JOINT STOCK COMPANY AGRARIAN CREDIT CORPORATION

Financial Statements
for the year ended 31 December 2007

and Independent Auditors' Report

JSC AGRARIAN CREDIT CORPORATION

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JSC AGRARIAN CREDIT CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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 and 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 Agrarian Credit Corporation (the "Corporation").

Management is responsible for the preparation of the financial statements that present fairly the financial position of the Corporation at 31 December 2007, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgements and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Corporation 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 Corporation;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Corporation, and which enable them to ensure that the financial statements of the Corporation comply with IFRS;
- Taking such steps as are reasonably available to them to safeguard the assets of the Corporation; and
- Detecting and preventing fraud and other irregularities.

The financial statements for the year ended 31 December 2007 were authorised for issue on 16 June 2008 by the Management Board.

On behalf of the Management Board:

___________________________	___________________________
Karajigitov A.R.	**Zaitullaeva I.N**
Chairman	**Chief Accountant**
16 June 2008	16 June 2008

INDEPENDENT AUDITORS' REPORT

To the Shareholder and the Board of Directors of Joint Stock Company Agrarian Credit Corporation:

Report on the Financial Statements

We have audited the accompanying financial statements of JSC Agrarian Credit Corporation, which comprise the balance sheet as at 31 December 2007, and the income statement, 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 Corporation as of 31 December 2006 and for the year then ended were audited by another auditor whose report dated 27 June 2007, expressed an unqualified opinion on those financial statements.

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 Corporation as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Galymzhan Khasenov
Engagement Partner
Certificate Public Accountant, USA
License # CP3357

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

Nurlan Bekenov
General Director
Deloitte, LLP

16 June 2008
Almaty

JSC AGRARIAN CREDIT CORPORATION

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007
(in kazakhstani tenge and in thousands)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
Interest income	4, 21	1,078,284	594,942
Interest expense	4	(70,966)	(19,698)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		1,007,318	575,244
Provision for impairment losses on interest bearing assets	5	(15,402)	(191,103)
NET INTEREST INCOME		991,916	384,141
Net loss on foreign exchange		-	(31)
Loss on disposal of fixed assets		(209)	(287)
Other income, net	7	23	3,968
NET NON-INTEREST EXPENSE		(186)	3,650
OPERATING INCOME		991,730	387,791
OPERATING EXPENSES	8	(452,430)	(262,294)
		539,300	125,497
Recovery of other provisions	5	-	4,319
Net income from associated companies	6	9,602	33,446
PROFIT BEFORE INCOME TAX		548,902	163,262
Income tax expense	9	(136,422)	(37,137)
NET PROFIT		412,480	126,125

On behalf of the Management Board:

Karajigitov A.R.	Zaitullaeva I.N
Chairman	Chief Accountant
16 June 2008	16 June 2008
Astana, Republic of Kazakhstan	Astana, Republic of Kazakhstan

The notes on pages 9-32 form an integral part of these financial statements. The Independent Auditors' Report is on pages 2 and 3.

BALANCE SHEET
AS AT 31 DECEMBER 2007
(in kazakhstani tenge and in thousands)

	Notes	31 December 2007	31 December 2006
ASSETS:			
Cash and cash equivalents	10	2,847,617	2,275,008
Loans to customers	11, 21	24,820,099	15,145,937
Investments in associated companies	12	587,709	764,410
Property, equipment and intangible assets	13	158,911	146,914
Income tax assets	9	25,065	13,633
Other assets	14	13,030	1,265
TOTAL ASSETS		28,452,431	18,347,167
LIABILITIES AND EQUITY			
LIABILITIES:			
Loans from Ministry of Finance of the Republic of Kazakhstan	15	2,114,251	2,863,450
Debt securities issued	16	1,270,369	-
Tax liabilities	9	1,175	5,461
Other liabilities	17	37,193	7,129
Total liabilities		3,422,988	2,876,040
EQUITY:			
Share capital	18	24,440,471	15,231,571
Reserve capital		176,492	113,431
Retained earnings		412,480	126,125
Total equity		25,029,443	15,471,127
TOTAL LIABILITIES AND EQUITY		28,452,431	18,347,167

On behalf of the Management Board:

_________________________	_________________________
Karajigitov A.R.	Zaitullaeva I.N
Chairman	Chief Accountant
16 June 2008	16 June 2008
Astana, Republic of Kazakhstan	Astana, Republic of Kazakhstan

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JSC AGRARIAN CREDIT CORPORATION

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007
(in kazakhstani tenge and in thousands)

	Notes	Share capital	Other reserves	Retained earnings	Total equity
31 December 2005		6,290,000	14,336	99,095	6,403,431
Increase in share capital	18	8,941,571	-	-	8,941,571
Transfer of retained earnings		-	99,095	(99,095)	-
Net profit for the year		-	-	126,125	126,125
31 December 2006	18	15,231,571	113,431	126,125	15,471,127
Increase in share capital	18	9,208,900	-	-	9,208,900
Dividends paid	18	-	(63,064)	-	(63,064)
Transfer of retained earnings		-	126,125	(126,125)	-
Net profit for the year		-	-	412,480	412,480
31 December 2007	18	24,440,471	176,492	412,480	25,029,443

