JSC SB "KZI Bank"

Financial Statements

For the Year Ended 31 December 2008

JSC SB "KZI BANK"

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JSC SB "KZI BANK"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Joint Stock Company Subsidiary Bank "KZI Bank ("the Bank").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2008, 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 judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed; 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, errors and other irregularities.

The financial statements for the year ended 31 December 2008 were authorized for issue on 16 March 2009 by the Management Board of the Bank.

On behalf of the Management Board:

Ahmet Eroglu
Chairman of the Management Board

16 March 2009
Almaty, Kazakhstan

Raziya Bekeeva
Chief Accountant

16 March 2009
Almaty, Kazakhstan

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Joint Stock Company Subsidiary Bank "KZI Bank":

Report on the financial statements

We have audited the accompanying financial statements of JSC SB "KZI Bank" (the "Bank"), which comprise the balance sheet as at 31 December 2008, the income statement, the statements of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The financial statements of the Bank for the year ended 31 December 2007 were audited by other auditors whose report dated 20 March 2008 expressed an unqualified opinion.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 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 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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 financial statements present fairly, in all material respects the financial position of the JSC SB "KZI Bank" as at 31 December 2008, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Arman Chingilbayev
Auditor-performer
Auditor's qualification certificate №0000487
dated 12 October 1999

Andrew Weekes
Engagement Partner
Chartered Accountant
Certificate of Public Practice 78586
Australia

Deloitte, LLP

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

Nurlan Bekenov
General Director
Deloitte, LLP

16 March 2009
Almaty, Kazakhstan

JSC SB "KZI BANK"

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008
(in thousands of Kazakhstani tenge)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
Interest income	4	641,266	560,992
Interest expense	4	(29,305)	(15,608)
NET INTEREST INCOME BEFORE (PROVISION)/RECOVERY OF PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		611,961	545,384
(Provision)/recovery of provision for impairment losses on interest bearing assets	5	(511,007)	8,635
NET INTEREST INCOME		100,954	554,019
Net gain on foreign exchange operations	6	98,048	124,094
Fee and commission income	7	241,312	221,234
Fee and commission expense	7	(10,078)	(9,970)
Recovery of provision for impairment losses on other transactions		21	180
Other income	8	27,335	4,743
NET NON-INTEREST INCOME		356,638	340,281
OPERATING INCOME		457,592	894,300
OPERATING EXPENSES	9,25	(487,209)	(388,387)
(LOSS)/PROFIT BEFORE INCOME TAX		(29,617)	505,913
Income tax expense	10	(4,072)	(156,629)
NET (LOSS)/PROFIT		(33,689)	349,284

On behalf of the Management Board:

Ahmet Eroglu
Chairman of the Management Board

16 March 2009
Almaty, Kazakhstan

Raziya Bekeeva
Chief Accountant

16 March 2009
Almaty, Kazakhstan

The notes on pages 8-41 form an integral part of these financial statements.

JSC SB "KZI BANK"

BALANCE SHEET
AS AT 31 DECEMBER 2008
(in thousands of Kazakhstani tenge)

	Notes	31 December 2008	31 December 2007
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	11	768,663	1,278,703
Due from banks	12	318,927	1,872,196
Loans to customers	13,25	3,980,027	3,508,713
Investments available-for-sale	14	7,001	7,001
Investments held to maturity	15	198,111	1,727,041
Property, equipment and intangible assets	16	726,633	714,088
Non-current assets held for sale	18	135,166	-
Other assets	17	132,357	18,419
TOTAL ASSETS		6,266,885	9,126,161
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	19	1,818	181,873
Customer accounts	20,25	3,217,575	5,868,687
Deferred income tax liabilities	10	110,617	106,545
Other liabilities	21	14,411	12,903
Total liabilities		3,344,421	6,170,008
EQUITY:			
Equity attributable to equity holders of the parent:			
Share capital	22	2,066,287	2,066,287
Property and equipment revaluation reserve		214,353	214,353
General reserve		547,079	281,804
Retained earnings		94,745	393,709
Total equity		2,922,464	2,956,153
TOTAL LIABILITIES AND EQUITY		6,266,885	9,126,161

On behalf of the Management Board:

Ahmet Eroglu
Chairman of the Management Board

16 March 2009
Almaty, Kazakhstan

Raziya Bekeeva
Chief Accountant

16 March 2009
Almaty, Kazakhstan

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JSC SB "KZI BANK"

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2008
(in thousands of Kazakhstani tenge)

	Share capital	General reserve	Revalution reserve for property and equipment	Retained earnings	Total equity
31 December 2006	2,066,287	108,656	214,353	217,573	2,606,869
Reserve for banking risks	-	173,148	-	(173,148)	-
Net profit	-	-	-	349,284	349,284
31 December 2007	2,066,287	281,804	214,353	393,709	2,956,153
Reserve for banking risks	-	265,275	-	(265,275)	-
Net loss	-	-	-	(33,689)	(33,689)
31 December 2008	2,066,287	547,079	214,353	94,745	2,922,464

On behalf of the Management Board:

Ahmet Eroglu
Chairman of the Management Board

16 March 2009
Almaty, Kazakhstan

Raziya Bekeeva
Chief Accountant

16 March 2009
Almaty, Kazakhstan

The notes on pages 8-41 form an integral part of these financial statements.

JSC SB "KZI BANK"

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2008
(in thousands of Kazakhstani tenge)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM OPERATING ACTIVITIES:			
(Loss)/ profit before income tax		(29,617)	505,913
Adjustments for			
Provision/ (recovery of provision) for impairment losses on interest bearing assets		511,007	(8,635)
Depreciation and amortization expense		40,360	34,523
Recovery of provision for impairment losses on other transactions		(21)	(180)
Translation loss on foreign exchange operations		30,957	20,024
Net change in interest accruals, net		2,550	(23,654)
Cash inflow from operating activities before changes in operating assets and liabilities		555,236	527,991
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Minimum reserve deposit with the National Bank of Kazakhstan		510,040	(215,640)
Loans to customers		(595,031)	(1,140,555)
Other assets		(113,938)	12,585
(Decrease) /increase in operating liabilities:			
Due to banks		(180,055)	181,873
Customer accounts		(2,649,340)	3,119,087
Other liabilities		1,508	1,524
Cash (outflow)/inflow from operating activities before taxation		(2,471,580)	2,486,865
Income taxes paid		(76,817)	(140,456)
Net cash (outflow)/inflow from operating activities		(2,548,397)	2,346,409
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(52,905)	(42,492)
Proceeds on investments held to maturity		1,505,053	(1,028,315)
Net cash inflow/(outflow) from investing activities		1,452,148	(1,070,807)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS		(1,096,249)	1,275,602
CASH AND CASH EQUIVALENTS, beginning of year	11	2,759,255	1,465,637
Effect of changes in foreign exchange rate on cash and cash equivalent		(648,447)	18,016
CASH AND CASH EQUIVALENTS, end of year	11	1,014,559	2,759,255

Interest paid and received by the Bank during the year ended 31 December 2008 amounted to KZT 29,481 thousand and KZT 643,992 thousand, respectively.

