JSC Zaman-Bank

Financial Statements
For the year ended 31 December 2005

And Independent Auditors' Report

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on page 2, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Joint Stock Company Zaman-Bank (the "Bank").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank at 31 December 2005, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- selecting suitable accounting principles and applying them consistently;
- making judgements and estimates that are reasonable and prudent;
- stating whether IFRS have been followed, subject to any material departures disclosed and explained in the financial statements; and
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

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

The financial statements for the year ended 31 December 2005 were authorized for issue on 2 February 2006 by the Board.

On behalf of the Board:

Gupalo E.A.	**Seitova R.S.**
Chairman	**Chief Accountant**
2 February 2006	2 February 2006
Ekibastuz	Ekibastuz

INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of Joint Stock Company Zaman-Bank:

We have audited the accompanying balance sheet of JSC Zaman-Bank (the "Bank") as of 31 December 2005, the related profit and loss account and statements of cash flows and changes in shareholders' equity ("the financial statements") for the year then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2005, and the results of its operations and its cash flows for the year then ended, in accordance with International Financial Reporting Standards.

2 February 2006
Almaty

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year ended 31 December 2005 KZT'000	Year ended 31 December 2004 KZT'000
Interest income	4, 20	145,670	130,603
Interest expense	4	(8,883)	(8,295)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		136,787	122,308
Provision for impairment losses	5	(38,129)	(44,496)
NET INTEREST INCOME		98,658	77,812
Net (loss)/gain on securities available for sale		(8)	302
Net gain on foreign exchange operations	6	2,841	2,142
Fee and commission income	7, 20	11,316	5,259
Fee and commission expense	7	(1,577)	(786)
Other income		154	474
NET NON-INTEREST INCOME		12,726	7,391
OPERATING INCOME		111,384	85,203
OPERATING EXPENSES	8, 20	(64,511)	(53,831)
OPERATING PROFIT		46,873	31,372
Recovery of provision for losses on other transactions	5	-	3,517
PROFIT BEFORE TAXATION		46,873	34,889
Income tax expense	9	(14,040)	(6,850)
NET PROFIT		32,833	28,039

On behalf of the Board:

Gupalo E.A.	**Seitova R.S.**
Chairman	**Chief Accountant**
2 February 2006	2 February 2006
Ekibastuz	Ekibastuz

The notes on pages 8 to 31 form an integral part of these financial statements. The Independent Auditors' Report is presented on page 2.

BALANCE SHEET
AS OF 31 DECEMBER 2005

	Notes	31 December 2005 KZT'000	31 December 2004 KZT'000
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	10	59,182	53,557
Loans and advances to banks	11	9,915	183
Investments available-for-sale	12	84,884	-
Securities purchased under agreements to resell	13	65,019	130,022
Loans and advances to customers, less allowance for impairment losses	14, 20	1,044,553	963,900
Fixed and intangible assets, less accumulated depreciation	15	16,203	14,105
Deferred tax assets	9	22	594
Other assets		838	367
TOTAL ASSETS		1,280,616	1,162,728
LIABILITIES AND SHAREHOLDERS' EQUITY			
LIABILITIES:			
Customer accounts	16, 20	240,282	156,500
Other liabilities	17	4,867	3,583
Total liabilities		245,149	160,083
SHAREHOLDERS' EQUITY:			
Share capital	18	884,631	884,631
Investments available-for-sale fair value reserve		(11)	-
Retained earnings		150,847	118,014
Total shareholders' equity		1,035,467	1,002,645
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,280,616	1,162,728

On behalf of the Board:

Gupalo E.A.
Chairman

2 February 2006
Ekibastuz

Seitova R.S.
Chief Accountant

2 February 2006
Ekibastuz

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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

	Share capital	Investments available-for-sale fair value reserve	Retained earnings	Total shareholders' equity
	KZT'000	KZT'000	KZT'000	KZT'000
31 December 2003	884,631	-	149,975	1,034,606
Net profit for the year	-	-	28,039	28,039
Dividends paid	-	-	(60,000)	(60,000)
31 December 2004	884,631	-	118,014	1,002,645
Net profit for the year	-	-	32,833	32,833
Loss on revaluation of investments available-for-sale	-	(11)	-	(11)
31 December 2005	884,631	(11)	150,847	1,035,467

On behalf of the Board:

Gupalo E.A.	**Seitova R.S.**
Chairman	**Chief Accountant**
2 February 2006	2 February 2006
Ekibastuz	Ekibastuz