On behalf of the Management Board:

_________________________	_________________________
Karajigitov A.R.	Zaitullaeva I.N
Chairman	Chief Accountant
16 June 2008	16 June 2008
Astana, Republic of Kazakhstan	Astana, Republic of Kazakhstan

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JOINT STOCK COMPANY AGRARIAN CREDIT CORPORATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2007
(in kazakhstani tenge and in thousands)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax		548,902	163,262
Adjustments for:			
Provision for impairment losses on loans to customers		15,402	191, 103
Recovery of provision for other impairment losses		-	(4,319)
Provision/ (recovery of provision) for unused vacations		29,475	(7,981)
Net income from associated companies		(9,602)	(33,446)
Depreciation of fixed and intangible assets		14,179	14,101
Loss/(gain) on sale of property and equipment		209	(206)
Change in interest accruals, net		(54,103)	(12,493)
Cash flows from operating activities before changes in operating assets and liabilities		544,462	310,021
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Loans to customers		(9,578,008)	(5,963,816)
Other assets		(12,071)	6,282
Increase/(decrease) in operating liabilities:			
Loans from Ministry of Finance of the Republic of Kazakhstan		(748,999)	(1,028,444)
Other liabilities		589	(1,437)
Net cash outflow from operating activities before taxation		(9,794,027)	(6,677,394)
Income tax paid		(151,834)	(42,984)
Net cash outflow from operating activities		(9,945,861)	(6,720,378)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	13	(22,077)	(66,528)
Purchase of investments in associated companies	12	(71,177)	(143,695)
Sale of investments in associated companies	12	257,480	332
Purchase of intangible assets	13	(4,308)	(3,767)
Net cash inflow/(outflow) from investing activities		159,918	(213,658)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2007
(in kazakhstani tenge and in thousands)

	Notes	Year ended 31 December 2007	Year ended 31 December 2006
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of ordinary shares		9,208,900	8,941,571
Debt securities issued		1,212,716	-
Dividends paid		(63,064)	-
Net cash inflow from financing activities		10,358,552	8,941,571
NET INCREASE IN CASH AND CASH EQUIVALENTS		572,609	2,007,535
CASH AND CASH EQUIVALENTS at beginning of year	10	2,275,008	267,473
CASH AND CASH EQUIVALENTS at end of year	10	2,847,617	2,275,008

During 2007 the Corporation received and paid interest amounting to 964,023 thousand tenge and 10,744 thousand tenge, respectively.

During 2006 the Corporation received and paid interest amounting to 579,674 thousand tenge and 20,732 thousand tenge, respectively.

On behalf of the Management Board:

______________________	______________________
Karajigitov A.R.	Zaitullaeva I.N
Chairman	Chief Accountant
16 June 2008	16 June 2008
Astana, Republic of Kazakhstan	Astana, Republic of Kazakhstan

The notes on pages 9-32 form an integral part of these financial statements. The Independent Auditors' Report is on pages 2 and 3.

1. ORGANIZATION

The Corporation is established by Government Regulation dated January 25, 2001 No 137 “On agricultural sector crediting”. State registration certificate No 9609-1901-AO dated March 20, 2001 issued by Department of Justice of Astana city. State re-registration certificate No 0125809 series B dated August 25, 2003 issued by Department of Justice of Astana city. Tax-payer registration number is 620300017049. The Corporation is recorded in the economic entities’ state register of the Republic of Kazakhstan under identification code 39399082, GCEA (General Classifier of Economic Activities) – 65220.

The main activities of the Corporation are:

- establishing network of credit partnerships and it’s financing;
- activities on sale of collateral and agricultural products, received as a payment to cover debt;
- consulting and information services to credit partnerships;
- financing infrastructure for preparation, processing, storage, supply and distribution of agricultural products;
- financing non-agricultural entrepreneurship in rural areas.

The Corporation has the license No 24 dated February 3, 2006 issued by Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Market and Financial Organizations for national currency transactions provided by the Banking legislation of the Republic of Kazakhstan which empowers to carry out the following national currency transactions: Banks loan transactions: granting monetary credits on terms of payment, maturity and recoverability.

By the Resolution of administration of Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Market and Financial Organizations dated July 30, 2005 No 274, the Corporation is given the status of financial agency.

The Corporation was founded by the Government of the Republic of Kazakhstan, according to the decree of the Government of the Republic of Kazakhstan, the Joint Stock Company National holding “KazAgro” is the economic unit, which practices its rights of property, use and control of State share in the Corporation, which was given in exchange for issued shares in 2007. National Holding represents its interests as the sole shareholders on shareholder’s meetings, which is in accordance with Legislation.

The registered office of the Corporation is: Jeltoksan str, 28a, Astana.

As of 31 of December 2007 the Corporation had 6 branches operating throughout Kazakhstan. In February 2008 the Corporation has established 7 representative offices.

These financial statements were approved by the Management Board of the Corporation on 16 June, 2008.

2 BASIS OF PRESENTATION

Accounting basis

These financial statements of the Corporation 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"), unless otherwise indicated. These financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments.

Functional currency

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

3 SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity over which the Corporation is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Investments in associates are carried in the balance sheet at cost as adjusted for post-acquisition changes in the Corporation's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Corporation's interest in those associates are not recognized.