Interest paid and received by the Bank during the year ended 31 December 2007 amounted to KZT 14,722 thousand and KZT 523,176 thousand, respectively.

On behalf of the Management Board:

Ahmet Eroglu
Chairman of the Management Board

16 March 2009
Almaty, Kazakhstan

Raziya Bekeeva
Chief Accountant

16 March 2009
Almaty, Kazakhstan

The notes on pages 8-41 form an integral part of these financial statements.

1. ORGANIZATION

Joint Stock Company Subsidiary Bank "KZI Bank" (the "Bank") is a joint-stock bank, which was incorporated in the Republic of Kazakhstan as a closed joint-stock bank in 1993. The Bank is regulated by the National Bank of The Republic of Kazakhstan (the "NBRK") and Agency of the Republic of Kazakhstan on regulation and supervision of financial markets and financial organizations (the FMSA) under license # 163 dated 29 December 2007.

The Bank's primary business consists of commercial activities, deposit taking and customer accounts maintenance, cash and cash settlement operations, trading with securities, foreign currencies, originating loans and guarantees.

The registered office of the Bank is located at 132, Klochkova street, Almaty.

As at 31 December 2008 and 2007 the Bank has 2 branches and 1 branch respectively; Central branch in Astana city and the other branch in Shymkent city.

The total number of people employed by the Bank as at 31 December 2008 and 2007 are 132 and 101 respectively.

As at 31 December 2008 and 2007, the following shareholders owned the issued shares of the Bank:

Shareholder	31 December 2008 %	31 December 2007 %
TC Ziraat Bankasi A.S.	93.89	93.89
Basak Sigorta A.S.	2.15	2.15
Emlak Pazarlama Proje Yonetim ve Servisi A.S.	1.52	1.52
Turkiye Emlak Bankasi A.S. Munzam Sosyal Guvenlik ve Yardim Vakfi	1.28	1.28
Bankacilik Duzenleme ve Denetleme Kurumu	0.61	0.61
Worms Bank-Tour Voltaire	0.55	0.55
Total	100.00	100.00

These financial statements were authorized for issue by the Management Board of the Bank on 16 March 2009.

2. BASIS OF PRESENTATION

Accounting basis

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

These financial statements are presented in thousands of Kazakhstani Tenge ("KZT" or "Tenge"), unless otherwise indicated. These financial statements have been prepared under the historical cost convention .

These financial statements have been prepared from the statutory accounting records and have been adjusted to conform with IFRS. Adjustments include certain reclassifications to reflect the economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

Functional currency

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

Going concern

For the year ended 31 December 2008, the Bank incurred a net loss of KZT 33,689 thousand and an overall cash outflow of KZT 1,096,249 thousand. These results were attributable to current market conditions in the global and local market. Although these conditions may indicate the existence of a material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern, Bank's Management believe that there is no uncertainty about Bank's ability to continue as a going concern due to following facts;

- As discussed in Note 24, main shareholder "T.C Ziraat Bankasi A.S" (100% state owned bank, owned by Turkish Government) as per the extraordinary shareholders meeting dated 30 January 2009, has taken the decision to increase the share capital by KZT 2,943,713 thousand. As a result of this increase the share capital of the Bank will amount to KZT 5,010,000 thousand.
- The main shareholder "T.C Ziraat Bankasi A.S" has confirmed their intention of continuance support to Bank in case the Bank faces with any unexpected or unforeseen difficulties in terms of going concern.

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 obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent time deposit accounts with the National Bank of the Republic of Kazakhstan with original maturities within 90 days.

For the purposes of determining cash flows, cash and cash equivalents include due from banks.

Due from banks

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognized at fair value. Due from banks are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Loans to customers

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

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

Write off of loans

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. 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 sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the income statement in the period of recovery.

Allowance for impairment losses

Assets carried at amortized cost

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

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

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

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable market data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable market data from period to period (such as payment status or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

The historical loss experience based on a ratio of the total amount of overdue loans and loans written off divided by the total loan population is used in estimating the allowance for the homogeneous loan portfolio.

Available-for-sale financial assets

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

The Bank accounts for impairment of financial assets not recorded at fair value when there is an objective evidence of impairment of a financial asset or a group of financial assets. The impairment of financial assets represents a difference between the carrying value of the asset and current value of estimated future cash flows including amounts which can be received on guarantees and security discounted using an initial effective interest rate on financial assets recorded at amortized value. If in a subsequent period the impairment amount decreases and such a decrease can be objectively associated with an event occurring after recognition of the impairment then the previously recognized impairment loss is reversed with an adjustment of the provision account.

For the financial instruments recorded at amortized cost the impairment represents the difference between the carrying value of the financial asset and current value of the estimated future cash flows discounted using the current market interest rate for a similar financial instrument. Such impairment losses are not reversed.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

The change in the impairment is included into profits using the provision account (financial assets recorded at amortized cost) or by a direct write-off (financial assets recorded at cost). The assets recorded in the balance sheet are reduced by the amount of the impairment. The factors the Bank evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of a recognition of the impairment loss of the financial asset or group of financial assets.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Bank believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is not improbable that in certain periods the Bank can incur losses greater compared to recorded impairment.

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 derecognized 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.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Bank either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the balance sheet. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the income statement.

Investments held to maturity

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

Investments available-for-sale

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

Non-current assets held for sale

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

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

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation, amortization and impairment losses, except for buildings which are stated at revalued amounts.

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

Buildings and other real estate	2%
Furniture and equipment	10-20%
Computers	25%
Vehicles	25%

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

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

Land and buildings of the Bank, are stated in the balance sheet at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. A revaluation increase on an item of land and building is recognised directly in equity except to the extent that it reverses a previous revaluation decrease recognised in the income statement, in which case it is recognised in the income statement. A revaluation decrease on an item of land or buildings is recognised in the income statement except to the extent that it reverses a previous revaluation increase recognised directly in equity, in which case it is recognised directly in equity.

