Joint Stock Company Trust-Bank

Financial Statements
For the year ended 31 December 2008

JOINT STOCK COMPANY TRUST-BANK

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JOINT STOCK COMPANY TRUST-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 Trust-Bank (the "Bank").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Bank at 31 December 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 10 March 2009 by the Management Board of the Bank.

On behalf of the Management Board:

Gupalo E.A. **Chairwoman**	**Seitova R.S.** **Chief Accountant**
10 March 2009 Ekibastuz, Kazakhstan	10 March 2009 Ekibastuz, Kazakhstan

INDEPENDENT AUDITORS' REPORT

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

Report on the financial statements

We have audited the accompanying financial statements of Joint Stock Company Trust-Bank (the "Bank"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

Management of the Bank is responsible for the preparation 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 the 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 Bank as at 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Galymzhan Khasenov
Engagement Partner
Certified Public Accountant
№ CP3357, USA

Nurlan Bekenov
Auditor performer
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate №0082
General Director
Deloitte, LLP

Deloitte, LLP
State license on auditing of the Republic of Kazakhstan
№0000015, type MFU - 2, issued by the Ministry of
Finance of the Republic of Kazakhstan dated
13 September 2006

10 March 2009
Almaty, Kazakhstan

JOINT STOCK COMPANY TRUST-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, 19	240,327	180,435
Interest expense	4, 19	-	(7,328)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		240,327	173,107
Provision for impairment losses on interest bearing assets	5	(1,847)	(30,563)
NET INTEREST INCOME		238,480	142,544
Net gain on foreign exchange operations	6	9,437	8,982
Fee and commission income	7, 19	39,761	29,493
Fee and commission expense	7	(1,859)	(1,786)
Net realized loss on investments available-for-sale		-	(1,574)
Other income		711	127
NET NON-INTEREST INCOME		48,050	35,242
OPERATING INCOME		286,530	177,786
OPERATING EXPENSES	8, 19	(163,065)	(128,114)
OPERATING PROFIT		123,465	49,672
(Provision)/recovery of provision for impairment losses on other transactions	5	(644)	3
(Provision)/recovery of provision for guarantees and other off-balance sheet contingencies	5	(51,278)	14,928
PROFIT BEFORE INCOME TAX		71,543	64,603
Income tax expense	9	(24,647)	(18,614)
NET PROFIT		46,896	45,989

On behalf of the Management Board:

Gupalo E.A.
Chairwoman

10 March 2009
Ekibastuz, Kazakhstan

Seitova R.S.
Chief Accountant

10 March 2009
Ekibastuz, Kazakhstan

The notes on pages 9-37 form an integral part of these financial statements.

JOINT STOCK COMPANY TRUST-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	10	152,470	34,690
Due from banks	11	75,926	57,843
Loans to customers	12, 19	2,015,729	1,450,286
Investments available-for-sale	13	-	24,910
Property, equipment and intangible assets	14	18,806	14,845
Deferred income tax assets	9	5,917	3,283
Other assets		11,238	2,466
TOTAL ASSETS		2,280,086	1,588,323
LIABILITIES AND EQUITY			
LIABILITIES:			
Customer accounts	15, 19	64,545	23,405
Provisions	5	66,653	15,375
Other liabilities	16	34,158	16,757
Total liabilities		165,356	55,537
EQUITY:			
Share capital	17	1,917,084	1,336,043
Retained earnings		197,646	196,743
Total equity		2,114,730	1,532,786
TOTAL LIABILITIES AND EQUITY		2,280,086	1,588,323

On behalf of the Management Board:

Gupalo E.A.
Chairwoman

10 March 2009
Ekibastuz, Kazakhstan

Seitova R.S.
Chief Accountant

10 March 2009
Ekibastuz, Kazakhstan

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JOINT STOCK COMPANY TRUST-BANK

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

	Share capital	Investments available-for-sale fair value reserve	Retained earnings	Total equity
31 December 2006	1,005,000	(40)	191,003	1,195,963
Share capital increase through issue of ordinary shares	331,043	-	-	331,043
Net profit	-	-	45,989	45,989
Unrealized loss on revaluation of investments available-for-sale	-	(1,534)	-	(1,534)
Loss on sale of investments available-for-sale	-	1,574	-	1,574
Dividends declared on ordinary shares	-	-	(40,249)	(40,249)
31 December 2007	1,336,043	-	196,743	1,532,786
Share capital increase through issue of ordinary shares	581,041	-	-	581,041
Net profit	-	-	46,896	46,896
Dividends declared on ordinary shares	-	-	(45,993)	(45,993)
31 December 2008	1,917,084	-	197,646	2,114,730

On behalf of the Management Board:

Gupalo E.A.
Chairwoman

10 March 2009
Ekibastuz, Kazakhstan

Seitova R.S.
Chief Accountant

10 March 2009
Ekibastuz, Kazakhstan

The notes on pages 9-37 form an integral part of these financial statements.

JOINT STOCK COMPANY TRUST-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:			
Profit before income tax		71,543	64,603
Adjustments for:			
Provision for impairment losses on interest bearing assets	5	1,847	30,563
Provision/(recovery of provision) for impairment losses on other assets	5	644	(3)
Provision/(recovery of provision) for guarantees and other off balance sheet contingencies	5	51,278	(14,928)
Amortization of discount on investments available-for-sale		-	(10)
Unrealized gain on foreign exchange operations		-	(38)
Depreciation and amortization of property, equipment and intangible assets	14	3,934	3,065
Change in interest accruals, net		(7,430)	(7,080)
Loss on sale of property, equipment and intangible assets		331	99
Cash flow from operating activities before changes in operating assets and liabilities		122,147	76,271
Changes in operating assets and liabilities			
Decrease in operating assets:			
Due from banks		(18,464)	(22,797)
Loans to customers		(559,882)	(356,619)
Other assets		(9,416)	(3,461)
(Increase)/decrease in operating liabilities:		-	-
Customer accounts		41,140	(58,667)
Other liabilities		17,401	9,803
Cash outflow from operating activities before taxation		(407,074)	(355,470)
Income tax paid		(27,281)	(20,009)
Net cash outflow from operating activities		(434,355)	(375,479)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	14	(8,225)	(2,362)
Net proceeds on sale of investments available-for-sale		24,909	25,079
Net cash inflow from investing activities		16,684	22,717