Where the Corporation transacts with an associate of the Corporation, profits and losses are eliminated to the extent of the Corporation's interest in the relevant associate.

Recognition and measurement of financial instruments

The Corporation 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 cash equivalents

Cash and cash equivalents include cash on hand balances and current accounts with Banks.

Loans to customers and loan commitments

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 Corporation 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 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

Loans are written off against allowance for impairment losses in case of uncollectibility of loans and advances, including through repossession of collateral. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Corporation and after the Corporation has sold all available collateral. If in the subsequent period the impairment loss is decreased, and this can be tied to the events after the revaluation date, then the recognized loss is restated by means of entries to revaluation reserve.

Allowance for impairment losses

The Corporation establishes an allowance for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. The allowance for impairment losses is 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, for financial assets which are carried at amortized cost. 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, the previously recognized impairment loss is reversed by adjustment of an allowance account. For financial assets carried at cost the allowance for impairment losses is 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.

The determination of the allowance for impairment losses is based on an analysis of the risk assets and reflects the amount which, in the judgment of management, is adequate to provide for losses incurred. Provisions are made as a result of an individual appraisal of risk for financial assets that are individually significant, and an individual or collective assessment for financial assets that are not individually significant.

The change in the allowance for impairment losses is charged to the income statement and the total of the allowance for impairment losses is deducted in arriving at assets as shown in the balance sheet. Factors that the Corporation considers in determining whether it has objective evidence that an impairment loss has been incurred include information about the debtors' or issuers' liquidity, solvency and business and financial risk exposures, levels of and trends in delinquencies for similar financial assets, national and local economic trends and conditions, and the fair value of collateral and guarantees. These and other factors may, either individually or taken together, provide sufficient objective evidence that an impairment loss has been incurred in a financial asset or group of financial assets.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation. Depreciation of property, equipment and intangible assets is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Buildings	4.5%
Furniture and equipment	10-20%
Vehicles	10%
Other fixed assets	7-10%
Intangible assets	15-100%

Maintenance and capital renovations are accounted as incurred and attributable in operational expenses, except those cases when should be capitalized.

Taxation

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

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the 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 Corporation's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally 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.

The Corporation also has various other taxes, which are assessed on the Corporation's activities. These taxes are included as a component of operating expenses in the income statement.

Loans received and debt securities issued

Loans received and debt securities issued 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.

Equity

Contributions to share capital are recognized at historic cost, net of direct issue costs.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared.

Retirement and other benefit obligations

The Corporation does not incur any expenses related to retirement obligations. In accordance with the requirements of the legislation of the Republic of Kazakhstan the Corporation withholds pension contributions from salary of employees and transfers them to state or private pension funds. This state pension system provides for the calculation of current payments by the employer as a percentage of current total payments to staff. This expense is charged in the period the related salaries are earned. Upon retirement all retirement benefit payments are made by pension funds selected by employees. The Corporation does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan.

Recognition of 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 received on investments into shares is classified as interest income. Other income is recognized in the income statement when the operation is ended.

Foreign currency translation

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

Rates of exchange

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

	31 December 2007	**31 December 2006**
KZT/1 US Dollar	120.30	127.00
KZT/1 Euro	177.17	167.12
KZT/1 Russian Rouble	4.92	4.82

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the balance sheet when the Corporation has a legally enforceable right to set off the recognized amounts and the Corporation 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 derecognition, the Corporation does not offset the transferred asset and the associated liability.

Adoption of new and revised standards

In the current year, the Corporation 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 reporting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Corporation's accounting policies that have affected the amounts reported for the current or prior years except for the effect of application of IFRS 7 "Financial Instruments: Disclosure" ("IFRS 7").

IFRS 7 is effective for annual periods beginning on or after 1 January 2007. IFRS 7 establishes new requirements and recommendations on financial instrument disclosure. Adoption of IFRS 7 did not affect the classification and measurement of Corporation's financial instruments in the financial statements. Additional information was disclosed in the financials statements for the current and comparative reporting periods as required by IFRS 7.

At the date of authorization of these financial statements, other than the Standards and Interpretations adopted by the Corporation 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.

Amendment to IAS 1 "Presentation of Financial Statements" – On 6 September 2007, the IASB issued an amendment to IAS 1 which changes the way in which non-owner changes in equity are required to be presented. It also changes the titles of primary financial statements as they will be referred to in IFRS but does not require that these be renamed in an entity's financial statements. The Corporation does not expect the adoption of the amendment to IAS 1 to have an impact on the financial statements. The amendment to IAS 1 is effective for periods beginning on or after 1 January 2009.

Critical judgments in applying the Corporation's accounting policies

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Corporation's accounting policies and that have the most significant effect on the amounts recognized in the financial statements:

Allowance for impairment of loans

The Corporation regularly reviews its loans to assess for impairment. The Corporation's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans. The Corporation considers accounting estimates related to allowance for impairment of loans 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 are based on recent performance experience, and (ii) any significant difference between the Corporation's estimated losses and actual losses will require the Corporation to take provisions which, if significantly different, could have a material impact on its future income statement and its balance sheet.