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 before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax expense is calculated using tax rates that have been enacted during the reporting period.

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

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

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

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

- The Bank has a legally enforceable right to set off current income tax assets against current income tax liabilities; and

- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The Republic of Kazakhstan, where the Bank operates also has various other taxes, which are assessed on the Bank's activities. These taxes are included as component of operating expenses in the income statement.

Due to banks, customer accounts

Due to banks and customer accounts are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the income statement 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, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Bank provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies

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

Share capital

Share capital is recognized at cost.

Retirement and other benefit obligations

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

Recognition of income and expense

Recognition of interest income and expense

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

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

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

Recognition of fee and commission income and expense

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

Foreign currency translation

The financial statements of the Bank are presented in the currency of the primary economic environment in which the Bank operates. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

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

	31 December 2008	**31 December 2007**
KZT/1 US Dollar	120.79	120.30
KZT/1 Euro	170.24	177.17

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. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the Bank does not offset the transferred asset and the associated liability.

Areas of significant management judgment and sources of estimation uncertainty

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

Allowance for impairment of loans

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

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

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

Adoption of new and revised standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (the "IASB") and the International Financial Reporting Interpretations Committee (the "IFRIC") of the IASB that are relevant to its operations and effective for annual reporting periods ending on 31 December 2008. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years.

Amendments to IAS 1 "Capital Disclosures" ("IAS 1") – On 18 August 2005, the IASB issued an amendments to IAS 1 which requires certain disclosures to be made regarding the entity's objectives, policies and processes for managing capital. The amended standard becomes effective for annual periods beginning on or after 1 January 2009. Additional information was disclosed in the financial statements for the current and comparative reporting periods as required by amended IAS 1.

Amendments to IAS 39, "Financial Instruments: Recognition and Measurement", and IFRS 7, "Financial Instruments: Disclosures", titled "Reclassification of Financial Assets" – On 13 October 2008 IASB issued amendments to IAS 39 and IFRS 7 which permits certain reclassifications of non-derivative financial assets (other than those designated as at fair value through profit or loss at initial recognition under the fair value option) out of the fair value through profit or loss category and also allow reclassification of financial assets from the available for sale category to the loans and receivables category in particular circumstances. The amendments to IFRS 7 introduce additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendments to IAS 39. The amendments are effective as of 1 July 2008 and in certain circumstances can be applied retrospectively from 1 July 2008. The Bank has elected not to apply the amendments to IAS 39 and IFRS 7 retrospectively.

Standards and interpretations issued and not yet adopted

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

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

4. NET INTEREST INCOME

	Year ended 31 December 2008	Year ended 31 December 2007
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- Interest income on impaired financial assets	158,935	1,853
- Interest income on unimpaired financial assets	482,331	559,139
Total interest income	641,266	560,992
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	586,799	459,516
Interest on investments held-to-maturity	44,971	66,088
Interest on due from banks	9,496	35,388
Total interest income on financial assets recorded at amortized cost	641,266	560,992
Interest expense comprises:		
Interest on liabilities recorded at amortized cost	29,305	15,608
Total interest expense	29,305	15,608
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on customer accounts	24,570	11,516
Interest on due to banks	4,735	4,092
Total interest expense on financial liabilities recorded at amortized cost	29,305	15,608
Net interest income before (provision)/recovery of provision for impairment losses on interest bearing financial assets	611,961	545,384

5. ALLOWANCE FOR INMAIRMENT LOSSES AND OTHER PROVISIONS

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

	Loans to customers (Note 13)
31 December 2006	18,680
Recovery of provision	(8,635)
Write-off of assets	(5,340)
Recoveries of assets previously written off	12,454
31 December 2007	17,159
Provision	511,007
Foreign exchange differences	(7,322)
Recoveries of assets previously written off	2,750
31 December 2008	523,594

6. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprise:

	Year ended 31 December 2008	Year ended 31 December 2007
Dealing, net	128,905	144,118
Translation differences, net	(30,857)	(20,024)
Total net gain on foreign exchange operations	98,048	124,094

7. FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2008	Year ended 31 December 2007
Fee and commission income:		
Settlement fees	134,590	132,257
Encashment operations (Cash withdrawal fees)	62,523	60,392
Documentary operations	37,550	19,559
Other	6,649	9,026
Total fee and commission income	241,312	221,234
Fee and commission expense:		
Settlement Fees	8,179	8,074
Other	1,899	1,896
Total fee and commission expense	10,078	9,970

8. OTHER INCOME

Other income comprises:

	Year ended 31 December 2008	Year ended 31 December 2007
Fines and penalties received	26,091	3,848
Other	1,244	895
Total other income	27,335	4,743

9. OPERATING EXPENSES

Operating expenses comprise:

	Year ended 31 December 2008	Year ended 31 December 2007
Staff costs	238,698	192,057
Administrative costs	41,036	32,019
Depreciation and amortization	40,360	34,523
Security expenses	29,580	23,111
Professional services	24,010	16,848
Unified social tax contribution	17,328	20,753
Stationery	16,872	10,589
Communications	16,848	14,101
Value added tax	10,595	9,350
Property and equipment maintenance	8,674	4,194
Operating leases	8,537	-
Business trip expenses	8,171	3,919
Taxes, other than income tax	7,753	7,807
Cash collection expenses	3,526	3,908
Advertising costs	1,305	3,224
Insurance	982	2,042
Other expenses	12,934	9,942
Total operating expenses	487,209	388,387

10. INCOME TAXES

The Bank provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Bank operate, which may differ from IFRS.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2008 and 2007 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2008 and 2007 comprise:

	31 December 2008	31 December 2007
Deductible temporary differences:		
Other liabilities	17,756	11,807
Total deductible temporary differences	17,756	11,807
Taxable temporary differences:		
Loan loss allowances	-	1,437
Property, equipment and intangible assets, accrued depreciation	392,479	365,520
Total taxable temporary differences	392,479	366,957
Net deferred taxable temporary differences	374,723	(355,150)
Net deferred tax liabilities at the statutory tax rate	(110,617)	(106,545)
Less: Opening balance of net deferred income tax liability	106,545	90,372
Adjustment to opening balance of net deferred income tax liability from reduction in income tax rate	(1,800)	-
Deferred tax expense related to the origination and reversal of temporary differences	(5,872)	(16,173)

Relationships between tax expenses and accounting profit for the years ended 31 December 2008 and 2007 are explained as follows:

	Year ended 31 December 2008	Year ended 31 December 2007
(Loss)/Profit before income tax	(29,617)	505,913
Tax at the statutory tax rate	(8,885)	151,774
Effect of change in tax rate	(1,800)	-
Tax effect of permanent differences	6,613	1,781
Underprovided in prior years	-	3,074
Income tax expense	4,072	156,629
Current income tax expense	-	140,456
Adjustment to opening balance of net deferred income tax liability from reduction in income tax rate	(1,800)	-
Provision for deferred tax liabilities	5,872	16,173
Income tax expense	4,072	156,629

The tax rate used for the 2008 and 2007 reconciliations above is the corporate tax rate of 30% payable by corporate entities in the Republic of Kazakhstan on taxable profits under tax law in that jurisdiction.