STATEMENT OF CASH FLOWS (CONTINUED)
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 FINANCING ACTIVITIES:			
Issue of ordinary share capital		581,041	331,043
Dividends paid		(45,993)	(40,249)
Net cash inflow from financing activities		535,048	290,794
Effect of changes in foreign exchange rate on cash and cash equivalent		-	(5)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		117,377	(61,968)
CASH AND CASH EQUIVALENTS, beginning of year	10	39,962	101,935
CASH AND CASH EQUIVALENTS, end of year	10	157,339	39,962

Interest paid and received by the Bank in cash during the year ended 31 December 2008 amounted to KZT nil and KZT 232,897 thousand, respectively.

Interest paid and received by the Bank in cash during the year ended 31 December 2007 amounted to KZT 7,328 thousand and KZT 173,355 thousand, respectively.

On behalf of the Management Board:

Gupalo E.A.
Chairwoman

10 March 2009
Ekibastuz, Kazakhstan

Seitova R.S.
Chief Accountant

10 March 2009
Ekibastuz, Kazakhstan

The notes on pages 9-37 form an integral part of these financial statements.

1. ORGANISATION

JSC Trust-Bank (the “Bank”) is a joint-stock bank and operates in the Republic of Kazakhstan since 1991. The Bank is regulated by the Agency of the Republic of Kazakhstan on Regulation and Supervision of the financial market and financial organizations (the “FMSA”) and conducts its business under license for conducting bank operations # 11 issued on 24 December 2007. The Bank has the license for banking and other operations in the national and foreign currencies (deposits, opening and maintaining accounts; cash, transfer, custody, borrowing operations; issue of bank guarantees, leasing, and other operations envisioned by the license).

The Bank's primary business consists of commercial activities, trading with securities, foreign currencies, originating loans and guarantees.

The registered office of the Bank is located at 111A Lenin Avenue, Ekibastuz, 141206, the Republic of Kazakhstan.

As at 31 December 2008, the Bank has one branch on the territory of the Republic of Kazakhstan operating in Almaty.

The number of employees of the Bank as at 31 December 2008 and 2007 was 39 and 43, respectively.

As at 31 December 2008 and 2007, the following shareholders owned the issued shares.

Shareholder	31 December 2008	31 December 2007
Alan-A LLP	24.8%	20.7%
Abguzhinov A.T.	22.4%	21.4%
Vershina LLP	9.9%	6.4%
Energotaktika LLP	7.9%	5.1%
Ekibastuz regional Business Centre LLP	5.8%	3.7%
NTC-DIRECT INVESTMENTS RICMF - NTC-NEW TRUST COMPANY JSC Investment Fund	5.2%	7.5%
Solteko-Kazakhstan LLP	3.9%	3.7%
Abguzhinov T.S.	3.7%	5.3%
Other shareholders (individually hold less than 3%)	16.4%	26.2%
Total	100%	100%

As at 31 December 2008 and 2007, the structure of shareholders in specified above companies was the following:

Shareholders:	Owners of the shareholders:	31 December 2008	31 December 2007
Ekibastuz regional Business Centre LLP	Beisembayev S.M.	100%	100%
Energotaktika LLP	Voronov A.S.	100%	100%
Vershina LLP	Piyanzov A.A.	0.1%	0.1%
	Gamma LLP, which in turn is owned by Abguzhinov B.S.(100%)	99.9%	99.9%
Solteko-Kazakhstan LLP	Kashaganov B.Z.	100%	100%
Alan-A LLP	Gabdulin S.A.	41.65%	41.65%
	Kuanyshev A.V.	41.65%	41.65%
	Sigma LLP is owned by Kuanyshev A.V. (49.5%), Gabduliny S.A. (41.2%) and (9,3%) Alnur & K LLP.	16.7%	16.7%

These financial statements were authorized for issue by the Management Board of the Bank on 10 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 thousand of Kazakhstani tenge ("KZT thousands"), unless otherwise indicated. These financial statements have been prepared under the historical cost conversion, except for the measurement at fair value of certain financial instruments.

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

Functional currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

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

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

Cash and cash equivalents includes advances to cash on hand, unrestricted balances on correspondent accounts with the National Bank of the Republic of Kazakhstan, and advances to banks in countries included in the Organization for Economic Co-operation and Development ("OECD") with maturity within 90 days.

Due from banks

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method, and are carried net of any allowance for impairment losses. Those that do not have fixed maturities are carried at cost based on expected maturities.

Securities repurchase and reverse repurchase agreements and lending transactions

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

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

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

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

As at 31 December 2008 and 2007, the fair value of securities received as collateral under reverse repurchase agreements amounted to KZT 77,778 thousand and KZT 55,194 thousand, respectively.

Loans to customers

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

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

Write off of loans and advances

Loans and advances to banks and customers are written off against allowance for impairment losses when deemed uncollectable. 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 the financial assets when there is objective evidence that the financial asset or group of the 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.

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 available-for-sale

Investments available-for-sale represent debt and equity investments that are intended to be held for an indefinite period of time. Such securities are initially recorded at fair value. Subsequently the securities are measured at fair value, with such re-measurement recognized directly in equity until sold when gain/loss previously recorded in equity recycles through the income statement, 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. 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 a valuation technique. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and other applicable methods. 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.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any.

Depreciation of property, equipment and intangible assets is charged on the carrying value of property equipment and intangible assets and is designed to allocate depreciable amount of asset on a systematic basis over its useful life. It is calculated on a straight line basis at the following annual prescribed rates:

Computers	20-50%
Other fixed assets	10-50%
Intangible assets	10-20%

The carrying amounts of property, equipment and intangible assets are reviewed by the Bank at each balance sheet date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss 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.