The Corporation uses management's judgement 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 Corporation estimates changes in future cash flows based on past performance, past customer behaviour, 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, finance leases and receivables. The Corporation uses management's judgement to adjust observable data for a group of loans or receivables 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 Corporation is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

4 NET INTEREST INCOME

	Year ended 31 December 2007 (thousand tenge)	**Year ended 31 December 2006 (thousand tenge)**
Interest income comprises:		
Interest income on assets recorded at amortized cost:		
- interest income on assets that has been written down as a result of an impairment loss	31,079	26,368
- interest income on unimpaired assets	1,047,205	568,574
Total interest income	1,078,284	594,942
Interest income on assets recorded at amortized cost comprises:		
Interest income on loans to customers	952,822	494,167
Interest income on deposits in banks	125,462	100,775
Total interest income on financial assets recorded at amortized cost	1,078,284	594,942
Interest expense comprises:		
Interest on liabilities recorded at amortized cost	70,966	19,698
Total interest expense	70,966	19,698
Interest expense on liabilities recorded at amortized cost comprise:		
Interest expense on Loans from Ministry of Finance of the Republic of Kazakhstan	13,313	19,698
Interest expense on debt securities issued	57,653	-
Total interest expense on financial assets recorded at amortized cost	70,966	19,698
Net interest income before provisions for impairment losses on interest bearing assets	1,007,318	575,244

5 ALLOWANCE FOR IMPAIRMENT LOSSES

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

	Loans to customers (thousand tenge)
31 December 2005	1,415
Provision	191,103
Write off of assets	(94,714)
31 December 2006	97,804
Provision	15,402
Write off of assets	(27,060)
31 December 2007	86,146

Amount written off on assets during 2007 and 2006 is totally related to write off of overdue loan of CP "Enbek-Kredit". In 2008 the overdue debt for 51,752 thousand tenge was repaid. (refer to Note 20).

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

	Other assets (thousand tenge)
31 December 2005	4,319
Provision recovery	(4,319)
Write off of assets	-
31 December 2006	-
Provision	-
Write off of assets	-
31 December 2007	-

6 NET INCOME FROM ASSOCIATED COMPANIES

Net profit from associated companies comprises of the following:

	Year ended 31 December 2007 (thousand tenge)	Year ended 31 December 2006 (thousand tenge)
Income from associated companies	31,638	36,738
Loss on associated companies	(22,036)	(3,292)
Total net income from associated companies	9,602	33,446

7 OTHER INCOME

Other income comprises of the following:

	Year ended 31 December 2007 (thousand tenge)	Year ended 31 December 2006 (thousand tenge)
Income from State subsidies	-	3,460
Other	23	508
Total other income	23	3,968

8 OPERATING EXPENSES

Operating expenses comprise of the following:

	Year ended 31 December 2007 (thousand tenge)	Year ended 31 December 2006 (thousand tenge)
Payroll and bonuses	295,511	156,427
Social tax	31,947	19,887
Current rent	23,122	17,242
Telecommunications	16,280	10,575
Professional services	15,655	4,522
Maintenance of property and equipment	14,185	9,240
Depreciation of property, equipment and intangible assets	14,179	14,101
Travel expenses	9,665	7,672
Representative expenses	3,768	2,518
Banking services	3,389	2,076
Stationary	3,363	2,806
Advertisement	2,279	4,828
Utilities	1,299	1,118
Taxes, other than corporate income tax	1,708	1,075
Education	1,128	330
Charity and sponsorship	450	430
Security	420	220
Insurance	316	438
Membership fees	250	-
Other expenses	13,516	6,789
Total operating expenses	452,430	262,294

9 INCOME TAX

The Corporation provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of the Republic of Kazakhstan which may differ from International Financial Reporting Standards.

The Corporation 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 2007 and 2006 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

The tax effect from temporary differences as at 31 December 2007 and 2006 comprise:

	Year ended 31 December 2007 (thousand tenge)	Year ended 31 December 2006 (thousand tenge)
Deferred assets:		
Provisions on vacations	33,211	3,736
Investments in associated companies	-	2,455
Total deferred assets	33,211	6,191
Deferred liabilities:		
Property, equipment and intangible assets	30,635	24,394
Investments in associated companies	6,492	-
Total deferred liabilities	37,127	24,394
Net deferred liabilities	(3,916)	(18,203)
Net deferred liabilities at set rate (30%)	(1,175)	(5,461)

Relationships between tax expenses and accounting profit for the years ended 31 December 2007 and 2006 are explained as follows:

	Year ended 31 December 2007 (thousand tenge)	Year ended 31 December 2006 (thousand tenge)
Profit before income tax	548,902	163,262
Tax at the statutory tax rate of 30%	164,671	48,979
Tax effect of permanent differences	(28,249)	(11,872)
Income tax expense	136,422	37,137
Current income tax expense	140,708	31,676
Deferred income tax (benefit)/ expense	(4,286)	5,461
Income tax expense	136,422	37,137

Liabilities on deferred tax on income	Year ended 31 December 2007 (thousand tenge)	Year ended 31 December 2006 (thousand tenge)
Beginning of the period	(5,461)	-
Changes of deferred tax on income during the period, indicated in income statement	4,286	(5,461)
End of the period	(1,175)	(5,461)

10 CASH AND CASH EQUIVALENTS

	31 December 2007 (thousand tenge)	31 December 2006 (thousand tenge)
Cash on hand	8	11
Current accounts with Banks	2,847,609	2,274,997
Total cash and cash equivalents	2,847,617	2,275,008

11 LOANS TO CUSTOMERS

Loans to customers comprises of the following:

	31 December 2007 (thousand tenge)	31 December 2006 (thousand tenge)
Loans to customers	24,906,245	15,243,741
Less allowance for impairment losses	(86,146)	(97,804)
Total loans to customers	24,820,099	15,145,937

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2007 and 2006 are disclosed in Note 5.