The notes on pages 8 to 31 form an integral part of these financial statements. The Independent Auditors' Report is presented on page 2.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year ended 31 December 2005 KZT'000	Year ended 31 December 2004 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		46,873	34,889
Adjustments for:			
Provision for impairment losses on interest bearing assets		38,129	44,496
Recovery of provision for losses on other transactions		-	(3,517)
Depreciation and amortization		3,182	3,038
Change in interest accruals, net		(3,622)	5,262
Loss on sale of fixed assets and intangible assets		2	33
Cash flow from operating activities before changes in operating assets and liabilities		84,564	84,201
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Loans and advances to banks		(9,731)	3,725
Securities purchased under repurchase agreements		65,001	(14,859)
Loans and advances to customers		(115,159)	(79,967)
Other assets		(471)	1,182
Increase/(decrease) in operating liabilities:			
Customer accounts		83,782	64,479
Other liabilities		1,284	9,805
Cash inflow from operating activities before taxation		109,270	68,566
Income tax paid		(13,468)	(4,535)
Net cash inflow from operating activities		95,802	64,031
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of fixed and intangible assets		(5,373)	(1,886)
Proceeds on sale of fixed and intangible assets		91	68
Purchase of investments available-for-sale		(154,833)	(10,062)
Proceeds on sale of investments available-for-sale		69,938	34,952
Net cash (outflow)/inflow from investing activities		(90,177)	23,072

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Year ended 31 December 2005 KZT'000	Year ended 31 December 2004 KZT'000
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		-	(60,000)
Net cash outflow from financing activities		-	(60,000)
NET INCREASE IN CASH AND CASH EQUIVALENTS		5,625	27,103
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		53,557	26,454
CASH AND CASH EQUIVALENTS AT END OF YEAR	10	59,182	53,557

Interest paid and received by the Bank in cash during the year ended 31 December 2005 amounted to KZT 8,883 thousand and KZT 140,840 thousand, respectively.

Interest paid and received by the Bank in cash during the year ended 31 December 2004 amounted to KZT 8,295 thousand and KZT 135,678 thousand, respectively.

On behalf of the Board:

Gupalo E.A.
Chairman

2 February 2006
Ekibastuz

Seitova R.S.
Chief Accountant

2 February 2006
Ekibastuz

The notes on pages 8 to 31 form an integral part of these financial statements. The Independent Auditors' Report is presented on page 2.

1. ORGANISATION

JSC Zaman-Bank (the "Bank") is a joint-stock bank, which was incorporated in the Republic of Kazakhstan in 1991. The address of its registered office is 111A Lenin Avenue, Ekibastuz, 638710, Republic of Kazakhstan. The Bank is regulated by the Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations (the "Supervisory agency") and conducts its business under license number 11 dated 13 October 2004. The Bank's primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The Bank has a branch in Almaty.

The number of employees of the Bank as of 31 December 2005 and 2004 was 35 and 38, respectively.

As of 31 December 2005, the following shareholders owned more than 5% of the outstanding shares.

Shareholder	**%**
Alan-A LLP	22.73
Vershina LLP	9.60
Ekibastuz Regional Business Center LLP	5.57
Other (individually hold less than 5%)	62.10
Total	100.0

These financial statements were authorized for issue by the Board on 2 February 2006.

2. BASIS OF PRESENTATION

Accounting basis

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements are presented in thousands of Kazakhstani tenge (KZT), unless otherwise indicated. These financial statements have been prepared on the historical cost basis.

The Bank maintains its accounting records in accordance with law of the Republic of Kazakhstan. These financial statements have been prepared from the Republic of Kazakhstan statutory accounting records and have been adjusted to conform with IFRS.

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

Functional currency

The functional currency of these financial statements is the Kazakhstani Tenge ("KZT").

3. SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities on its balance sheet when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting.

Financial assets and liabilities are initially recognized at cost, which is the fair value of consideration given or received, respectively, net of any transaction costs incurred, respectively. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent accounts with the National Bank of the Republic of Kazakhstan and advances to banks in countries included in the Organization for Economic Co-operation and Development (OECD).

Loans and advances to banks

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

Repurchase and reverse repurchase agreements

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

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

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

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

Originated loans

Loans originated by the Bank are financial assets that are created by the Bank by providing money directly to a borrower.

Loans granted by the Bank with fixed maturities are initially recognized in accordance with the policy stated below. The difference between the nominal amount of consideration given and the amortized cost of loans issued at lower than market terms is recognized in the period the loan is issued as initial recognition adjustment discounting using market rates at inception and included in the profit and loss account as losses on origination of assets. Subsequently, the carrying amount of such loans is adjusted for amortization of the losses on origination and the related income is recorded as interest income within the profit and loss account using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans and advances are written off against allowance for impairment losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has received all available collateral.

