tenge)*

## 29. Risk management policies (continued)

### Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of the asset/liability management process. The Assets and Liabilities Management Committee sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The following tables provide an analysis of assets and liabilities grouped on the basis of the remaining period from the balance sheet date to the contractual maturity date.

| | *December 31, 2006* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *On demand* | *Less than 1 month* | *1 to 3 months* | *3 months to 1 year* | *1 to 5 years* | *Over 5 years* | *Total* |
| **Assets:** | | | | | | | |
| Cash and cash equivalents | 21,046,694 | 1,505,479 | 12,096 | – | – | – | 22,564,269 |
| Obligatory reserves | – | – | – | – | 12,774,583 | – | 12,774,583 |
| Financial assets at fair value through profit or loss | 6,925,476 | – | – | – | – | – | 6,925,476 |
| Amounts due from credit institutions | 205,752 | 337,282 | 101,795 | 1,177,494 | 177,307 | – | 1,999,630 |
| Available-for-sale securities | 6,300 | 1,043,769 | 75,234 | 1,586,193 | 4,402,571 | 2,987,947 | 10,102,014 |
| Loans to customers | – | 9,254,780 | 15,802,324 | 29,802,636 | 80,021,280 | 8,951,222 | 143,832,242 |
| Current income tax assets | – | 51,509 | 55,000 | – | – | – | 106,509 |
| Reserves for insurance claims, reinsurance share | – | – | 39,459 | – | – | – | 39,459 |
| Other assets | – | 539,175 | 142,211 | 60,141 | 234,726 | 12,200 | 988,453 |
| | 28,184,222 | 12,731,994 | 16,228,119 | 32,626,464 | 97,610,467 | 11,951,369 | 199,332,635 |
| **Liabilities:** | | | | | | | |
| Amounts due to the Government | – | 132 | – | 21,696 | 55,600 | – | 77,428 |
| Amounts due to credit institutions | 43,795 | 2,131,096 | 1,057,974 | 17,581,014 | 22,644,648 | – | 43,458,527 |
| Amounts due to customers | 23,628,088 | 2,490,052 | 4,757,475 | 16,316,565 | 27,658,808 | 1,665 | 74,852,653 |
| Debt securities issued | – | – | – | 5,133,475 | 49,643,269 | 3,268,479 | 58,045,223 |
| Reserves for insurance claims | – | – | 347,069 | – | – | – | 347,069 |
| Provisions | – | 48,474 | 14,814 | 16,053 | 8,881 | – | 88,222 |
| Deferred income tax liabilities | – | – | 239,607 | – | – | – | 239,607 |
| Other liabilities | – | 558,848 | 184,400 | 261,271 | 31,569 | – | 1,036,088 |
| | 23,671,883 | 5,228,602 | 6,601,339 | 39,330,074 | 100,042,775 | 3,270,144 | 178,144,817 |
| **Net balance sheet position** | 4,512,339 | 7,503,392 | 9,626,780 | (6,703,610) | (2,432,308) | 8,681,225 | 21,187,818 |
| ***Accumulated gap*** | 4,512,339 | 12,015,731 | 21,642,511 | 14,938,901 | 12,506,593 | 21,187,818 | |

The financial assets at fair value through profit or loss are classified within demand as they are highly liquid and the Bank believes this is the proper presentation of its liquidity position. The Bank believes that in spite of a substantial portion of deposits from individuals being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these deposits provide a long-term and stable source of funding for the Bank.