In November 2008, an amendment to the Tax Code was enacted to reduce the corporate income tax rate from 30% to 20% effective from 1 January 2009, to 17.5% effective from 1 January 2010. Current year Kazakhstani income tax is measured at 30% (2007: 30%) of the estimated assessable profit for the year. Starting from December 2008 deferred taxes are measured at the rates expected to apply to the period when the asset is realized or liability is settled.

11. CASH AND BALANCES WITH THE NBRK

	31 December 2008	31 December 2007
Cash on hand	384,959	517,289
Balances with the National Bank of the Republic of Kazakhstan	383,704	761,414
Total cash and balances with the National Bank of the Republic of Kazakhstan	768,663	1,278,703

Minimum reserve requirements are determined as a percentage of average balances of deposits in accordance with the requirements of the NBRK. The balances with the NBRK as at 31 December 2008 and 2007 include KZT 73,031 thousand and KZT 391,644 thousand, respectively, which represents the permanent minimum reserve deposits required by the NBRK. The Bank is required to maintain the reserve balance at the NBRK at all times.

Cash and cash equivalents for the purposes of the statement of cash flows comprise the following:

	31 December 2008	31 December 2007
Cash and balances with the NBRK	768,663	1,278,703
Due from banks in OECD countries	310,670	1,780,024
Due from banks in non OECD countries	8,257	92,172
	1,087,590	3,150,899
Less minimum reserve deposits and foreign currency deposits with the NBRK	(73,031)	(391,644)
Total cash and cash equivalents	1,014,559	2,759,255

12. DUE FROM BANKS

Due from banks comprise:

	31 December 2008	31 December 2007
Correspondent accounts with other banks	318,927	1,872,196
Total due from banks	318,927	1,872,196

As at 31 December 2007 the Bank had due from one bank which individually not exceeded 10% of the Bank's equity.

As at 31 December 2008 and 2007 the maximum credit risk exposure on due from banks amounted to KZT 318,927 thousand and KZT 1,872,196 thousand, respectively.

13. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2008	31 December 2007
Recorded as loans and receivables:		
Loans to customers	4,503,621	3,525,872
Less allowance for impairment losses	(523,594)	(17,159)
Total loans to customers	3,980,027	3,508,713

As at December 2008 and 2007 accrued interest income on loans to customers amounts to KZT 30,239 thousand and KZT 18,790 thousand, respectively.

Movements in allowances for impairment losses for the years ended 31 December 2008 and 2007 are disclosed in Note 5.

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

	31 December 2008	31 December 2007
Loans collateralized by pledge of real estate	3,901,752	2,847,588
Loans collateralized by pledge of corporate guarantees	246,480	294,960
Loans collateralized by cash or Republic of Kazakhstan Government guarantees	89,597	75,728
Loans collateralized by pledge of equipment	86,891	31,364
Other collateral	175,701	273,107
Unsecured loans	3,200	3,125
	4,503,621	3,525,872
Less allowance for impairment losses	(523,594)	(17,159)
Total loans to customers	3,980,027	3,508,713

Analysis by sector:	31 December 2008	31 December 2007
Individuals	2,032,242	2,102,564
Trade	934,832	350,799
Construction	556,972	268,952
Production of Plastic and Electrical Goods	376,300	136,480
Food industry	210,941	170,265
Mining and metallurgy	67,185	74,784
Furniture	35,696	48,075
Culture and art	33,101	-
Textile	23,568	12,632
Publishing	16,076	14,500
Transport and communication	15,611	72,705
Education	8,474	43,028
Other	192,623	231,088
	4,503,621	3,525,872
Less allowance for impairment losses	(523,594)	(17,159)
Total loans to customers	3,980,027	3,508,713

As at 31 December 2008 the Bank received financial assets by taking possession of collateral it held as
Security. As at 31 December 2008 such assets are included in non current assets held for resale balance sheet account in the amount of KZT 135,166 thousand. The Bank intends to sell these assets as soon as it finds a suitable buyer. All of the collateral of this nature is real estate.

Loans to individuals are comprised of the following loan products:

	31 December 2008	31 December 2007
Consumer loans	1,566,688	1,913,450
Mortgage loans	422,528	189,114
Car loans	43,026	-
	2,032,242	2,102,564
Less allowance for impairment losses	(282,719)	(9,966)
Total loans to individuals	1,749,523	2,092,598

As at 31 December 2008 and 2007 whole of the loan portfolio is granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration in one region.

As at 31 December 2008 and 2007 a maximum credit risk exposure on loans to customers amounted to KZT 3,980,037 thousand and KZT 3,508,713 thousand, respectively.

As at 31 December 2008 and 2007 loans to customers included loans amounting of KZT 273,673 thousand and KZT 176,264 thousand, respectively, whose terms have been renegotiated. Otherwise these loans would be past due or impaired.

As at 31 December 2008 and 2007 loans to customers included loans in the amount of KZT 1,541,033 thousand and KZT 511,970 thousand, respectively, were individually determined to be impaired.

14. INVESTMENTS AVAILABLE-FOR-SALE

Investments available-for-sale comprises:

	31 December 2008	31 December 2007
Equity securities	7,001	7,001
	7,001	7,001

	31 December 2008		31 December 2007	
	Ownership interest %	Fair value	Ownership interest %	Fair value
Equity securities:				
JSC "Central Securities Depository"	4.00	400	4.00	400
JSC "Kazakhstan Stock Exchange"	0.82	6,601	0.82	6,601
Total equity securities		7,001		7,001

Equity securities are non-marketable and therefore are held at cost, less impairment losses. It is not practicable to determine the fair value of such securities.