Non-accrual loans

Loans are placed on non-accrual status when interest or principal is delinquent for a period in excess of 30 days, except when all amounts due are fully secured by cash or marketable securities and collection proceedings are in process. Interest income is not recognized if recovery is doubtful. Subsequent payments by borrowers are applied to either principal or delinquent interest based on individual arrangements with the borrower. A non-accrual loan is restored to accrual status when all principal and interest amounts contractually due are reasonably assured of repayment within a reasonable period.

Allowance for impairment losses

The Bank establishes an allowance for impairment losses of financial assets when it is probable that the Bank will not be able to collect the principal and interest according to the contractual terms of financial assets, which are carried at cost or amortized cost. The allowance for impairment losses is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral.

The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses inherent in the risk assets. Provisions are made as a result of a detailed appraisal of risk assets.

The change in the allowance for impairment losses is charged to profit and the total of the allowance for losses is deducted in arriving at assets as shown in the balance sheet. Management's evaluation of the allowance is based upon the Bank’s past loss experience, known and inherent risks in the risk assets, adverse situations that may affect the debtor's ability to repay, the estimated value of any underlying collateral and current economic conditions.

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

Investments available-for-sale

Investments available-for-sale represent debt investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at cost which approximates the fair value of the consideration given. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity, plus accrued coupon income recognized in profit or loss for the period as interest income on investment securities. The Bank uses quoted market prices to determine the fair value for the Bank's investments available-for-sale. If such quotes do not exist, management estimation is used. Dividends received are included in dividend income in the profit and loss account.

Fixed and intangible assets

Fixed assets and intangible assets are stated at cost less accumulated depreciation and any recognized impairment loss.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using the straight-line method, on the following bases:

Computers	28%
Vehicles	14%
Other	15%
Intangible assets	10%

The carrying amounts of fixed and intangible assets are reviewed at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for fixed assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

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

Taxation

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

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

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

Deferred tax liabilities are not recognised for taxable temporary differences where the Bank is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deposits from banks and customers

Customer and bank deposits are initially recognized at cost, which amounts to the issue proceeds less transaction costs incurred. Subsequently amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the profit and loss account over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognized 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 obligation can be made.

Share capital and share premium

Share capital is recognized at historic cost.

Dividends on ordinary shares are recognized in shareholders' equity as a reduction in the period in which they are declared. Dividends that are declared after the balance sheet date are treated as a subsequent event under International Accounting Standard 10 "Events after the Balance Sheet Date" and disclosed accordingly.

Retirement and other benefit obligations

The Bank does not incur any expenses in relation to provision of pensions to its employees. In accordance with the legal requirements of the Republic of Kazakhstan, the Bank withholds pension contributions from employee salaries and transfers them into state or private pension funds. Current contributions by the employer are calculated as a percentage of current gross salary payments with the expense charged in the period in which the related salaries are earned. Upon retirement of employees, all pension payments are administered by the above pension funds.

Recognition of income and expense

Interest income and expense are recognized on an accrual basis. The recognition of interest income is suspended when loans become overdue by more than 30 days. Interest income also includes income earned on investment securities and securities held-for-trading. Other income is credited to the profit and loss account when the related transactions are completed. Loan origination fees, if significant, are deferred (together with related direct costs) and recognized as an adjustment to the loan's effective yield. Commission income/expenses are recognized on an accrual basis.

Foreign currency translation

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

Rates of exchange

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

	31 December 2005	31 December 2004
KZT/1 USD	133.77	130.00
KZT/1 EUR	158.54	177.10

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Reclassifications

Certain reclassifications have been made to the financial statements as of 31 December 2004 and for the year then ended to conform to the presentation as of 31 December 2005 and for the year then ended.

4. NET INTEREST INCOME

	Year ended 2005 KZT'000	Year ended 2004 KZT'000
Interest income		
Interest on loans and advances to customers	145,290	127,942
Interest on debt securities	237	3
Interest on reverse repos transactions	78	1,224
Interest on loans and advances to banks	65	1,434
Total interest income	145,670	130,603
Interest expense		
Interest on customer accounts	8,883	8,295
Total interest expense	8,883	8,295
Net interest income	136,787	122,308

5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest earning assets and other provisions were as follows:

	Loans and advances to customers	Guarantee and other commitments	Total
31 December 2003	56,439	3,517	59,956
Provision	44,496	(3,517)	40,979
Write-off	(19,521)	-	(19,521)
31 December 2004	81,414	-	81,414
Provision/ (recovery)	38,129	-	38,129
31 December 2005	119,543	-	119,543

6. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

	Year ended 31 December 2005 KZT'000	Year ended 31 December 2004 KZT'000
Dealing, net	3,082	2,522
Foreign currency revaluation	(241)	(380)
Total net gain on foreign exchange operations	2,841	2,142

7. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2005 KZT'000	Year ended 31 December 2004 KZT'000
Fee and commission income:		
Cash operations	3,770	2,150
Guarantee issuance	2,644	1,464
Transfer operations	2,478	589
Foreign exchange operations	1,496	275
Documentary operations	298	323
Other operations	630	458
Total fee and commission income	11,316	5,259

	Year ended 31 December 2005 KZT'000	Year ended 31 December 2004 KZT'000
Fee and commission expense:		
Cash operations	825	487
Transfer operations	715	269
Correspondent bank services	24	3
Settlements	1	13
Other operations	12	14
Total fee and commission expense	1,577	786

8. OPERATING EXPENSES

	Year ended 31 December 2005 KZT'000	Year ended 31 December 2004 KZT'000
Salary and bonuses	19,852	18,195
Operating lease expense	12,905	9,480
Communication	6,556	2,577
Professional services fees	5,934	4,796
Depreciation of fixed and intangible assets	3,182	3,038
Taxes, other than income tax	2,914	3,453
Other non-banking expenses	2,582	2,149
Administrative services	2,363	2,554
Security services	2,341	2,044
Travel expenses	1,915	1,988
Advertisement and marketing expenses	888	451
Encashment expenses	563	562
Other	2,516	2,544
Total operating expenses	64,511	53,831

9. INCOME TAXES

The Bank provides for taxes based on the statutory tax accounts maintained and prepared in accordance with Kazakhstani statutory tax regulations which may differ from International Financial Reporting Standards. During the years ended 31 December 2005 and 2004, the Kazakhstani tax rate for corporations' profits was 30%.

Tax assets and liabilities consist of the following:

	Year ended 2005 KZT'000	Year ended 2004 KZT'000
Deferred tax assets	22	594
Deferred tax assets	22	594

The Bank is subject to certain permanent tax differences due to non-tax deductibility of exchange losses and other expenses and tax-free regime under local tax regulations.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 December 2005 and 2004 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as of 31 December 2005 and 2004 comprise:

	31 December 2005 KZT'000	31 December 2004 KZT'000
Deferred tax assets:		
Allowances for impairment	-	52
Fixed and intangible assets	18	37
Other assets	4	505
Total deferred tax assets	22	594

	31 December 2005 KZT'000	31 December 2004 KZT'000
Deferred tax liabilities:		
Fixed assets	-	-
Loans to banks and customers	-	-
Total deferred tax liabilities	-	-
Net deferred tax assets/ (liabilities)	22	594

Relationships between tax expenses and accounting profit for the year ended 31 December 2005 and 2004 are explained as follows:

	Year ended 31 December 2005 KZT'000	Year ended 31 December 2004 KZT'000
Profit before income taxes	46,873	34,889
Statutory tax rate	30%	30%
Tax at the statutory tax rate	14,062	10,467
Tax effect of permanent differences	(594)	(2,957)
Change in net deferred tax assets/(liabilities)	572	(660)
Income tax expense	14,040	6,850
Current income tax expense	13,468	7,510
]Deferred tax expense/(credit)	572	(660)
Income tax expense	14,040	6,850

Deferred tax assets/(liabilities)	31 December 2005 KZT'000	31 December 2004 KZT'000
At beginning of the period	594	(66)
Increase/(decrease) of the deferred tax assets in the period	(572)	660
At end of the period	22	594

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

	31 December 2005 KZT'000	31 December 2004 KZT'000
Cash in vault	3,167	1,360
Balance with the National Bank of the Republic of Kazakhstan ("NBRK")	56,015	52,197
Total cash and cash equivalents	59,182	53,557

Cash and balances with NBRK as of 31 December 2005 and 2004 include KZT 7,999 thousand and KZT 5,822 thousand, respectively, which represents the minimum reserve required by the NBRK. The Bank is required to maintain the reserve balance, which is computed as the percentage of certain liabilities of the Bank. The Bank is entitled to use such funds if it complies with regulations.

11. LOANS AND ADVANCES TO BANKS

	31 December 2005 KZT'000	31 December 2004 KZT'000
Correspondent accounts with other banks	9,914	183
Accrued interest income on loans and advances to banks	1	-
Total loans and advances to banks	9,915	183

12. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2005 KZT'000	31 December 2004 KZT'000
NBRK notes	84,884	-
Total Investments available-for-sale	84,884	-

Investments available-for-sale represent NBRK notes issued by the NBRK, and are freely tradable on the Kazakhstani market.

13. SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

Securities purchased under agreements to resell comprised:

	31 December 2005 KZT'000	31 December 2004 KZT'000
NBRK notes	-	130,022
MEOKAM	65,019	-
Total securities purchased under REPOs	65,019	130,022

14. LOANS AND ADVANCES TO CUSTOMERS, LESS ALLOWANCE FOR IMPAIRMENT LOSSES

Loans and advances to customers comprise:

	31 December 2005 KZT'000	31 December 2004 KZT'000
Originated loans	1,159,286	1,044,127
Accrued interest income on loans and advances to customers	4,810	1,187
	1,164,096	1,045,314
Less allowance for impairment losses	(119,543)	(81,414)
Total loans and advances to customers, less allowance for impairment losses	1,044,553	963,900

	31 December 2005 KZT'000	31 December 2004 KZT'000
Loans collateralized by goods	448,472	460,733
Loans collateralized by equipment	237,251	154,409
Loans collateralized by mixed collateral	218,791	143,656
Loans collateralized by real estate	162,923	187,095
Loans collateralized by cash	82,100	80,303
Loans collateralized by vehicles	9,695	16,687
Loans collateralized by guarantees	54	83
Unsecured loans	-	1,161
Accrued interest income on loans and advances to customers	4,810	1,187
	1,164,096	1,045,314
Less allowance for impairment losses	(119,543)	(81,414)
Total loans and advances to customers, less allowance for impairment losses	1,044,553	963,900

Movements in allowances for impairment losses for the years ended 31 December 2005 and 2004 are disclosed in Note 5.

As of 31 December 2005 and 2004 the Bank had one loan totaling KZT 139,500 thousand and KZT 154,000 thousand, respectively, which individually exceeded 10% of the Bank's equity.

As of 31 December 2005 and 2004 loans and advances to customers included non-accrual loans amounting to KZT 22,358 thousand and KZT 20,165 thousand, respectively.

Analysis by industry	**31 December 2005 KZT'000**	**31 December 2004 KZT'000**
Trading	862,733	839,776
Coal mining	97,751	-
Wooden goods manufacturing	70,000	-
Services	50,526	1,909
Agriculture	36,580	1,000
Transport	26,830	32,710
Individuals	9,716	7,060
Construction and maintenance	2,100	85,696
Sale and repair of vehicles	1,700	-
Other	1,350	-
Equipment manufacturing	-	69,737
Non-metallic products manufacturing	-	6,239
Accrued interest income on loans and advances to customers	4,810	1,187
	1,164,096	1,045,314
Less allowance for impairment losses	(119,543)	(81,414)
Total loans and advances to customers, less allowance for impairment losses	1,044,553	963,900

15. FIXED AND INTANGIBLE ASSETS

	Computers KZT'000	**Other KZT'000**	**Intangible assets KZT'000**	**Total KZT'000**
At cost				
31 December 2004	4,272	7,255	11,508	23,035
Additions	496	263	4,614	5,373
Transfers	50	(50)	-	-
Disposals	-	(101)	(223)	(324)
31 December 2005	4,818	7,367	15,899	28,084
Accumulated depreciation				
31 December 2004	2,795	3,283	2,852	8,930
Charge for the period	903	976	1,303	3,182
Disposals	-	(101)	(130)	(231)
31 December 2005	3,698	4,158	4,025	11,881
Net book value				
31 December 2005	1,120	3,209	11,874	16,203
Net book value				
31 December 2004	1,477	3,972	8,656	14,105

16. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2005 KZT'000	31 December 2004 KZT'000
Repayable on demand	136,720	67,224
Customer deposit	103,562	89,276
Total customer accounts	240,282	156,500

As of 31 December 2005 and 2004, customer accounts amounting to KZT 82,100 thousand and KZT 88,906 thousand, respectively were held as collateral against loans.

Analysis of customer accounts by industry:

	31 December 2005 KZT'000	31 December 2004 KZT'000
Trade	113,214	54,994
Individuals	88,975	85,515
Coal extraction	17,923	3,451
Services	2,473	2,307
Construction	1,471	9,575
Agriculture	49	226
Other	16,177	432
Total customer accounts	240,282	156,500

17. OTHER LIABILITIES

	31 December 2005 KZT'000	31 December 2004 KZT'000
Settlement on other transactions	3,762	3,387
Taxes payable, other than income tax	832	23
Other	273	173
Total other liabilities	4,867	3,583

18. SHAREHOLDERS' EQUITY

As of 31 December 2005 and 2004 share capital authorized, issued and fully paid comprised 880,230 ordinary shares with par value of KZT 1,005 each. All ordinary shares are ranked equally and carry one vote. There were declared and paid dividends in the amount of KZT 60 thousand in 2004. No dividends were paid in 2005.

19. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the balance sheet.

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

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

The risk-weighted amount is obtained by applying credit conversion factors and counterparty risk weightings according to the principles employed by the Basle Committee on Banking Supervision.