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

Taxation

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

The current income tax expense is based on taxable profit for the year. Taxable profit differs from net profit 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 or substantively enacted by the balance sheet date.

In November 2008 a new Tax Code was enacted. Corporate income tax rate decreased from 30% to 20% effective 1 January 2009, to 17.5% effective 1 January 2010 and to 15% effective for the periods starting on or after 1 January 2011. In the current year, income tax in Kazakhstan is determined at 30% (2007: 30%) of estimated profit for the year. Since December 2008, deferred taxes are determined at the rates which are applicable in the period in which the asset is realized or liability repaid.

Deferred income 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 income tax liabilities are generally recognized for all taxable temporary differences and deferred income 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 tax assets and tax liabilities are not recognized, if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred income 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 income 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 income 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 income 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.

Customer accounts

Customer accounts are initially recognized at fair value equalling to amounts received less transaction costs. Subsequently amounts due are stated at amortized cost and any difference between carrying and redemption value is recognized in the income statement within interest expense 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 (determined by norm) as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the 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.

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

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

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the Republic of Kazakhstan, certain amounts of pension payments are withheld from total disbursements to staff and transferred to pension funds by the Bank. Existing pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The 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. All other commissions are recognized when services are provided.

Foreign currency translation

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

Rates of exchange

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

	31 December 2008	**31 December 2007**
KZT/1 US Dollar	120.79	120.30
KZT/1 Euro	170.24	177.17
KZT/1 Russian Rouble	4.11	4.92

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 case of 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 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.

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

	31 December 2008	**31 December 2007**
Loans to customers	2,015,729	1,450,286
Investments available-for-sale	-	24,910

Loans to customers are measured at amortised cost less allowance for impairment losses. The estimation of allowances for impairments involves the exercise of significant judgment. The Bank estimates allowances for impairment with the objective of maintaining balance sheet provisions at a level believed by management to be sufficient to absorb losses incurred in the Bank's loan portfolio. The calculation of provisions on impaired loans is based on the likelihood of the asset being written off and the estimated loss on such a write-off. These assessments are made using statistical techniques based on historic experience. These determinations are supplemented by the application of management judgment. As at 31 December 2008 and 2007, the carrying amount of the allowance for impairment is KZT 149,136 thousands and KZT 130,502, respectively.

Valuation of Financial Instruments

Investments available-for-sale are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not directly observable, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the income statement on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

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 amendments to IAS 1 which requires certain disclosures to be made regarding the entity's objectives, policies and processes for managing capital. 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 13 October 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.

IAS 1 – on 6 September 2006, the IASB issued an amendment to IAS 1 which changes the way in which non-owner changes in equity are required to be presented to in IFRS but does not require that these be renamed in an entity's financial statements. The amendment to IAS 1 is effective for periods beginning on or after 1 January 2009. The adoption of IAS 1 will not have significant impact on the Bank's profit or loss or financial position.

4. NET INTEREST INCOME

	Year ended 31 December 2008	Year ended 31 December 2007
Interest income comprises:		
Interest income on assets recorded at amortized cost:		
- interest income on impaired assets	72,593	35,882
- interest income on unimpaired assets	167,734	144,553
Total interest income	240,327	180,435
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers	239,894	177,918
Interest on due from banks	343	486
Interest on investments available-for-sale	90	2,031
Total interest income on financial assets recorded at amortized cost	240,327	180,435
Interest expense comprises:		
Interest on liabilities recorded at amortized cost	-	(7,328)
Total interest expense	-	(7,328)
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on customer accounts	-	(7,328)
Total interest expense on financial liabilities recorded at amortized cost	-	(7,328)
Net interest income before provision for impairment losses on interest bearing assets	240,327	173,107

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets, guarantees and other off-balance sheet contingencies and other assets were as follows:

	Loans to customers	Guarantees and other off-balance sheet contingencies	Other assets	Total
31 December 2006	99,245	30,303	3	129,551
Provision recognized/(recovery of provision)	30,563	(14,928)	(3)	15,632
Recovery of assets previously written off	694	-	-	694
31 December 2007	130,502	15,375	-	145,877
Provision recognized	1,847	51,278	644	53,769
Recovery of assets previously written off	16,787	-	-	16,787
31 December 2008	149,136	66,653	644	216,433

6. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2008	Year ended 31 December 2007
Dealing, net	10,428	8,645
Translation differences, net	(991)	337
	9,437	8,982

7. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2008	Year ended 31 December 2007
Fee and commission income:		
Foreign exchange operations	12,318	4,581
Cash operations	11,965	10,062
Guarantee issuance	9,163	9,295
Transfer operations	4,688	4,596
Customer accounts maintenance	431	301
Other	1,196	658
Total fee and commission income	39,761	29,493
Fee and commission expense on:		
Cash operations	(955)	(904)
Transfer operations	(891)	(852)
Correspondent banks services	(10)	(16)
Other	(3)	(14)
Total fee and commission expense	(1,859)	(1,786)

8. OPERATING EXPENSES

	Year ended 31 December 2008	Year ended 31 December 2007
Staff costs and other payments	65,546	53,976
Operating lease expenses	35,789	19,824
Professional services	16,088	18,925
Administrative expensess	11,504	4,619
Taxes, other than income tax	5,863	7,176
Business trip expensess	5,008	1,786
Communication expenses	4,572	4,375
Security expenses	4,205	3,620
Depreciation and amortization	3,934	3,065
Other expenses on non-banking activity	3,511	3,260
Cash collection expenses	1,397	1,202
Advertising and marketing costs	485	1,865
Other	5,163	4,421
	163,065	128,114