15. INVESTMENTS HELD TO MATURITY

Investments held to maturity comprise:

	31 December 2008 Nominal interest rate	31 December 2008 Amount	31 December 2007 Nominal interest rate	31 December 2007 Amount
Notes of the National Bank of the Republic of Kazakhstan	-	198,111	-	1,727,041
Total investments held to maturity		198,111		1,727,041

As at 31 December 2008 and 2007 accrued interest income on held to maturity securities amounts to KZT 4,851 thousand and KZT 19,026 thousand, respectively.

16. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and other real estate	Computer and equipment	Vehicles	Other office equipment	Intangible assets	Total
At cost						
31 December 2006	656,829	17,243	4,001	41,636	54,822	774,531
Additions	12,384	3,659	11,395	14,322	732	42,492
Transfers	-	(71)	-	71	-	-
Disposals	-	(4,189)	-	(7,125)	(790)	(12,104)
31 December 2007	669,213	16,642	15,396	48,904	54,764	804,919
Additions	16,200	7,085	13,608	14,934	1,078	52,905
Disposals	-	(3,526)	-	(1,775)	(1,611)	(6,912)
31 December 2008	685,413	20,201	29,004	62,063	54,231	850,912
Accumulated depreciation						
31 December 2006	9,228	8,311	1,279	22,823	26,771	68,412
Charge for the year	15,587	5,824	773	5,577	6,762	34,523
Eliminated disposals	-	(4,189)	-	(7,125)	(790)	(12,104)
31 December 2007	24,815	9,946	2,052	21,275	32,743	90,831
Charge for the year	15,924	7,209	3,861	6,789	6,577	40,360
Eliminated on disposals	-	(3,526)	-	(1,775)	(1,611)	(6,912)
31 December 2008	40,739	13,629	5,913	26,289	37,709	124,279
Net book value						
As at 31 December 2008	644,674	6,572	23,091	35,774	16,522	726,633
As at 31 December 2007	644,398	6,696	13,344	27,629	22,021	714,088

As at 31 December 2008 and 2007 included in property and equipment were fully depreciated assets of KZT 1,019 thousands and KZT 132 thousands, respectively.

Intangible assets include software, patents and licenses.

17. OTHER ASSETS

Other assets comprise:

	31 December 2008	31 December 2007
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Other debtors on non-banking activity	7,542	11,186
	7,542	11,186
Other non-financial assets:		
Prepaid income tax	76,817	-
Debtors on capital expenditures	42,900	4,442
Prepayments	4,581	2,340
Inventory	517	451
	124,815	7,233
Total other assets	132,357	18,419

18. NON-CURRENT ASSETS HELD FOR SALE

Non-current assts held for sale represent 3 apartments, land area and drugstore which were pledged by one of the unperforming borrowers of the bank in the total amount of KZT 135,166 thousand. The Bank has intention to sell these assets in the near future. These assets are expected to be disposed of within 12 months of acquisition. Neither a gain nor loss was recognized on reclassifying these assets as held for sale.

19. DUE TO BANKS

	31 December 2008	31 December 2007
Term deposits of banks and other financial institutions	1,417	-
Correspondent accounts of other banks	401	181,873
Total due to banks	1,818	181,873

As at 31 December 2008 and 2007 included in due to banks in the amounts of KZT 1,417 thousand (54%) and KZT 181,873 thousand (100%), respectively were due to 2 and 1 banks, which represent significant concentration.

20. CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2008	31 December 2007
Repayable on demand	1,870,945	5,525,455
Time deposits	1,346,630	343,232
Total customer accounts	3,217,575	5,868,687

As at 31 December 2008 and 2007 accrued interest expense on due to banks amounts to KZT 908 thousand and KZT 1,084 thousand, respectively.

As at 31 December 2008 and 2007 customer accounts amounting to KZT nil thousand and KZT 1,712 thousand, respectively, were held as security against letters of credit issued and other transaction related contingent obligations. As at 31 December 2008 and 2007 customer accounts amounting to KZT 304,926 thousand and KZT 262.979 thousand, respectively, were held as security against guarantees issued.

As at 31 December 2008 and 2007 customer accounts of KZT 710,455 thousand (22%) and KZT 2,404,935 thousand (42%), respectively, were due to 2 and 3 customers, which represents significant concentration.

	31 December 2008	31 December 2007
Analysis by sector:		
Construction	886,534	1,696,590
Individuals	842,897	912,939
Embassy	387,344	684,603
Trade	360,943	647,429
Consulting services	329,874	194,411
Culture and art	142,170	225,299
Entrepreneuership	101,575	109,639
Machinery construction	59,449	140,280
Transport and communication	44,999	108,075
Mining and metallurgy	32,681	1,025,853
Food	7,300	6,503
Hotel business	4,971	15,834
Real estate	439	2,266
Finance sector	103	173
Energy	92	90
Agriculture	53	74
Other	16,151	98,628
Total customer accounts	3,217,575	5,868,687

21. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2008	31 December 2007
Other financial liabilities:		
Other creditors on banking activity	4,184	3,681
Settlements on other operations	2,036	2,117
Advances received	804	644
	7,024	6,442
Other non-financial liabilities:		
Accrued audit, consulting and other expenses	7,387	6,459
Taxes payable, other than income tax	-	2
	7,387	6,461
Total other liabilities	14,411	12,903

22. SHARE CAPITAL

As of 31 December 2008 and 2007 share capital authorized consisted of 2,066,287 ordinary shares with par value of KZT 1,000 each.

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

As at 31 December 2008 and 2007 the nominal or contract amounts were:

	31 December 2008 Nominal amount	31 December 2007 Nominal amount
Contingent liabilities		
Guarantees issued and similar commitments	1,087,456	535,759
Letters of credit and other transaction related contingent obligations	-	1,712
Total contingent liabilities and credit commitments	1,087,456	537,471

Extension of loans to customers within credit line limits is approved by the Bank on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions. As at 31 December 2008 and 2007 such unused credit lines come to KZT 1,312,102 thousand and KZT 939,530 thousand, respectively.

Capital commitments

The Bank had no material commitments for capital expenditures outstanding as at 31 December 2008 and 2007.

Operating lease commitments

There was no material rental commitments outstanding as at 31 December 2008 and 2007.

Legal proceedings

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

Taxation

Commercial legislation of Kazakhstan where the Bank operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Bank's business activities, was to be challenged by the tax authorities, the Bank may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Bank believes that it has accrued all tax amounts due and therefore no allowance has been made in the financial statements.