As of 31 December 2005 and 2004, the nominal or contract amounts and the risk weighted credit equivalents of instruments with off-balance sheet risks were:

	31 December 2005 KZT'000		31 December 2004 KZT'000	
	Nominal Amount	**Risk Weighted Amount**	**Nominal Amount**	**Risk Weighted Amount**
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	160,600	160,600	14,066	14,066
Commitments on credits and unused credit lines	14,244	2,849	2,614	523
Total contingent liabilities and credit commitments	174,844	163,449	16,680	14,589

Capital commitments

The Bank had no material commitments for capital expenditure outstanding as of 31 December 2005.

Operating Leases

The Bank's future minimum rental payments under non-cancelable operating leases of buildings in effect as of 31 December 2005 and 2004 are presented in the table below.

	31 December 2005 KZT'000	31 December 2004 KZT'000
Within 1 year	8,705	4,429
Between 2 years and 5 years	4,200	5,051
Total operating lease	12,905	9,480

Operating Environment

The Bank's principal business activities are within the Republic of Kazakhstan. Laws and regulations affecting the business environment in the Republic of Kazakhstan are subject to rapid changes and the Bank's assets and operations could be at risk due to negative changes in the political and business environment.

Legal proceedings

From time to time and in the normal course of business, claims against the Bank may be received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxes

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

Pensions and retirement plans

Employees receive pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As of 31 December 2005 and 2004, the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

20. TRANSACTIONS WITH RELATED PARTIES

Related parties, as defined by International Accounting Standard 24 'Related parties disclosures', are those counter parties that represent:

(a) Enterprises that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Bank. (This includes holding companies, subsidiaries and fellow subsidiaries);

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

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

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

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

(f) Parties with joint control over the Bank;

(g) Joint ventures in which the Bank is a venture; and

(h) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party to the Bank

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

	31 December 2005 KZT'000		31 December 2004 KZT'000	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Loans and advances to customers, gross	242,931	1,164,096	302,348	1,045,314
Allowance for impairment	20	119,543	9,353	81,414
Customer accounts	96,645	240,282	12,685	156,500

	Year ended 31 December 2005 KZT'000		Year ended 31 December 2004 KZT'000	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:				
Short-term employee benefits	6,748	19,852	6,084	18,195
	6,748	19,852	6,084	18,195

Included in the profit and loss account for the years ended 31 December 2005 and 2004 are the following amounts which arose due to transactions with related parties:

	Year ended 2005 KZT'000		Year ended 2004 KZT'000	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	12,423	145,670	30,019	130,603
- related companies	12,269	-	30,004	-
- directors	154	-	15	-
Fee and commission income	1,746	11,316	1,227	5,259
- related companies	1,746	-	1,227	-
Operating expenses	6,000	64,511	2,640	53,831
- related companies	6,000	-	2,640	-
- directors	-	-	-	-

All transactions with related parties entered into by the Bank during the years ended 31 December 2005 and 2004 were mainly made in the normal course of business and under arm-length conditions.

21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The following methods and assumptions were used by the Bank to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Cash and balances with the National Bank of the Republic of Kazakhstan

For these short-term instruments the carrying amount is a reasonable estimate of fair value.

Investments available-for-sale

As of 31 December 2005 and 2004 investments available-for-sale are stated at fair value amounting to KZT 84,884 thousand and nil, respectively. The fair value of investments available-for-sale was determined with reference to an active market for those securities quoted publicly or at over-the-counter market (see Note 12).

Loans and advances to customers

The fair value of the loan portfolio is based on the credit and interest rate characteristics of the individual loans within each sector of the portfolio. The estimation of the provision for impairment losses includes consideration of risk premiums applicable to various types of loans based on factors such as the current situation of the economic sector in which each borrower operates, the economic situation of each borrower and guarantees obtained. Accordingly, the provision for impairment losses is considered a reasonable estimate of the discount required to reflect the impact of credit risk.

Customer accounts

The fair value of short-term deposits and current accounts of the Bank's customers is considered to be the carrying value.

22. REGULATORY MATTERS

The following non-IFRS quantitative measures are established by regulation to ensure capital adequacy. The Bank is required to maintain minimum amounts and ratios (as set forth in the table below) of total and tier 1 capital to risk-weighted assets.

Capital is calculated as the amount of restricted and free components of the shareholders' capital and the Bank's provisions for the principal risks on condition that the general provision for losses does not exceed 1.25% of the risk weighted assets.