9. INCOME TAXES

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

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 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:		
Commission on guarantees	15,498	-
Accrued audit and consulting expense	10,080	11,650
Unused vacation reserve	4,178	-
Due from banks and loans to customers	649	-
Taxes and other payments to the budget	-	559
Other assets	180	13
Total deductible temporary differences	30,585	12,222
Taxable temporary differences:		
Property, equipment and intangible assets	(1,002)	(1,279)
Total taxable temporary differences	(1,002)	(1,279)
Net taxable temporary differences	29,583	10,943
Net deferred taxable/(deductible) temporary differences	5,917	3,283
Net deferred tax asset	5,917	3,283

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
Profit before income tax	71,543	64,603
Tax at the statutory tax rate (30%)	21,463	19,381
Change in deferred tax asset not recognized	2,534	3,378
Effect of change in tax rate	100	-
Tax effect of permanent differences:	550	(4,145)
Tax exempt interest income on mortgage loans	-	(1,121)
Tax exempt interest income and other related income on state and quoted securities listed with "A" and "B" ratings	(90)	(677)
Representative expenses	82	51
Other tax exempt income	-	(2,398)
Other non-deductible expenses	558	-
Income tax expense	24,647	18,614
Current income tax expense	27,281	21,992
Change in deferred tax liability	(2,634)	(3,378)
Income tax expense	24,647	18,614

Deferred income tax assets/(liabilities)	31 December 2008	31 December 2007
Beginning of the year	3,283	(95)
Change in deferred income tax	2,634	3,378
End of the year	5,917	3,283

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

	31 December 2008	31 December 2007
Cash on hand	67,907	13,302
Balances with the National Bank of the Republic of Kazakhstan	84,563	21,388
	152,470	34,690

Cash and balances with the National Bank of the Republic of Kazakhstan as at 31 December 2008 and 2007 include KZT 1,295 thousand and KZT 1,438 thousand, respectively, which represent the obligatory minimum reserve requirements with the National Bank of the Republic of Kazakhstan. The Bank is required to maintain the reserve balance that is calculated as a percentage of certain Bank's obligations. However, the Bank has the right if certain requirements are met.

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 National Bank of the Republic of Kazakhstan	152,470	34,690
Due from banks in OECD countries	4,869	5,272
	157,339	39,962

11. DUE FROM BANKS

	31 December 2008	31 December 2007
Recorded as loans and receivables:		
Correspondent accounts with other banks	5,880	7,821
Loans under reverse repurchase agreements	70,046	50,022
	75,926	57,843

As at 31 December 2008 and 2007, included in due from banks is accrued interest income in the amount of KZT 46 thousand and KZT 24 thousand, respectively.

As at 31 December 2008 and 2007, the maximum credit risk exposure amounted to KZT 75,926 thousand and 57,843 thousand, respectively.

As at 31 December 2008 and 2007, fair value of collateral and carrying value of loans under reverse repurchase agreements comprised:

	31 December 2008		31 December 2007	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Treasury notes issued by the Ministry of Finance of the Republic of Kazakhstan	70,046	77,778	50,022	55,194
	70,046	77,778	50,022	55,194

12. LOANS TO CUSTOMERS

	31 December 2008	31 December 2007
Recorded as loans and receivables:		
Loans to customers	2,164,865	1,580,788
Less allowance for impairment losses	(149,136)	(130,502)
	2,015,729	1,450,286

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

As at 31 December 2008 and 2007, accrued interest income included in loans to customers amounted to KZT 15,640 thousand and KZT 8,232 thousand, respectively.

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

	31 December 2008	31 December 2007
Analysis by type of collateral:		
Loans collateralized by inventories	1,382,010	854,933
Loans collateralized by real estate	478,726	381,530
Loans collateralized by equipment	256,361	256,090
Loans collateralized by mixed collateral	11,147	2,500
Loans collateralized by vehicles	5,768	14,395
Loans collateralized by guarantees of financial institutions	477	841
Unsecured loans	30,376	70,499
	2,164,865	1,580,788
Less allowance for impairment losses	(149,136)	(130,502)
	2,015,729	1,450,286

The table below summarizes the amount of loans by sectors, where the customers operate:

	31 December 2008	31 December 2007
Analysis by sector:		
Trade	1,615,021	1,205,476
Construction and maintenance	135,116	44,995
Coal mining	97,751	97,751
Wooden goods manufacturing	91,098	65,751
Transport	80,754	41,020
Individuals	35,269	74,055
Agriculture	16,535	23,164
Legal and consulting	75,024	-
Metal manufacturing	-	21,180
Other	18,297	7,396
	2,164,865	1,580,788
Less allowance for impairment losses	(149,136)	(130,502)
	2,015,729	1,450,286

As at 31 December 2008 and 2007, the Bank provided loan to one customer totalling KZT 215,215 thousand and KZT 154,835 thousand, respectively, which individually exceeded 10% of the Bank’s equity.

As at 31 December 2008 and 2007, loans to customers, included loans amounting to KZT 53,978 thousand and KZT 68,078 thousand, interest accrual on these loans was suspended respectively.

Loans to individuals comprise the following products:

	31 December 2008	31 December 2007
Mortgage loans	12,915	25,834
Individual entrepreneurs	10,670	39,437
Consumer loans	8,536	6,504
Car loans	3,148	2,280
	35,269	74,055
Less allowance for impairment losses	(8,873)	(37,018)
	26,396	37,037

As at 31 December 2008 and 2007, maximum credit risk exposure on loans to customers amounted to KZT 2,015,729 thousand and KZT 1,450,286 thousand, respectively.

As at 31 December 2008 and 2007, maximum credit risk exposure on loan commitments and overdrafts extended by the Bank to its customers amounted to KZT 133,906 thousand and KZT 99,229 thousand, respectively.

As at 31 December 2008 and 2007, loans to customers included loans in amount of KZT 64,429 thousand and KZT 211,100 thousand, respectively, whose terms have been renegotiated. Otherwise, these loans would be past due or impaired.