As at 31 December 2007 and 2006 accrued interest income included in loans to customers amounted to KZT 132,651 thousand and KZT 21,095 thousand, respectively.

The analysis of fair value of loans to customers is presented in the table below:

	31 December 2007 (thousand tenge)	31 December 2006 (thousand tenge)
Loans collateralized by non agricultural equipment	6,622,325	4,901,083
Loans collateralized by deposits in banks	6,553,409	4,813,059
Loans collateralized by real estate	5,354,076	2,556,519
Loans collateralized by vehicles	4,417,487	1,851,176
Loans collateralized by agricultural equipment	1,958,948	1,121,904
	24,906,245	15,243,741
Less allowance for impairment losses	(86,146)	(97,804)
Total loans to customers	24,820,099	15,145,937

	31 December 2007 (thousand tenge)	31 December 2006 (thousand tenge)
Analysis by sectors:		
Agriculture	24,211,512	15,243,741
Individuals	694,733	-
	24,906,245	15,243,741
Less allowance for impairment losses	(86,146)	(97,804)
Total loans to customers	24,820,099	15,145,937

As of 31 December 2007 and 2006 all loans were rendered to companies operating in the Republic of Kazakhstan, which represent considerable geographical concentration.

As at 31 December 2007 and 2006 the maximum credit risk exposure on loans to customers on one borrower amounted to KZT 1,992,614 thousand and KZT 789,964 thousand, respectively.

As at 31 December 2007 and 2006 loans to customers included loans of 288,942 thousand tenge and zero tenge, respectively, whose terms have been renegotiated. Otherwise these loans would be past due.

As at 31 December 2007 and 2006 loans to customers included loans of 339,984 thousand tenge and 428,722 thousand tenge, which individually had indications of impairment.

12 INVESTMENTS IN ASSOCIATED COMPANIES

As at 31 December 2007 and 2006 all investments in associated companies included share of the Corporation in 109 and 142 credit partnerships, respectively. Share of the Corporation in credit partnerships was up to 50%.

The movements of investments in associates comprise:

	31 December 2007 (thousand tenge)	**31 December 2006 (thousand tenge)**
At the beginning of the period	764,410	587,601
Purchase cost	71,177	143,695
Share of results of associates	9,602	33,446
Investments sale	(257,480)	(332)
At the end of the period	587,709	764,410

13 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

Property, equipment and intangible assets are comprised of the following;

	Buildings and other real estate	Furniture and equipment	Vihicles	Land	Intangible assets	Other	Total (thousand tenge)
At initial cost							
31 December 2005	64,603	20,336	4,130	5,397	447	15,697	110,610
Additions	58,378	3,567	-	-	3,767	4,583	70,295
Disposals	-	(2,482)	-	-	-	(91)	(2,573)
31 December 2006	122,981	21,421	4,130	5,397	4,214	20,189	178,332
Additions	-	8,726	5,826	-	4,309	7,524	26,385
Disposals	-	(797)	-	-	-	(235)	(1,032)
31 December 2007	122,981	29,350	9,956	5,397	8,523	27,478	203,685
Accumulated depreciation and impairment							
31 December 2005	5,456	9,847	620	-	83	4,090	20,096
Charge for the year	6,816	4,771	413	-	208	1,893	14,101
Eliminated on disposals	-	(2,467)	-	-	-	(312)	(2,779)
31 December 2006	12,272	12,151	1,033	-	291	5,671	31,418
Charge for the year	5,534	4,247	753	-	1,325	2,320	14,179
Eliminated on disposals	-	(756)	-	-	-	(67)	(823)
					-		
31 December 2007	17,806	15,642	1,786	-	1,616	7,924	44,774
Net book value							
As at 31 December 2007	105,175	13,708	8,170	5,397	6,907	19,554	158,911
As at 31 December 2006	110,709	9,270	3,097	5,397	3,923	14,518	146,914

14 OTHER ASSETS

Other assets comprise:

	31 December 2007 (thousand tenge)	31 December 2006 (thousand tenge)
FINANCIAL ASSETS:		
Accounts receivable	800	486
NON FINANCIAL ASSETS:		
Prepayment	10,737	60
Stationary	1,398	318
Taxes receivable, other than income tax.	95	401
Total other assets	13,030	1,265

15 LOANS FROM MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN

Loans from Ministry of Finance of the Republic of Kazakhstan comprises of the following:

	31 December 2007 (thousand tenge)	31 December 2006 (thousand tenge)
Ministry of Finance of the Republic of Kazakhstan (expires in 2007, interest free)	-	160,275
Ministry of Finance of the Republic of Kazakhstan (expires in 2010, at 0.5%)	367,573	490,119
Ministry of Finance of the Republic of Kazakhstan (expires in 2010, at 0.5%)	355,871	474,515
Ministry of Finance of the Republic of Kazakhstan (expires in 2011, at 0.5%)	1,252,945	1,566,211
Ministry of Finance of the Republic of Kazakhstan (expires in 2011, at 0.5%)	137,862	172,330
Total loans received	2,114,251	2,863,450

All loans are denominated in Kazakhstani tenge.