The ratio is calculated according to the principles employed by the Basle Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for losses:

Estimate	Description of position
0%	Cash and balances with the NBRK
0%	State debt securities in Tenge
20%	Loans and advances to banks for up to 1 year
100%	Loans and advances to customers
100%	Other assets
0%	Standby letters of credit secured by customer funds
50%	Other standby letters of credit and other transaction related contingent obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Guarantees issued and similar commitments

The Bank's actual capital amounts and ratios are presented in the following table:

	Actual Amount	For Capital Adequacy purposes	Ratio For Capital Adequacy Purposes	Minimum Required Ratio
	KZT'000	KZT'000	%	%
As of 31 December 2005				
Total capital	1,035,466	1,035,466	83.65	8
Tier 1 capital	1,035,477	1,035,480	83.65	4
As of 31 December 2004				
Total capital	1,002,645	1,002,651	109.73	8
Tier 1 capital	1,002,645	1,002,645	109.73	4

23. 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 exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Bank's risk management policies in relation to those risks follows.

The Bank manages the following risks:

Liquidity risk

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

The following table presents an analysis of interest rate risk and liquidity risk on the balance sheet. Interest bearing assets and liabilities generally have relatively short maturities and interest rates are reprised only at maturity.

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined, including allowance for impair ment losses	2005 Total
	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000
ASSETS								
Loans and advances to banks	9,915	-	-	-	-	-	-	9,915
Investments available-for-sale	84,884	-	-	-	-	-	-	84,884
Securities purchased under agreements to resell	65,019	-	-	-	-	-	-	65,019
Loans and advances to customers, less allowance for impairment losses	-	-	509,483	512,712	-	22,358	-	1,044,553
Total interest bearing assets	159,818	-	509,483	512,712	-	22,358	-	1,204,371
Cash and balances with the National Bank of the Republic of Kazakhstan	59,182	-	-	-	-	-	-	59,182
Fixed and intangible assets, less accumulated depreciation	-	-	-	-	-	-	16,203	16,203
Deferred tax assets	22	-	-	-	-	-	-	22
Other assets	838	-	-	-	-	-	-	838
TOTAL ASSETS	219,860	-	509,483	512,712	-	22,358	16,203	1,280,616
LIABILITIES								
Customer accounts	-	-	103,143	-	-	-	137,139	240,282
Total interest bearing liabilities	-	-	103,143	-	-	-	137,139	240,282
Other liabilities	4,867	-	-	-	-	-	-	4,867
TOTAL LIABILITIES	4,867	-	103,143	-	-	-	137,139	245,149
Liquidity gap	214,993	-	406,340	512,712	-			
Interest sensitivity gap	159,818	-	406,340	512,712	-			
Cumulative interest sensitivity gap	159,818	159,818	566,158	1,078,870	1,078,870			
Cumulative interest sensitivity gap as a percentage of total assets	12%	12%	44%	84%	84%			

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Overdue	Maturity undefined, including allowance for impairm ent losses	2004 Total
	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000	KZT'000
ASSETS								
Loans and advances to banks	183	-	-	-	-	-	-	183
Securities purchased under agreements to resell	130,022	-	-	-	-	-	-	130,022
Loans and advances to customers, less allowance for impairment losses	602	-	582,290	360,843	-	20,165	-	963,900
Total interest bearing assets	130,807	-	582,290	360,843	-	20,165	-	1,094,105
Cash and balances with the National Bank of the Republic of Kazakhstan	53,557	-	-	-	-	-	-	53,557
Fixed and intangible assets, less accumulated depreciation	-	-	-	-	-	-	14,105	14,105
Deferred tax assets	594	-	-	-	-	-	-	594
Other assets	367	-	-	-	-	-	-	367
TOTAL ASSETS	185,325	-	582,290	360,843	-	20,165	14,105	1,162,728
LIABILITIES								
Customer accounts	-	-	3,466	85,440	-	-	67,594	156,500
Total interest bearing liabilities	-	-	3,466	85,440	-	-	67,594	156,500
Other liabilities	3,583	-	-	-	-	-	-	3,583
TOTAL LIABILITIES	3,583	-	3,466	85,440	-	-	67,594	160,083
Liquidity gap	181,742	-	578,824	275,403	-			
Interest sensitivity gap	130,807	-	578,824	275,403	-			
Cumulative interest sensitivity gap	130,807	130,807	709,631	985,034	985,034			
Cumulative interest sensitivity gap as a percentage of total assets	11%	11%	61%	85%	85%			

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. The following table presents an analysis of interest rate risk and thus the potential of the Bank for gain or loss (IFRS 32 par. 58). Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Bank.