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

13. INVESTMENTS AVAILABLE-FOR-SALE

	Interest to nominal %	31 December 2008	Interest to nominal %	31 December 2007
Debt securities:				
Notes issued by the National Bank of the Republic of Kazakhstan	-	-	3.80-5.41	24,910
		-		24,910

Investments available-for-sale represent notes issued by the National Bank of the Republic of Kazakhstan freely tradable on Kazakhstani market.

14. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Computers	Other	Intangible assets	Total
At cost				
31 December 2006	6,132	8,355	15,830	30,317
Additions	1,068	1,294	-	2,362
Disposals	(507)	(932)	-	(1,439)
31 December 2007	6,693	8,717	15,830	31,240
Additions	1,162	5,002	2,061	8,225
Disposals	(3,888)	(3,290)	(421)	(7,599)
31 December 2008	3,967	10,429	17,470	31,866
Accumulated depreciation				
31 December 2006	4,368	4,939	5,363	14,670
Charge for the year	689	994	1,382	3,065
Disposals	(494)	(846)	-	(1,340)
31 December 2007	4,563	5,087	6,745	16,395
Charge for the year	993	1,422	1,519	3,934
Disposals	(3,862)	(3,249)	(158)	(7,269)
31 December 2008	1,694	3,260	8,106	13,060
Net book value				
31 December 2008	2,273	7,169	9,364	18,806
31 December 2007	2,130	3,630	9,085	14,845

As at 31 December 2008 and 2007, were fully depreciated assets of KZT 172 thousand and KZT 4,918 thousand, respectively.

Intangible assets include software and licenses.

15. CUSTOMER ACCOUNTS

	31 December 2008	31 December 2007
Recorded at amortized cost:		
Demand deposits	64,545	22,988
Cash received as collateral to pledge the customers' debt	-	417
	64,545	23,405

As at 31 December 2008 and 2007, customer accounts amounting to KZT nil and KZT 417 thousand were held as collateral against the guarantees issued by the Bank.

	31 December 2008	31 December 2007
Analysis by industry:		
Coal mining industry	39,573	9,587
Trade	10,515	1,907
Construction	5,427	4,655
Individuals	4,149	1,748
Medicine	1,511	1,025
Furniture and other production	1,298	870
Transportation and communication	367	937
Computer engineering	325	390
Services	222	1,366
Agriculture	87	30
Machinery and equipment production	14	253
Culture and art	-	108
Other	1,057	112
	64,545	22,988

16. OTHER LIABILITIES

	31 December 2008	31 December 2007
Other financial liabilities:		
Accrued audit and consulting expenses	10,080	11,650
Settlements with employees	4,984	594
Other expenses	809	298
Accrued operating expenses	130	164
	16,003	12,706
Other non-financial liabilities:		
Advance commission paid on guarantees	15,498	-
Taxes payable, other than income tax	2,355	3,618
Other	302	433
	18,155	4,051
Total other liabilities	34,158	16,757

17. SHARE CAPITAL

As of 31 December 2008 and 2007, authorized share capital comprised 3,000,000 ordinary shares with par value KZT 1,005 each. Issued and fully paid share capital comprised 1,907,546 and 1,329,396 ordinary shares amounting to KZT 1,917,084 thousand and KZT 1,336,043 thousand, respectively. All ordinary shares are ranked equally and carry one vote.

As at 31 December 2008, the share capital of the Bank comprised of the following number of shares with par value of KZT 1,005 each:

	Authorized share capital	Unpaid share capital	Repurchased share capital	Total share capital
	Number of shares	Number of shares	Number of Shares	Number of Shares
Ordinary shares	3,000,000	1,092,454	-	1,907,546

As at 31 December 2007, the share capital of the Bank comprised of the following number of shares with par value of KZT 1,005 each:

	Authorized share capital	Unpaid share capital	Repurchased share capital	Total share capital
	Number of shares	Number of shares	Number of Shares	Number of Shares
Ordinary shares	3,000,000	1,670,604	-	1,329,396

The table below provides a reconciliation of the number of shares outstanding as of 31 December 2008 and 2007:

	Ordinary shares Number of shares
31 December 2006	1,000,000
Issue of shares	329,396
31 December 2007	1,329,396
Issue of shares	578,150
31 December 2008	1,907,546

During 2008 and 2007 the shareholders of the Bank approved increase in the share capital of KZT 581,041thousand and KZT 331,043 thousand, respectively.

During 2008 dividends declared and paid amounted to KZT 45,993 thousand. During 2007 dividends declared and paid amounted to KZT 40,249 thousand.

18. COMMITMENTS AND CONTINGENCIES

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

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

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

As at 31 December 2008 and 2007 provision for losses on contingent liabilities amounted to KZT 66,653 thousand and KZT 15,375 thousand, respectively.

As at 31 December 2008 and 2007, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2008		**31 December 2007**	
	Nominal amount	**Risk weighted amount**	**Nominal amount**	**Risk weighted amount**
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	878,130	878,130	308,782	308,782
Commitments on loans and unused credit lines	133,906	133,906	99,229	99,229
	1,012,036	1,012,036	408,011	408,011

All guarantees issued and similar commitments issued as at 31 December 2008 and 2007 have maturities within one year.

Capital commitments

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

Operating lease commitments

The Bank's future minimum operating lease payments under non cancellable operating leases of buildings as at 31 December 2008 and 2007 are as follows:

	31 December 2008	31 December 2007
Not later than 1 year	35,789	19,824
Later than 1 year	-	-
	35,789	19,824

Legal proceedings

The Bank did not receive any claims from customers and counterparties in the normal course of business.

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.

Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans

Employees receive state pension benefits 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 Country'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 Country, notwithstanding any potential economic stabilization measures that may be put into place by the Government of the Country, 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.

As at 31 December 2008 and 2007, the Bank has financial assets amounting to KZT 2,244,125 thousand and KZT 1,567,729 thousand. The recoverability of these financial assets depends on 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 and 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 conditions and available information.