Generally, taxpayers are subject to tax audits with respect to five calendar years preceding the year of the audit. However, completed audits do not exclude the possibility of subsequent additional tax audits performed by upper-level tax inspectorates reviewing the results of tax audits of their subordinate tax inspectorates.

In November 2008, an amendment to the Tax Code was enacted to reduce the corporate income tax rate from 30% to 20% effective from 1 January 2009, to 17.5% effective from 1 January 2010. Current year Kazakhstani income tax is measured at 30% (2007: 30%) of the estimated assessable profit for the year. Starting from December 2008 deferred taxes are measured at the rates expected to apply to the period when the asset is realized or liability is settled.

Pensions and retirement plans

Employees of the Bank receive pension benefits from appropriate pension funds in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2008 and 2007, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

The 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.

Specific volatility in global and Kazakhstan's financial markets

In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have either been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in the Republic of Kazakhstan, notwithstanding any potential economic stabilization measures that may be put into place by the Government of the Republic of Kazakhstan, there exists economic uncertainties surrounding the continual availability, and cost, of credit both for the Bank and its counterparties, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may not be recovered at their carrying amount in the regular course of business, and a corresponding impact on the Bank's profitability.

Recoverability of financial assets

As a result of recent economic turmoil in capital and credit markets globally, and the consequential economic uncertainties existing as at balance sheet date, there exists the potential that assets may not be recovered at their carrying amount in the regular course of business.

At 31 December 2008 and 2007 the Bank has financial assets amounting to KZT 5,280,271 thousand and KZT 8,404,840 thousand respectively. The recoverability of these financial assets depends to a large extent on the efficacy of the fiscal measures and other measures and other actions, beyond the Bank's control, undertaken within various countries to achieve economic stability ad recovery. The recoverability of the Bank's financial assets is determined based on conditions prevailing and information available as at balance sheet date. It is the management's opinion that no additional provision on financial assets is needed at present, based on prevailing market condition and available information.

24. SUBSEQUENT EVENTS

As per Shareholders Extraordinary Meeting held on 30 January 2009, the Shareholders of the Bank have taken the decision to increase the authorized capital by KZT 2,943,713 thousand. The Shareholders will increase capital by KZT 364,965 thousand through Bank's reserves and KZT 2,578,748 thousand will be paid in cash by the main shareholder T.C. Ziraat Bankasi A.S., Turkey. As a result of this increase the capital of the Bank will amount to KZT 5,010,000 thousand.

During 2008 and 2007 the National Bank of the Republic of Kazakhstan supported an exchange rate of the national currency to the US Dollar in the range between 117 KZT to 1 US Dollar to 123 KZT to 1 US Dollar. On 4 February 2009, the National Bank of the Republic of Kazakhstan announced a change to the support level of exchange rate to around 150 KZT to 1 US Dollar. On the day of the devaluation the Bank incurred a net loss amounting to KZT 62 million.

25. TRANSACTIONS WITH RELATED PARTIES

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

(a) Parties that directly, or indirectly through one or more intermediaries: control, or are controlled by, or are under common control with, the Bank (this includes parents, subsidiaries and fellow subsidiaries); have an interest in the Bank that gives then significant influence over the Bank; and that have joint control over the Bank;

(b) Members of key management personnel of the Bank or its parent;

(c) Close members of the family of any individuals referred to in (a) or (b);

(f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (b) or (c);

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Details of transactions between the Bank and other related parties are disclosed below:

	31 December 2008		31 December 2007	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers				
-key management personnel	83,282	4,503,621	31,004	3,525,872
Allowance for impairment losses on loans to customers				
-key management personnel	(18,063)	(523,594)	-	(17,159)
Customer accounts				
-key management personnel	507	3,217,575	-	5,868,687

The remuneration of directors and other members of key management was as follows:

	31 December 2008		31 December 2007	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation	58,528	238,698	34,395	192,057

Included in the income statement for the years ended 31 December 2008 and 2007 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2008		Year ended 31 December 2007	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income				
- key management personnel	222	641,266	2,201	560,992
Interest expense	-	(29,305)	(221)	(15,608)

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	31 December 2008		31 December 2007	
	Carrying amount	Fair value	Carrying amount	Fair Value
Loans to customers	3,980,027	3,700,226	3,508,713	3,500,263
Investments held to maturity	198,111	187,256	1,727,041	1,721,277

The carrying amounts of cash and balances with the NBRK, due from banks, other financial assets, due to banks, customer accounts and other financial liabilities approximate fair value due to the short term nature of such financial instruments.

27. CAPITAL RISK MANAGEMENT

The Bank manages its capital to ensure that the Bank will be able to continue as a going concern while improving its performance through the optimization of debt and equity.

The Assets and Liabilities Management Committee ("ALMC") reviews the capital structure on a monthly basis. As a part of this review, the ALMC considers the cost of capital and the risks associated with each class of capital. Changes in the share capital of the Bank are approved by the Shareholders of the Bank.

The Bank's overall capital risk management policy remains unchanged from 2007.

28. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's 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 risk
- Market risk

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. The risk management framework involves the Board of Directors, the Management Board of the Bank, the Assets and Liabilities Management Committee, the Credit Committee and the Audit Committee, and different departments and staff in the Bank's daily operations. Through the risk management framework, the Bank manages the following risks:

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.

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

The Bank has developed policies and procedures for the management of credit exposures (both for on balance sheet and off- balance sheet exposures), including guidelines to limit portfolio concentration. The Bank's credit policy is reviewed and approved by the Board of Directors.

The Bank's Credit policy establishes:

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

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

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

Apart from individual customer analysis, the whole credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

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

Maximum Exposure

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

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets, the maximum exposure to credit risk is the maximum amount the Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

As at 31 December 2008:

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**31 December 2008 Net exposure after offset and collateral**
Due from banks	318,927	-	318,927	-	318,927
Loans to customers	3,980,027	-	3,980,027	3,976,827	3,200
Investments available-for-sale	7,001	-	7,001	-	7,001
Investments held to maturity	198,111	-	198,111	-	198,111
Other financial assets	7,542	-	7,542	-	7,542

As at 31 December 2007:

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 December 2008 Net exposure after offset and collateral
Due from banks	1,872,196	-	1,872,196	-	1,872,196
Loans to customers	3,508,713	-	3,508,713	3,505,588	3,125
Investments available-for-sale	7,001	-	7,001	-	7,001
Investments held to maturity	1,727,041	-	1,727,041	-	1,727,041
Other financial assets	11,186	-	11,186	-	11,186