As at 31 December 2007 and 2006 included in loans from Ministry of Finance of Republic of Kazakhstan are accrued interest of 454 thousand tenge and 654 thousand tenge, respectively.

16 DEBT SECURITIES ISSUED

Debt securities issued comprises of the following:

	Maturity date dd/mm/yy	Interest rate %	31 December 2007	31 December 2006 (thousand tenge)
Bonds	10 August 2012	8.6%	1,270,369	-
Total debt securities issued			1,270,369	-

Debt securities issued are denominated in Kazakhstani tenge. Interest is paid semiannually, and interest rate is revised semiannually within a range from 6% to 9% per annum based on deviation of inflation rate in Kazakhstan.

As at 31 December 2007 included in debt securities issued is accrued interest of 49,587 thousand tenge.

17 OTHER LIABILITIES

Other liabilities comprises of the following:

	31 December 2007 (thousand tenge)	31 December 2006 (thousand tenge)
Financial liabilities		
Accounts payable	35,546	6,930
Non financial liabilities		
Deferred income	1,637	194
Tax payables, other than income tax	10	5
Total other liabilities	37,193	7,129

18 SHARE CAPITAL

At 31 December 2007 and 2006 the Corporation had 24,440,471 and 15,231,571 ordinary shares authorized and issued with a par value of 1,000 tenge, respectively, which amounted 24,440,471 thousand tenge and 15,231,571 thousand tenge, respectively. All shares are the same type and have equal voting rights.

During 2007 and 2006 the Corporation had increased share capital by 9,208,900 thousand tenge and 8,941,571 thousand tenge, respectively.

In 2007 a dividend of 63,064 thousand tenge was declared for 2006. In 2006 no dividends were declared.

According to the Charter the net profit of the Corporation can be transferred to other reserves account annually following the approval of the financial statements at the shareholder's general meeting. The other reserves account later could be subject to distribution according to the decision of the shareholder's general meeting.

During 2006, a portion of net profit for the year ended 31 December 2006 of KZT 99,095 thousand related to JSC "Development Bank of Kazakhstan", has been transferred to reserve capital.

During 2006, a portion of net profit for the year ended 31 December 2006 of KZT 126,125 thousand related to other subsidiaries, has been transferred to general reserves.

19 FINANCIAL COMMITMENTS AND CONTINGENCIES

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

The Corporation 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 2007 and 2006 the Corporation didn't have agreements on contingent liabilities.

Capital commitments – The Corporation didn't have significant capital commitments as at 31 December 2007.

Operating lease commitments – The Corporation didn't have significant lease commitments as at 31 December 2007.

Legal proceedings – From time to time and in the normal course of business, claims against the Group 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 – Due to the presence in Kazakhstani commercial legislation, and tax legislation in particular, of provisions allowing more than one interpretation, and also due to the practice developed in a generally unstable environment by the tax authorities of making arbitrary judgment of business activities, if a particular treatment based on Management's judgment of the Corporation's business activities was to be challenged by the tax authorities, the Managements of the Corporation may be assessed additional taxes, penalties and interest. Such uncertainty may relate to valuation of financial instruments, loss and impairment provisions and market level for deals' pricing. The Management of the Corporation believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans – In accordance with the legislation of Republic of Kazakhstan the Corporation withholds the amount of pension contributions from the employees salaries and transfers them to the State center on pension payments. Current system of pensions provision anticipates the calculation of current contributions of employer as a percentage of total current payments to employees. These expenses are recognized in the same period as the total payments to employees. In case of employee termination all pension payments are made by pension funds that were selected by the employees. The Corporation doesn't have additional schemes of pension provisions, except for the –participation in the state pension system of Republic of Kazakhstan. More over, the Corporation doesn't have post-retirement benefits or any other significant benefits that should be accrued.

Operating environment – The Corporation'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 Corporation's assets and operations could be at risk due to negative changes in the political and business environment.

20 SUBSEQUENT EVENTS

During 2008 7 representative offices were established and registered in the regions of Kazakhstan.

In March 2008 the overdue principal on loan granted to credit partnership "Enbek-kredit" was repaid for the amount of 51,752 thousand tenge.

In February 2008 according to terms of Debt securities issued the coupon rate was changed to 9% for the next coupon period.

21 TRANSACTIONS WITH RELATED PARTIES

Related parties and transactions with related parties are assessed in accordance with IAS 24 "Related Party Disclosures."

a) parties, which directly or indirectly via one or several intermediaries: control the Corporation, being controlled by the Corporation, or together being under control (which includes parent Corporation and other subsidaries of the same parent company); possess shares of the Corporation, which allows to significantly influence on the Corporation's activities; and those which have joint control over the Corporation.
b) Associated companies – companies, which activities are significantly affected by the Corporation, but doe not have status of subsidiary nor joint control companies.
c) Joint companies, where the Corporation has interest
d) Key management personnel of the Corporation or it's parent company
e) Immediate family members of any party from described from a) – d)
f) Parties, which are companies under control, joint control or under significant influence of any of parties described from a) – e), or significant percent of voting shares, which are directly or indirectly belong to these parties.