19. 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) Associates – enterprises on which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;
(c) Joint ventures in which the Bank is a venturer;
(d) Members of key management personnel of the Bank or its parent;
(e) Close members of the family of any individuals referred to in (a) or (d);
(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 (d) or (e).

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding as at 31 December 2008 and 2007 with related parties:

	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	287,848	2,164,865	204,030	1,580,788
Allowance for impairment losses on loans to customers	-	149,136	-	130,502
Customer accounts	40,421	64,545	11,082	23,405

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				
-related companies	35,618	240,327	19,165	180,435
Fee and commission income				
-related companies	9,504	39,761	4,633	29,493
Operating expenses				
-related companies	32,247	163,065	24,534	128,114
Staff costs and other payments				
-related companies	28,348	65,546	17,221	53,976

20. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 "Financial Instruments: Disclosure and Presentation" and IAS 39 "Financial Instruments: Recognition and Measurement". Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the 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**
Cash and balances with the National Bank of the Republic of Kazakhstan	152,470	152,470	34,690	34,690
Due from banks	75,926	75,926	57,843	57,843
Investments available-for-sale	-	-	24,910	24,910
Customer accounts	64,545	64,545	23,405	23,405

Investments available-for-sale are carried at fair value in the balance sheet. The carrying amounts of cash and balances with the National Bank of the Republic of Kazakhstan, due from banks and customer accounts approximates fair value due to the short-term nature of such financial instruments. The fair value of loans to customers can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments. In case of disposal of such instruments the Bank intends to apply selling prices to be determined between contractual parties.

21. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy, require the Bank to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

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

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

	Actual amount	For capital adequacy purposes	Ratio for capital adequacy purposes	Minimum required ratio
As at 31 December 2008				
Total capital	2,114,730	2,114,730	69.04%	>8%
Tier 1 capital	2,114,730	2,114,730	69.04%	>4%
As at 31 December 2007				
Total capital	1,532,786	1,532,786	80.54%	>8%
Tier 1 capital	1,532,786	1,532,786	80.54%	>4%

22. RISK MANAGEMENT POLICY

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 risk,
- Liquidity risk,
- Market risk,
- Interest rate risk,
- Foreign currency 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. Through the risk management framework, the Bank manages 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 by the Board of Directors, the Management Board, the Credit Committee and the Risk Management Department. Before any application is made by the Management Board, all recommendations on credit processes are reviewed and approved by the specialist of the Risk Management Department. Daily risk management is performed by the Head of the Risk Management Department.

The Bank structures the level of credit risk it undertakes by placing limits on the maximum amount of risk accepted in relation to one borrower, groups of similar borrowers and total loan portfolio. Limits on the level of credit risk are set by types of loans, by borrowers or group of related borrowers, by industry sectors, by credit areas with the highest risks, such as granting long-term loans, granting loans denominated in foreign currencies, etc. Limits are also used to set the approval limits for various levels of credit employees in relation to the amounts of granted loans. Limits on the level of credit risk by borrowers, products, sectors and regions are approved by the Board of Directors and the Management Board of the Bank on regular basis.

Monitoring of the level of credit risk is performed in relation to one borrower, as well as the groups of similar borrowers and the total loan portfolio.

Monitoring of the level of credit risk in relation to one borrower is performed by the specialists of the Credit division of the Bank on permanent basis in accordance with Bank’s internal instructions approved by the Board of Directors.

Monitoring of the level of credit risk in relation to the group of similar borrowers and total loan portfolio of the Bank is performed by the risk manager of the Risk Management Department on permanent basis.

The Bank uses credit risk level detection system in order to monitor the level of credit risk in relation to the loan portfolio, as well as the group of similar loans; the system’s indicators, theoretically or empirically, relate to the level of the credit risk accepted by the Bank. The Bank uses such indicators as the quality of the loans, quality of assets, portion of overdue loans in total loan portfolio and amount of allowance for impairment losses to determine the level of credit risk. Monitoring of the level of credit risk is performed on regular basis by daily analysis of the credit risk indicators. When any of the indicators changes, the heads of the related departments of the Bank immediately inform the Risk Management Department.

Based on the information received from the related departments of the Bank, the risk manager of the Risk Management Department generates the reports with regard to total loan portfolio and presents it to the Management Board of the Bank on monthly basis, generates the reports with regard to the group of similar loans and presents it to the Credit Committee. In case when any of the indicators exceeds the limit set, the risk manager of the Risk Management Department informs the Management Board immediately.

Off-balance sheet credit commitments represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk of off-balance sheet financial instruments is defined as the probability of losses due to the inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on off-balance sheet instruments, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. The actual amount of this loss is likely to be less than the total unused commitments since the commitments are contingent upon customers maintaining certain credit standards. The Bank applies the same credit policy to contingent liabilities as it does to the on-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 Bank's 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 financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities 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. The information in relation to financial guarantees and other contingent liabilities is disclosed in Note 18.

	Maximum exposur	**Offset**	**Net exposure after offset**	**Collateral pledged [1]**	**31 December 2008 Net exposure after offset and collateral**
Due from banks	75,926	-	75,926	70,046	5,880
Loans to customers	2,015,729	-	2,015,729	1,985,353	30,376

	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged [1]**	**31 December 2007 Net exposure after offset and collateral**
Due from banks	57,843	-	57,843	50,022	7,821
Loans to customers	1,450,286	-	1,450,286	1,379,787	70,499
Investments available-for-sale	24,910	-	24,910	-	24,910

[1] A description of the collateral presented on loans to customers is included in Note 12.

In instances where one party to a financial instrument fails to fully or partially discharge a credit obligation, the Bank has the right to ensure fulfilment of these obligations through the joint sale of the pledged assets, transfer of ownership rights on pledged assets in accordance with the established law, disposal of pledged assets through extrajudicial procedures through a tendering process and exercising of the charge on pledged assets through judicial procedures.