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

The following table details the credit ratings of financial assets held by the Bank as at 31 December 2008:

	AAA	AA	A	BBB	<BBB	Not Rated	31 December 2008 Total
Due from banks	-	8,306	280,126	-	30,495	-	318,927
Loans to customers	-	-	-	-	-	3,980,027	3,980,027
Investments available-for-sale	-	-	-	-	-	7,001	7,001
Investments held to maturity	-	-	-	198,111	-	-	198,111
Other financial assets	-	-	-	-	-	7,542	7,542

As at 31 December 2007:

	AAA	AA	A	BBB	<BBB	Not Rated	31 December 2007 Total
Due from banks	-	5,636	1,757,642	60,150	48,768	-	1,872,196
Loans to customers	-	-	-	-	-	3,508,713	3,508,713
Investments available-for-sale	-	-	-	-	-	7,001	7,001
Investments held to maturity	-	-	-	1,727,041	-	-	1,727,041
Other financial assets	-	-	-	-	-	11,186	11,186

The credit quality of financial assets is managed by the Bank through their internal credit rating system. As per their model, customers are rated from a scale of 1 to 10 points. And these credit risk ratings are calculated based on the financial performance quality, customer research and quality of collateral. In addition for consumer loans separate rating model is completed based on individuals background, research results, monthly net income and quality of collateral.

The following table details the credit ratings of the loans to customers of the Bank:

Rating	Credit risk point	Risk definition
A	9-10	Very low risk
B	7-8	Low level of risk
C	4-6	Risk
D	0-3	Very high risk

Loans to customers rating as per Bank's internal model as at 31 December 2008 and 2007:

	31 December 2008 %	31 December 2008 Amount	31 December 2007 %	31 December 2007 Amount
A	70	3,141,726	85	3,007,569
B	19	856,589	10	341,657
C	3	157,176	5	165,716
D	8	348,130	0	10,930
		4,503,621		3,525,872
Less allowance for impairment losses		(523,594)		(17,159)
Total loans to customers		3,980,027		3,508,713

The banking industry is generally exposed to credit risk through its loans to customers and inter bank deposits. With regard to the loans to customers this risk exposure is concentrated within Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

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

As at 31 December 2008:

	Neither past due nor impaired	Financial assets past due but not impaired: 0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Total at 31 December 2008
Due from banks	318,927	-	-	-	-	-	318,927
Loans to customers	2,390,519	48,475	-	-	-	1,541,033	3,980,027
Investments available-for-sale	7,001	-	-	-	-	-	7,001
Investments held to maturity	198,111	-	-	-	-	-	198,111
Other financial assets	7,542	-	-	-	-	-	7,542

As at 31 December 2007:

	Neither past due nor impaired	Financial assets past due but not impaired: 0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Total at 31 December 2007
Due from banks	1,872,196	-	-	-	-	-	1,872,196
Loans to customers	2,996,743	-	-	-	-	511,970	3,508,713
Investments available-for-sale	7,001	-	-	-	-	-	7,001
Investments held to maturity	1,727,041	-	-	-	-	-	1,727,041
Other financial assets	11,186	-	-	-	-	-	11,186

Geographical concentration

The Assets and Liabilities Management Committee ("ALMC") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Bank's activity. This approach allows the Bank to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan.

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

	Kazakhstan	OECD countries	Other non-OECD countries	31 December 2008 Total
FINANCIAL ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	768,663	-	-	768,663
Due from banks	8,231	310,670	26	318,927
Loans to customers	3,891,940	-	88,087	3,980,027
Investments held to maturity	198,111	-	-	198,111
Investments available-for-sale	7,001	-	-	7,001
Other financial assets	7,542	-	-	7,542
TOTAL FINANCIAL ASSETS	4,881,488	310,670	88,113	5,280,271
FINANCIAL LIABILITIES				
Due to banks	1,818	-	-	1,818
Customer accounts	2,368,844	848,731	-	3,217,575
Other financial liabilities	7,024	-	-	7,024
TOTAL FINANCIAL LIABILITIES	2,377,686	848,731	-	3,226,417
NET POSITION	2,503,802	(538,061)	88,113	

	Kazakhstan	OECD countries	Other non-OECD countries	31 December 2007 Total
FINANCIAL ASSETS				
Cash and balances with the National Bank of the Republic of Kazakhstan	1,278,703	-	-	1,278,703
Due from banks	31,695	1,780,024	60,477	1,872,196
Loans to customers	3,492,651	16,062	-	3,508,713
Investments available-for-sale	7,001	-	-	7,001
Investments held to maturity	1,727,041	-	-	1,727,041
Other financial assets	11,186	-	-	11,186
TOTAL FINANCIAL ASSETS	6,548,277	1,796,086	60,477	8,404,840
FINANCIAL LIABILITIES				
Due to banks	1,112	180,761	-	181,873
Customer accounts	4,435,153	1,433,534	-	5,868,687
Other financial liabilities	6,442	1,872	-	8,314
TOTAL FINANCIAL LIABILITIES	4,442,707	1,616,167	-	6,058,874
NET POSITION	2,105,570	179,919	60,477	

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 ALMC controls these types of risks by means of maturity analysis, determining the Bank's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

The Bank seeks to actively support a diversified and stable funding base comprising government securities in issue, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy of the Bank requires:

Projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
Maintaining the concentration and profile of debts;
Maintaining debt financing plans;
Maintaining a portfolio of assets that can easily be liquidated as protection against any interruption to cash flow;
Monitoring balances sheet liquidity ratios against regulatory requirements;

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

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the Bank.

	Weighted average effective interest rate %	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 Decem[b]er 2008 Total
FINANCIAL ASSETS								
Due from banks	0.25	114,711	-	-	-	-	-	114,71
Loans to customers	13.75	-	26,350	582,730	2,758,553	563,919	48,475	3,980,02
Investments held to maturity	6.02	-	198,111	-	-	-	-	198,11
Total interest bearing assets		114,711	224,461	582,730	2,758,553	563,919	48,475	4,292,84
Due from banks		204,216	-	-	-	-	-	204,21
Cash and balances with NBRK		768,663	-	-	-	-	-	768,66
Investments available-for-sale		-	-	-	-	-	7,001	7,00
Other financial assets		7,542	-	-	-	-	-	7,54
TOTAL FINANCIAL ASSETS		1,095,132	224,461	582,730	2,758,553	563,919	55,476	5,280,27
FINANCIAL LIABILITIES								
Customer accounts		946,349	27,721	205,396	66,176	100,988	-	1,346,63
Total interest bearing financial liabilities		946,349	27,721	205,396	66,176	100,988	-	1,346,63
Due to banks		1,818	-	-	-	-	-	1,81
Customer accounts		1,566,019	-	-	-	-	304,926	1,870,94
Other financial liabilities		6,220	-	-	804	-	-	7,02
TOTAL FINANCIAL LIABILITIE S		2,520,406	27,721	205,396	66,980	100,988	304,926	3,226,41
Liquidity gap		(1,425,274)	196,740	377,334	2,691,573	462,931	(249,450)	
Interest sensitivity gap		(831,638)	196,740	377,334	2,692,377	462,931	(48,475)	
Cumulative interest sensitivity gap		(831,638)	(634,898)	(257,564)	2,434,813	2,897,744	2,946,219	
Cumulative interest sensitivity gap as a percentage of total financial assets		(16%)	(12%)	(5%)	46%	55%	56%	