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 Corporation and other related parties are disclosed below:

	31 December 2007		31 December 2006	
	Related party balances	Total category as per financial statements caption	Related party balances	Total category as per financial statements caption
Loans to customers	6,658,085	24,820,099		15,145,937

	Year ended 31 December 2007		Year ended 31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Remuneration of key management personnel				
Short-term remuneration	27,112	295,511	23,297	156,427
	27,112	295,511	23,297	156,427

The income statement for the periods ended on 31 Decembers 2007 and 2006 contained amounts from related party transactions.

	Year ended 31 December 2007		Year ended 31 December 2006	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	693,942	1,078,284	503,197	594,942

22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Below are figures on fair value of financial instruments in accordance with IAS 32 "Financial instruments: disclosure and presentation" and IAS 39 "Financial instruments: recognition and valuation". 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 Corporation 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 Corporation is presented below

	31 December 2007		31 December 2006	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	2,847,617	2,847,617	2,275,008	2,275,008
Loans from Ministry of Finance of the Republic of Kazakhstan	2,114,251	2, 003,189	2,863,450	2,687,988
Debt securities issued	1,270,369	1, 383,845	-	-

The fair value of loans to customers cannot be reliably measured as it is practically not possible to acquire market value and apply any other method to measure such instruments.

23 REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Corporation 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.

Rate	Position description
0%	Cash
20%	Loans deposits for the period less than 1 year.
100%	Loans to customers
100%	Guarantees issued
50%	Liabilities on unused loans with initial period over 1 year.
100%	Other assets

Actual amounts and capital ratios of the Corporation are:

Amounts and capital ratio	Actual amount	For the purpose of capital adequacy	Ratio for the purpose of capital adequacy	Minimum required ratio level
As at 31 December 2007				
Total capital	25,029,443	24,441,734	128%	8%
Capital of Tier 1	25,029,443	25,029,443	131%	4%
As at 31 December 2006				
Total capital	15,471,127	14,706,716	132%	8%
Capital of Tier 1	15,471,127	15,471,127	137%	4%

24 RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Corporation’s business and is an essential element of the Corporation’s operations. The main risks inherent to the Corporation’s operations are those related to:

- Credit exposures
- Liquidity risk
- Market risk

The Corporation recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Corporation has established a risk management framework, whose main purpose is to protect the Corporation from risk and allow it to achieve its performance objectives. Through the risk management framework, the Corporation manages the following risks:

Credit risk

The Corporation 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 Credit Department and the Corporation's Management Board. Daily monitoring of risks is performed by the Head of Credit Department and Credit Departments of branches.

The Corporation 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. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Corporation obtains collateral and corporate and personal guarantees.

Maximum Exposure

The Corporation'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 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 Corporation would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Loans to customers	24,820,099	-	24,820,099	13,528,772	11,291,327
Investments in associated companies	587,709	-	587,709	-	587,709

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	Net exposure after offset and collateral
Loans to customers	15,145,937	-	15,145,937	9,295,478	5,850,459
Investments in associated companies	764,410	-	764,410	-	764,410

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 Corporation as at 31 December 2007:

	AAA	**AA**	**A**	**BBB**	**<BBB**	**Not rated**	**Total at 31 December 2007**
Cash and cash equivalents	-	-	-	-	2,615,770	231,847	2,847,617
Loans to customers	-	-	-	-	-	24,820,099	24,820,099
Investments in associates companies	-	-	-	-	-	587,709	587,709

	AAA	**AA**	**A**	**BBB**	**<BBB**	**Not rated**	**Total at 31 December 2007**
Cash and cash equivalents	-	-	-	-	2,274,997	11	2,275,008
Loans to customers	-	-	-	-	-	15,145,937	15,145,937
Investments in associates companies	-	-	-	-	-	764,410	764,410

As at 31 December 2007 and 2006, the Corporation's loans to customers and investments in associated companies comprises clients who are farmers, therefore these customers are not rated by any international rating agencies. The classification of these loans to customers and finance leases according to the Company's internal rating model is below.

Classification of loans to customers by types and creation of loan loss allowance is performed in accordance with Rules of Classification of assets, contingent liabilities and creation of loan loss allowance approved by the Order # 226 of the Board of Management of the Agency of Regulation and monitoring of the financial market and the financial organisations, dated 25 December 2006 and internal rules of assets classification and creation of loan loss allowance.

Rating of customers is formed by using the number of points assigned to customers. The number of points is calculated based on the following factors: financial position of customers, overdue of payments, quality of collateral, number of prolongation, other overdue liabilities, share of the using funds not for the stated purpose, writte-off of liabilities against other creditors, availability of the rating of the customer.