As at 31 December 2008 and 2007, due from banks also include loans under reverse repurchase agreements amounting to KZT 70,046 thousand and KZT 50,022 thousand.

Financial assets are graded according to the current credit rating of international rating agencies. The highest possible rating is AAA. Investment grade of the financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as a speculative grade.

The following table details the credit ratings of financial assets held by the Bank:

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2008 Total
Due from banks	-	-	4,869	1,011	70,046	-	75,926
Loans to customers	-	-	-	-	-	2,015,729	2,015,729

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2007 Total
Due from banks	-	-	5,272	2,549	50,022	-	57,843
Loans to customers	-	-	-	-	-	1,450,286	1,450,286
Investments available-for-sale	-	-	-	-	24,910	-	24,910

As at 31 December 2008 and 2007, the Bank's loans to customers, comprises clients who are operates and produce the mineral recourses, agricultural products in the domestic market of Kazakhstan, therefore these customers are not rated by any international rating agencies, the classification of these loans to customers and finance leases according to the Bank's internal rating model is below.

Classification of the loans to customers by types and provisioning is performed in accordance with the Instructions "On Classification of assets, contingent liabilities and provisioning" approved by the Order # 296 of the Management Board of the FMSA, dated 25 December 2006.

Classification of not rated financial assets	**31 December 2008**	**31 December 2007**
Loans to customers		
Standard	1,417,591	1,191,348
Doubtful of the 1st category	598,138	241,662
Doubtful of the 2nd category	-	1,069
Doubtful of the 5th category	-	13,707
Bad debt	-	2,500
Total	2,015,729	1,450,286

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Main credit risk exposure of the Bank is concentrated within the Republic of 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.

As the Bank enters into numerous transactions where the counterparties are not rated by international rating agencies, the Bank has developed internal instruments, which allow it to determine the rating of counterparties, which are comparable to ratings of international rating agencies, such as analytical models.

The Bank applies internal analytical models to assess credit risk of loans to corporate borrowers, groups of loans to individuals and loans to small business enterprises, and those models use various rating scales and scores, different from those used by the international rating agencies. As a result, it is not possible to make a cross-product score comparison, which would agree to the outstanding balance of loans to customers per the balance sheet. As such, more detailed information is not being presented.

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

	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 1 year	Financial assets that have been impaired	Total at 31 December 2008
Due from banks	75,926	-	-	-	-	-	75,926
Loans to customers	1,455,644	-	-	-	-	560,085	2,015,729

	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 1 year	Financial assets that have been impaired	Total at 31 December 2007
Due from banks	57,843	-	-	-	-	-	57,843
Loans to customers	938,655	-	-	-	-	511,631	1,450,286
Investments available-for-sale	24,910	-	-	-	-	-	24,910

Geographical concentration

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

	Kazakhstan	OECD countries	CIS countries	31 December 2008 Total
FINANCIAL ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	152,470	-	-	152,470
Due from banks	70,046	4,869	1,011	75,926
Loans to customers	2,015,729	-	-	2,015,729
TOTAL FINANCIAL ASSETS	2,238,245	4,869	1,011	2,244,125
FINANCIAL LIABILITIES				
Customer accounts	64,170	50	325	64,545
Other financial liabilities	15,300	68	635	16,003
TOTAL FINANCIAL LIABILITIES	79,470	118	960	80,548
NET POSITION	2,158,775	4,751	51	2,163,577

	Kazakhstan	OECD countries	CIS Countries	31 December 2007 Total
FINANCIAL ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	34,690	-	-	34,690
Due from banks	50,025	5,272	2,546	57,843
Loans to customers	1,450,286	-	-	1,450,286
Investments available-for-sale	24,910	-	-	24,910
TOTAL FINANCIAL ASSETS	1,559,911	5,272	2,546	1,567,729
FINANCIAL LIABILIITES:				
Customer accounts	23,405	-	-	23,405
Other financial liabilities	12,613	93	-	12,706
TOTAL FINANCIAL LIABILITIES	36,018	93	-	36,111
NET POSITION	1,523,893	5,179	2,546	1,531,618

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 Treasury Department ("the Treasury') is responsible for management of the current open position of the Bank. The Treasury performs the monitoring of the Bank's balance sheet liquidity and any changes thereof. The Bank's liquidity analysis is performed by the Treasury on quarterly basis, and all members of the Assets and Liabilities Management Committee ("the ALMC") are informed appropriately.

The Bank uses internal methodologies to analyze the Bank's balance sheet liquidity.

The ALMC performs monthly monitoring of liquidity risk by future expected cash flows – gap liquidity analysis. When the liquidity indicators worsen, the ALMC identifies the reasons and determines the strategy to mitigate the risk. The Risk Management Department performs monthly monitoring of compliance with the liquidity requirements determined by the Liquidity Management Policy, such as immediate, current, short-term, common and expected liquidity ratios.

Management of the Bank, mainly the Board of Directors and Management Board of the Bank, receives the information on the Bank's current liquidity at least on monthly basis and, when the current or expected liquidity positions worsen, on immediate basis.

The following table shows how management monitors the liquidity and interest risks. The table is based on the time period to maturity or contractual repricing of the financial instruments.