*(Thousands of Kazakh tenge)*

## 29. Risk management policies (continued)

**Liquidity risk (continued)**

| | *December 31, 2005* | | | | | | |
|---|---|---|---|---|---|---|---|
| | *On demand* | *Less than 1 month* | *1 to 3 months* | *3 months to 1 year* | *1 to 5 years* | *Over 5 years* | *Total* |
| **Assets:** | | | | | | | |
| Cash and cash equivalents | 17,020,890 | 5,836,352 | 22,000 | 181,000 | – | – | 23,060,242 |
| Obligatory reserves | – | – | – | – | 1,344,789 | – | 1,344,789 |
| Financial assets at fair value through profit or loss | 9,921,757 | – | – | – | – | – | 9,921,757 |
| Amounts due from credit institutions | 437,768 | 1,122,678 | 1,897,541 | 95,393 | 200,000 | 135,370 | 3,888,750 |
| Available-for-sale securities | – | – | – | 1,145,651 | 2,556,732 | 1,574,038 | 5,276,421 |
| Loans to customers | – | 6,743,593 | 5,181,093 | 18,244,587 | 33,300,487 | 10,022,218 | 73,491,978 |
| Investments in associates | – | – | – | – | – | 131,478 | 131,478 |
| Current income tax assets | – | – | 163,594 | 119,456 | – | – | 283,050 |
| Reserves for insurance claims, reinsurance share | – | – | 25,538 | – | – | – | 25,538 |
| Other assets | – | 533,790 | 108,035 | 95,768 | 23,821 | 12,199 | 773,613 |
| | 27,380,415 | 14,236,413 | 7,397,801 | 19,881,855 | 37,425,829 | 11,875,303 | 118,197,616 |
| **Liabilities:** | | | | | | | |
| Amounts due to the Government | – | – | – | 6,239 | 74,880 | – | 81,119 |
| Amounts due to credit institutions | 166,039 | 46,689 | 176,938 | 17,246,630 | 5,521,900 | – | 23,158,196 |
| Amounts due to customers | 12,404,374 | 11,121,631 | 6,509,620 | 8,369,831 | 8,049,244 | 37,611 | 46,492,311 |
| Debt securities issued | – | – | – | 4,280,741 | 28,273,057 | 3,600,548 | 36,154,346 |
| Reserves for insurance claims | 39,713 | – | – | 156,556 | – | – | 196,269 |
| Provisions | – | 390 | 28,890 | 7,974 | 46,588 | – | 83,842 |
| Deferred income tax liabilities | 223,569 | – | – | – | – | – | 223,569 |
| Other liabilities | – | 526,482 | 58,971 | 243,898 | 223,811 | – | 1,053,162 |
| | 12,833,695 | 11,695,192 | 6,774,419 | 30,311,869 | 42,189,480 | 3,638,159 | 107,442,814 |
| **Net balance sheet position** | 14,546,720 | 2,541,221 | 623,382 | (10,430,014) | (4,763,651) | 8,237,144 | 10,754,802 |
| ***Accumulated gap*** | 14,546,720 | 17,087,941 | 17,711,323 | 7,281,309 | 2,517,658 | 10,754,802 | |

The Bank's capability to discharge its liabilities relies on its ability to realise an equivalent amount of assets within the same period of time.

Long-term credits and overdraft facilities are generally not available in Kazakhstan except for programs set up by international credit institutions. However, in the Kazakhstani marketplace, many short-term credits are granted with the expectation of renewing the loans at maturity. As such, the ultimate maturity of assets may be different from the analysis presented above. In addition, the maturity gap analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than one month in the tables above. While financial assets at fair value through profit or loss and available-for-sale securities are shown at demand, realizing such assets upon demand is dependent upon financial market conditions. Significant security positions may not be liquidated in a short period of time without adverse price effects.

*(Thousands of Kazakh tenge)*

## 30. Fair values of financial instruments

The following disclosure of the estimated fair value of financial instruments is made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties on arm's length conditions, other than in forced or liquidation sale. As no readily available market exists for a large part of the Bank's financial instruments, judgment is necessary in arriving at fair value, based on current economic conditions and the specific risks attributable to the instrument. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

The following methods and assumptions are used by the Bank to estimate the fair value of these financial instruments:

### Amounts due to credit institutions

For assets maturing within one month, the carrying amount approximates fair value due to the relatively short- term maturity of these financial instruments. For longer-term deposits, the interest rates applicable reflect market rates.

### Commercial loans and advances

The estimate was made by discounting of scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as of the respective year-end.

### Amounts due to customers

For balances maturing within one month the carrying amount approximates fair value due to the relatively short term maturity of these financial instruments. For longer term fixed interest bearing deposits and other borrowings the estimated fair value is based on discounted cash flows using interest rates for new debts with similar remaining maturity.