	2005 %				2004 %			
	KZT	**USD**	**EUR**	**RUR**	**KZT**	**USD**	**EUR**	**RUR**
ASSETS								
Loans and advances to banks	-	0.7-22.5	15.5	0.03	2	-	-	-
Investments available-for-sale	1.5-2.35	-	-	-	2.66-5.65	-	-	-
Securities purchased under agreement to resell	1-5	-	-	-	3-5	-	-	-
Loans and advances to customers	4-22	-	-	-	3-26	-	-	-
LIABILITIES								
Customer accounts	8-10	-	-	-	10	-	-	-

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Bank's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	**USD USD 1 = 133.77 KZT**	**EUR EUR 1 = 158.54 KZT**	**RUR RUR 1 = 4.65 KZT**	**Currency undefined, including allowance for impairment losses**	**2005 Total KZT'000**
ASSETS						
Cash and balances with the NBRK	57,171	1,714	122	176	-	59,183
Loans and advances to banks	-	2,932	194	6,788	-	9,914
Investments available-for-sale	84,884	-	-	-	-	84,884
Securities purchased under agreement to resell	65,019	-	-	-	-	65,019
Loans and advances to customers, less allowance for impairment losses	1,164,096	-	-	-	(119,543)	1,044,553
Fixed and intangible assets, less accumulated depreciation	16,203	-	-	-	-	16,203
Deferred tax assets	22	-	-	-	-	22
Other assets	838	-	-	-	-	838
TOTAL ASSETS	1,388,233	4,646	316	6,964	(119,543)	1,280,616
LIABILITIES						
Customer accounts	240,282	-	-	-	-	240,282
Other liabilities	4,867	-	-	-	-	4,867
TOTAL LIABILITIES	245,149	-	-	-	-	245,149
OPEN BALANCE SHEET POSITION	1,143,084	4,646	316	6,964		

	KZT	USD USD 1 = 130.00 KZT	EUR EUR 1 = 177.10 KZT	RUR RUR 1 = 4.67 KZT	Currency undefined, including allowance for impairment losses	2004 Total KZT'000
ASSETS						
Cash and balances with the NBRK	53,064	135	116	242	-	53,557
Loans and advances to banks	-	76	-	107	-	183
Securities purchased under agreement to resell	130,001	-	-	-	-	130,001
Loans and advances to customers, less allowance for impairment losses	1,045,314	-	-	-	(81,414)	963,900
Fixed and intangible assets, less accumulated depreciation	14,105	-	-	-	-	14,105
Deferred tax assets	594	-	-	-	-	594
Other assets	388	-	-	-	-	388
TOTAL ASSETS	1,243,466	211	116	349	(81,414)	1,162,728
LIABILITIES						
Customer accounts	156,500	-	-	-	-	156,500
Other liabilities	3,583	-	-	-	-	3,583
TOTAL LIABILITIES	160,083	-	-	-	-	160,083
OPEN BALANCE SHEET POSITION	1,083,383	211	116	349		

Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to market risks of its products which are subject to general and specific market fluctuations. 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. With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Credit risk

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

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. Limits on the level of credit risk by borrower are approved monthly by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily. In the case of most loans, the Bank obtains collateral and corporate guarantees.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Bank monitors the term to maturity of credit commitments because longer term commitments generally have a greater degree of credit risk than shorter-term commitments.

Geographical concentration

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

	Kazakhstan	CIS	OECD countries	Allowance for impairment losses	31 December 2005 Total KZT'000
ASSETS					
Cash and balances with the National Bank of the Republic of Kazakhstan	59,182	-	-	-	59,182
Loans and advances to banks	53	6,789	3,073	-	9,915
Investments available-for-sale	84,884	-	-	-	84,884
Securities purchased under agreements to resell	65,019	-	-	-	65,019
Loans and advances to customers, less allowance for impairment losses	1,164,096	-	-	(119,543)	1,044,553
Fixed and intangible assets, less accumulated depreciation	16,203	-	-	-	16,203
Deferred tax assets	22	-	-	-	22
Other assets	838	-	-	-	838
TOTAL ASSETS	1,390,297	6,789	3,073	(119,543)	1,280,616
LIABILITIES					
Customer accounts	240,282	-	-	-	240,282
Other liabilities	4,867	-	-	-	4,867
TOTAL LIABILITIES	245,149	-	-	-	245,149
NET POSITION	1,145,148	6,789	3,073		

	Kazakhstan	CIS	Allowance for impairment losses	31 December 2004 Total KZT'000
ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	53,557	-	-	53,557
Loans and advances to banks	76	107	-	183
Securities purchased under agreements to resell	130,022	-	-	130,022
Loans and advances to customers, less allowance for impairment losses	1,045,314	-	(81,414)	963,900
Fixed and intangible assets, less accumulated depreciation	14,105	-	-	14,105
Deferred tax assets	594	-	-	594
Other assets	367	-	-	367
TOTAL ASSETS	1,244,035	107	(81,414)	1,162,728
LIABILITIES				
Customer accounts	156,500	-	-	156,500
Other liabilities	3,583	-	-	3,583
TOTAL LIABILITIES	160,083	-	-	160,083
NET POSITION	1,083,952	107		