	Up to 1 month	**1 month to 3 months**	**3 month to 1 year**	**1 year to 5 years**	**31 December 2008 Total**
FINANCIAL ASSETS					
Due from banks	75,926	-	-	-	75,926
Loans to customers	28,609	162,969	728,782	1,095,369	2,015,729
Total interest bearing assets	104,535	162,969	728,782	1,095,369	2,091,655
Cash and balances with National Bank of the Republic of Kazakhstan	152,470	-	-	-	152,470
TOTAL FINANCIAL ASSETS	257,005	162,969	728,782	1,095,369	2,244,125
FINANCIAL LIABILITIES					
Customer accounts	64,545	-	-	-	64,545
Other financial liabilities	1,745	-	14,258	-	16,003
TOTAL FINANCIAL LIABILITIES	66,290	-	14,258	-	80,548
Liquidity gap	190,715	162,969	714,524	1,095,369	
Interest sensitivity gap	104,535	162,969	728,782	1,095,369	
Cumulative interest sensitivity gap	104,535	267,504	996,286	2,091,655	
Cumulative interest sensitivity gap as a percentage of total financial assets	4.66%	11.92%	44.40%	93.21%	

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Overdue	31 December 2007 Total
FINANCIAL ASSETS						
Due from banks	57,843	-	-	-	-	57,843
Loans to customers	102,210	159,541	568,113	618,859	1,563	1,450,286
Investments available-for-sale	24,910	-	-	-	-	24,910
Total interest bearing assets	184,963	159,541	568,113	618,859	1,563	1,533,039
Cash and balances with National Bank of the Republic of Kazakhstan	34,690	-	-	-	-	34,690
TOTAL FINANCIAL ASSETS	219,653	159,541	568,113	618,859	1,563	1,567,729
FINANCIAL LIABILITIES						
Customer accounts	23,405	-	-	-	-	23,405
Other financial liabilities	1,056	-	11,650	-	-	12,706
TOTAL FINANCIAL LIABILITIE S	24,461	-	11,650	-	-	36,111
Liquidity gap	195,192	159,541	556,463	618,859	1,563	
Interest sensitivity gap	184,963	159,541	568,113	618,859	1,563	
Cumulative interest sensitivity gap	184,963	344,504	912,617	1,531,476	1,533,039	
Cumulative interest sensitivity gap as a percentage of total financial assets	11.80%	21.97%	58.21%	97.69%	97.79%	

Information on maturity of guarantees issued and other similar commitments is presented in Note 18.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to market risks of its products which are subject to general and specific market fluctuations. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Interest rate risk

The Bank's exposure to interest rate risk is not significant as the Bank borrows and places its funds with fixed rates.

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.

	KZT	USD USD 1 = 120.79 KZT	EUR EUR 1 = 170.24 KZT	RUR RUR 1 = 4.11 KZT	31 December 2008 Total
FINANCIAL ASSETS:					
Cash and balances with National Bank of the Republic of Kazakhstan	93,550	19,479	38,318	1,123	152,470
Due from banks	70,046	4,708	160	1,012	75,926
Loans to customers	2,015,729	-	-	-	2,015,729
TOTAL FINANCIAL ASSETS	2,179,325	24,187	38,478	2,135	2,244,125
FINANCIAL LIABILITIES:					
Customer accounts	60,421	3,799	-	325	64,545
Other financial liabilities	15,300	2	66	635	16,003
TOTAL FINANCIAL LIABILITIES	75,721	3,801	66	960	80,548
NET BALANCE SHEET POSITION	2,103,604	20,386	38,412	1,175	2,163,577

	KZT	USD USD 1 = 120.30 KZT	EUR EUR 1 = 177.17 KZT	RUR RUR 1 = 4.92 KZT	31 December 2007 Total
FINANCIAL ASSETS:					
Cash and balances with National Bank of the Republic of Kazakhstan	33,771	429	315	175	34,690
Due from banks	50,024	4,390	882	2,547	57,843
Loans to customers	1,450,286	-	-	-	1,450,286
Investments available-for-sale	24,910	-	-	-	24,910
TOTAL FINANCIAL ASSETS	1,558,991	4,819	1,197	2,722	1,567,729
FINANCIAL LIABILITIES:					
Customer accounts	22,766	249	-	390	23,405
Other financial liabilities	12,613	27	66	-	12,706
TOTAL FINANCIAL LIABILITIES	35,379	276	66	390	36,111
NET BALANCE SHEET POSITION	1,523,612	4,543	1,131	2,332	1,531,618

Currency risk sensitivity

The following table details the Bank's sensitivity to a 25% increase and decrease in the USD against the KZT. 25% 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 as at 31 December 2008 and 2007 for a 25% and 10% respectively, change in foreign currency rates.

	31 December 2008		31 December 2007	
	KZT/USD +25%	KZT/USD -25%	KZT/USD +10%	KZT/USD -10%
Impact on profit or loss	5,097	(5,097)	454	(454)

	31 December 2008		31 December 2007	
	KZT/EUR +25%	KZT/EUR -25%	KZT/EUR +10%	KZT/EUR -10%
Impact on profit or loss	9,603	(9,603)	113	(113)

	31 December 2008		31 December 2007	
	KZT/RUR +25%	KZT/RUR -25%	KZT/RUR +10%	KZT/RUR -10%
Impact on profit or loss	294	(294)	233	(233)

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 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.

23. SUBSEQUENT EVENTS

The devaluation of tenge

During 2008 and 2007 the National Bank of the Republic of Kazakhstan supported exchange rate of national currency to 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 change the supported level of exchange rate to around 150 KZT to 1 US Dollar +/-3%.

In spite the fact that the Bank operates in the territory of Republic of Kazakhstan and has definite assets and liabilities denominated in foreign currencies, the management believes that changes in exchange rates will not have a significant effect to the activity of the Bank.

Management assessed probable influence of exchange rate changes in its currency risk sensitivity analysis, which is presented in Note 22.

The equity requirements

According to the Instruction #140 of the FMSA dated 2 September 2008 "On minimum charter capital and equity requirements for the second-tier banks", regional banks with one branch should increase the equity up to KZT 5 billion till 1 July 2009, and regional banks without the branches should increase the equity up to KZT 3 billion till 1 July 2009. The activity of the Bank is mainly financed by the shareholders, who confirmed the intentions to continue further financing and to increase the equity to the level required by the FMSA (Note 17). During the year 2009, the shareholders of the Bank have purchased 1,092,454 ordinary shares with par value of KZT 1,005 per share, as the result the equity of the Bank exceed KZT 3 billion. The Bank ensures the close up its branch in case of insufficient equity financed by shareholders and meets the requirement for the regional banks without the branches increasing the equity up to KZT 3 billion till 1 July 2009.