Classification of not rated financial assets as at 31 December 2007	**Loans to customers**	**Investment in associated companies**
Standard	24,398,366	587,709
Doubtful of the 1st category	421,733	-
Total	24,820,099	587,709

Classification of not rated financial assets as at 31 December 2006	**Loans to customers**	**Investment in associated companies**
Standard	14,993,709	764,410
Doubtful of the 1st category	152,225	-
Total	15,145,937	764,410

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 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 Corporation'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:

		Financial assets past due but not impaired					
	Neither past due nor 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**
Loans to customers	24,459,989	20,125	-	-	-	339,985	24,820,099
Investments in associated companies	587,709	-	-	-	-	-	587,709

		Financial assets past due but not impaired					
	Neither past due nor 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 2006**
Loans to customers	14,717,165	-	-	-	-	428,772	15,145,937
Investments in associated companies	764,410	-	-	-	-	-	764,410

Geographical concentration

All of the Corporation's assets and liabilities are in Kazakhstan, and denominated in tenge.

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.

Assets and liabilities Management Department controls liquidity risk through maturity analysis, by setting strategy of the Corporation for the next financial period. Management of current liquidity is made by Treasury Department, which operates on the money markets for supporting current liquidity and optimization of cash flows.

Below is analysis of liquidity risk and interest rate risk comprising the following:

	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 December 2007 Total
FINANCIAL ASSETS								
Cash and cash equivalents	5	2,847,609	-	-	-	-	-	2,847,609
Loans to customers	5	132,651	90,231	766,544	12,096,523	11,714,350	19,800	24,820,099
Total interest bearing financial assets		2,980,260	90,231	766,544	12,096,523	11,714,350	19,800	27,667,708
Cash and cash equivalents	-	8	-	-	-	-	-	8
Investments in associated companies	-	-	-	-	-	-	587,709	587,709
Other assets	-	800	-	-	-	-	-	800
		2,981,068	90,231	766,544	12,096,523	11,714,350	607,509	28,256,225
FINANCIAL LIABILITIES								
Loans from Ministry of Finance of the Republic of Kazakhstan	0.5	454	-	-	2,113,797	-	-	2,114,251
Debt securities issued	8.6	-	49,587	-	1,220,782	-	-	1,270,369
Total interest bearing liabilities		454	49,587	-	3,334,579	-	-	3,384,620
Other liabilities		36,000	-	-	-	-	-	35,546
		2,945,068	49,587	-	3,334,579	-	-	3,420,166
Liquidity gap		2,895,481	40,644	766,544	8,761,944	11,714,350		
Interest sensitivity gap		2,979,806	40,644	766,544	8,761,944	11,714,350		
Cumulative interest sensitivity gap		2,979,806	3,020,450	3,786,994	13,769,720	24,263,288		
Cumulative interest sensitivity gap as a percentage of total assets		10.47%	10.62%	13.31%	44.10%	85.28%		

	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 December 2006 Total
FINANCIAL ASSETS								
Cash and cash equivalents	5	2,274,997	-	-	-	-	-	2,274,997
Loans to customers	5	21,095	-	-	6,744,533	8,380,309	-	15,145,937
Total interest bearing financial assets		2,296,092	-	-	6,744,533	8,380,309	-	17,420,934
Cash and cash equivalents	-	11	-	-	-	-	-	11
Investments in associated companies	-	-	-	-	-	-	764,410	764,410
Other assets	-	486	-	-	-	-	-	486
		2,296,589	-	-	6,744,533	8,380,309	764,410	18,185,841
FINANCIAL LIABILITIES								
Loans from Ministry of Finance of the Republic of Kazakhstan	0.5	654	-	160,275	2,702,521	-	-	2,863,450
Total interest bearing liabilities		654	-	160,275	2,702,521	-	-	2,863,450
Other liabilities		6,930	-	-	-	-	-	6,930
		7,584	-	160,275	2,702,521	-	-	2,870,380
Liquidity gap		2,289,005	-	(160,275)	4,042,012	8,380,309		
Interest sensitivity gap		2,295,438	-	(160,275)	4,042,012	8,380,309		
Cumulative interest sensitivity gap		2,295,438	2,295,438	2,135,163	6,177,175	14,557,484		
Cumulative interest sensitivity gap as a percentage of total assets		12.51%	12.51%	11.63%	33.64%	79.34%		

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the balance sheet as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the balance sheet under the effective interest rate method.

	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 December 2007 Total
FINANCIAL LIABILITIES								
Loans from Ministry of Finance of the Republic of Kazakhstan	0.5%	454	-	599,294	1,539,118			2,138,866
Debt securities issued	8.6%	-	66,248	66,248	2,002,158			2,134,654
Total financial liabilities		454	66,248	665,542	3,541,276			4,273,520

	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 December 2006 Total
FINANCIAL LIABILITIES								
Loans from Ministry of Finance of the Republic of Kazakhstan	0.5%	654	-	748,545	2,138,412	-	-	2,887,611
Total financial liabilities		654	-	748,545	2,138,412	-	-	2,887,611

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Corporation is exposed. There have been no changes as to the way the Corporation measures risk or to the risk it is exposed in 2007.

The Corporation is not exposed to market interest risks, as all loans received and granted are at fixed rate.

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 Corporation is not exposed to effects of fluctuation in the prevailing foreign currency exchange rates on its financial position and cash flows as all items in balance sheet are denominated in tenge.