	Weighted average effective interest rate %	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 Decem 2007 Total
FINANCIAL ASSETS								
Due from banks	5.50	1,872,196	-	-	-	-	-	1,872,19
Loans to customers	13.73	-	72,705	439,655	2,585,890	410,463	-	3,508,71
Investments held to maturity	6.04	1,208,271	-	518,770	-	-	-	1,727,04
Total interest bearing assets		3,080,467	72,705	958,425	2,585,890	410,463	-	7,107,95
Investments available-for-sale		-	-	-	-	-	7,001	7,00
Cash and balances with NBRK		1,278,703	-	-	-	-	-	1,278,70
Other financial assets		2,370	-	3,687	5,129	-	-	11,18
TOTAL ASSETS		4,361,540	72,705	962,112	2,591,019	410,463	7,001	8,404,84
FINANCIAL LIABILITIES								
Due to banks	5.50	181,873	-	-	-	-	-	181,87
Customer accounts	2.70	-	183,957	132,351	26,924	-	-	343,23
Total interest bearing financial liabilities		181,873	183,957	132,351	26,924	-	-	525,10
Customer accounts		5,260,764	-	-	-	-	264,691	5,525,45
Other financial liabilities		5,798	-	-	644	-	-	6,44
TOTAL FINANCIAL LIABILITIE S		5,448,435	183,957	132,351	27,568	-	264,691	6,057,00
Liquidity gap		(1,086,895)	(111,252)	829,761	2,563,451	410,463	(257,690)	
Interest sensitivity gap		2,898,594	(111,252)	826,074	2,558,966	410,463	-	
Cumulative interest sensitivity gap		2,898,594	2,787,342	3,613,416	6,172,382	6,582,845	6,582,845	
Cumulative interest sensitivity gap as a percentage of total assets		34%	33%	43%	73%	78%	78%	

Market Risk

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

The Bank is not exposed to interest rate risks as the Bank borrows funds at fixed rates.

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

The majority of the Bank's loan contracts and other financial assets and liabilities that bear interest are fixed interest rates. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Interest rate sensitivity

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

As at 31 December 2008 and 2007, all the interest earning financial assets and liabilities of the Bank are fixed interest rates, therefore the Bank is not impacted in the changes of the interest rates due to market developments.

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 ALMC controls currency risk by management of the open currency position on the estimated basis of KZT devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. Department of Currency and Investment operations perform daily monitoring of the Bank's open currency position with the aim to match the requirements of the NBRK and the FMSA.

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

	KZT	USD USD 1 = 120.79 KZT	EUR EUR 1 = 170.24 KZT	Other currency	31 December 2008 Total
Financial assets:					
Cash and balances with the NBRK	599,314	127,856	37,416	4,077	768,663
Due from banks	270	115,852	177,785	25,020	318,927
Loans to customers	3,031,290	948,737	-	-	3,980,027
Investments available-for-sale	7,001	-	-	-	7,001
Investments held to maturity	198,111	-	-	-	198,111
Other financial assets	4,401	3,141	-	-	7,542
Total financial assets	3,840,387	1,195,586	215,201	29,097	5,280,271
Financial liabilities					
Due to banks	1,420	398	-	-	1,818
Customer accounts	1,695,878	1,194,370	302,255	25,072	3,217,575
Other liabilities	7,024	-	-	-	7,024
Total financial liabilities	1,704,322	1,194,768	302,255	25,072	3,226,417
NET BALANCE SHEET POSITION	2,136,065	818	(87,054)	4,025	2,053,854

	KZT	USD USD 1 = 120.30 KZT	EUR EUR 1 = 177.17 KZT	Other currency	31 December 2007 Total
Financial assets:					
Cash and balances with the NBRK	758,673	438,790	76,173	5,067	1,278,703
Due from banks	796	1,689,995	146,380	35,025	1,872,196
Loans to customers	2,804,240	704,473	-	-	3,508,713
Investments available-for-sale	7,001	-	-	-	7,001
Investments held to maturity	1,727,041	-	-	-	1,727,041
Other financial assets	11,186	-	-	-	11,186
Total financial assets	5,308,937	2,833,258	222,553	40,092	8,404,840
Financial liabilities					
Due to banks	-	181,873	-	-	181,873
Customer accounts	3,162,531	2,521,590	181,914	2,652	5,868,687
Other liabilities	6,442	-	-	-	6,442
Total financial liabilities	3,168,973	2,703,463	181,914	2,652	6,057,002
NET BALANCE SHEET POSITION	2,139,964	129,795	40,639	37,440	2,347,838

Currency risk sensitivity

As at 31 December 2008 the following table details the Bank's Sensitivity to a 30% and 40% increase and decrease in the USD and EUR against the KZT. 30% and 40% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 30% and 40% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Bank where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

Impact on net profit based on asset values as at 31 December 2008 and 2007

	31 December 2008		**31 December 2007**	
	KZT/USD +30%	**KZT/USD -30%**	**KZT/USD +10%**	**KZT/USD -10%**
Impact on profit or loss	245	(245)	12,979	(12,979)

	31 December 2008		**31 December 2007**	
	KZT/EUR +30%	**KZT/EUR -30%**	**KZT/EUR +10%**	**KZT/EUR -10%**
Impact on profit or loss	(26,116)	26,116	4,064	(4,064)

	31 December 2008	
	KZT/USD +40%	**KZT/USD -40%**
Impact on profit or loss	327	(327)

	31 December 2008	
	KZT/EUR +40%	**KZT/EUR -40%**
Impact on profit or loss	(34,822)	34,822

Limitations of sensitivity analysis

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

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

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