### Debt securities issued

The estimate was based on the quoted market prices of the securities at the balance sheet date.

| | *2006* | | *2005* | |
|---|---|---|---|---|
| | *Carrying amount* | *Fair value* | *Carrying amount* | *Fair value* |
| *Financial assets* | | | | |
| Loans to customers | 143,832,242 | 150,751,340 | 73,491,978 | 79,673,839 |
| *Financial liabilities* | | | | |
| Amounts due to credit institutions | 43,458,527 | 44,506,476 | 23,158,196 | 23,342,162 |
| Amounts due to customers | 74,852,653 | 69,457,553 | 46,492,311 | 46,761,137 |
| Debt securities issued | 58,045,223 | 60,204,670 | 36,154,346 | 38,743,248 |

## 31. Related party transactions

In accordance with IAS 24 "Related Party Disclosures", parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

*(Thousands of Kazakh tenge)*

## 31. Related party transactions (continued)

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

| | *2006* | | | *2005* | | |
|---|---|---|---|---|---|---|
| | *Shareholders* | *Associates* | *Key management personnel* | *Shareholders* | *Associates* | *Key management personnel* |
| Loans outstanding at January 1, gross | 80,000 | | 16,993 | 165,167 | – | – |
| Loans issued during the year | 9,141,479 | – | 107,906 | 2,066,604 | – | 25,161 |
| Loan repayments during the year | (7,734,669) | – | (68,712) | (2,151,771) | | (8,168) |
| Loans outstanding at 31 December, gross | 1,486,810 | – | 56,187 | 80,000 | – | 16,993 |
| Less: allowance for impairment at 31 December | – | – | (2,124) | – | – | (19) |
| Loans outstanding at 31 December, net | 1,486,810 | – | 54,063 | 80,000 | – | 16,974 |
| Interest income on loans | 96,269 | – | 3,559 | 28,590 | – | 1,899 |
| Impairment of loans | – | – | (2,105) | – | – | (19) |
| Deposits at 1 January | 21,700 | 14,400 | 18,240 | 13,000,000 | 28,600 | 3,900 |
| Deposits received during the year | 16,653,866 | 111,600 | 946,616 | 144,652,951 | 98,125 | 26,533 |
| Deposits repaid during the year | (4,157,992) | (126,000) | (493,715) | (157,631,251) | (112,325) | (12,193) |
| Deposits at 31 December | 12,517,574 | – | 471,141 | 21,700 | 14,400 | 18,240 |
| Interest expense on deposits | (158,483) | (1,727) | (23,380) | (66,412) | (2,937) | (1,358) |
| Fee and commission income | 85,663 | – | 750 | 121,691 | 635 | 16 |
| Other operating expenses | (4,344) | – | | (2,134) | – | – |

The interest rates and maturities of transactions with related parties are as follows:

| | *2006* | | | *2005* | | |
|---|---|---|---|---|---|---|
| | *Shareholders* | *Associates* | *Key management personnel* | *Shareholders* | *Associates* | *Key management personnel* |
| **Loans:** | | | | | | |
| Maturity | 2007 | – | 2007 - 2021 | 2006 | – | 2006 - 2019 |
| Interest rate in KZT | 12.5% | – | 9.0% - 18.0% | 11.0% - 11.3% | – | – |
| Interest rate in USD | 12.5% | – | 10.0% - 14.0% | 11.3% | – | 10.0% - 18.0% |
| **Deposits:** | | | | | | |
| Maturity | 2007 - 2011 | – | 2007 - 2011 | 2006 | 2006 | 2007 - 2019 |
| Interest rate in KZT | 6.0% - 11.0% | – | 9.0% - 12.0% | 7.5% | 8.0% - 9.5% | 10.0% - 11.0% |
| Interest rate in Euro | 4.5% | – | 2.0% - 4.5% | – | – | 4.5% |
| Interest rate in USD | 7.0% | – | 5.0% - 8.5% | – | – | 5.0% - 8.5% |

The aggregate remuneration and other benefits paid to 26 members of the Management Board and Board of Directors of the Bank for the period ended December 31, 2006 was KZT 156,076 thousand (2005: 21 members and KZT 113,840 thousand, respectively).