EURASIAN BANK JSC

Unconsolidated Financial Statements

for the year ended 31 December 2008

Contents

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Independent Auditors' Report

To the Board of Directors and Management Board of Eurasian Bank JSC

Report on the Unconsolidated Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these unconsolidated 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 misstatements, 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 unconsolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 principles 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 opinion.

KPMG Audit LLC, a company incorporated under the Laws of the Republic of Kazakhstan and a member firm of the KPMG network of independent member firms affiliated with KPMG International, a Swiss cooperative.

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at 31 December 2008, and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Бердалина Жанат Колпановна * Казакстан Республикасының аудиторы * 0007

Berdalina J. K.
Certified Auditor
of the Republic of Kazakhstan
Auditor's Qualification Certificate No. 7
of 28 February 1994

Gregor William Mowat
Audit Partner

KPMG Audit LLC
State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Berdalina J. K.
President of KPMG Audit LLC
acting on the basis of the Charter

15 April 2009

	Note	2008 '000 KZT	2007 '000 KZT
Interest income	4	19,279,305	18,021,645
Interest expense	4	(12,702,802)	(10,644,570)
Net interest income		**6,576,503**	**7,377,075**
Fee and commission income	5	1,783,913	1,934,801
Fee and commission expense	6	(132,437)	(146,380)
Net fee and commission income		**1,651,476**	**1,788,421**
Net foreign exchange gain	7	991,070	1,123,432
Net realised gain on available-for-sale assets	8	164,349	341,651
Other income	9	364,002	204,266
		9,747,400	**10,834,845**
Impairment losses	10	(3,750,601)	(2,501,593)
Personnel expenses	11	(3,509,245)	(3,383,204)
Administrative expenses	11	(2,941,523)	(2,663,785)
Provisions for off-balance sheet credit risk	32	-	64,330
(Loss)/income before taxes		**(453,969)**	**2,350,593**
Income tax benefit/(expense)	12	577,352	(505,041)
Net income		**123,383**	**1,845,552**
Earnings per share (in KZT)	28	**13**	**221**

The unconsolidated financial statements as set out on pages 5 to 67 were approved by management on 15 April 2009, and signed on its behalf by:

Beketov K.T.
Deputy Chairman

Еуразиялық Банк

Bachurina A.A.
Managing Director –Chief Accountant

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The unconsolidated income statement is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	Note	2008 '000 KZT	2007 '000 KZT
ASSETS			
Cash	37	7,843,582	5,063,808
Due from the National Bank of the Republic of Kazakhstan	37	37,528,015	8,658,213
Placements with banks and other financial institutions	13	38,615,872	19,142,673
Amounts receivable under reverse repurchase agreements	14	-	9,727,026
Loans to customers	15	123,623,271	115,757,725
Available-for-sale assets			
- Held by the Bank	16	4,358,518	2,893,965
- Pledged under sale and repurchase agreements	16	16,298,251	9,406,144
Investments in subsidiaries held for sale	17	2,014,892	1,156,504
Income tax prepaid		523,578	194,946
Deferred tax assets	18	566,789	162,298
Property and equipment	19	9,876,896	10,076,008
Intangible assets	20	585,512	500,415
Other assets	21	7,167,329	334,465
Total assets		**249,002,505**	**183,074,190**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits and balances from banks and other financial institutions	22	45,216,343	38,329,428
Amounts payable under repurchase agreements	23	14,130,677	8,583,385
Current accounts and deposits from customers	24	139,854,460	91,603,245
Debt securities issued	25	-	1,505,038
Subordinated debt securities issued	26	23,089,377	17,659,923
Other liabilities	27	2,295,327	5,025,123
Total liabilities		**224,586,184**	**162,706,142**
Equity			
Share capital	28	12,010,070	7,999,927
Share premium		25,632	25,632
Reserve for general banking risks		2,705,325	648,282
Revaluation reserve for available-for-sale assets		(31,250)	54,003
Retained earnings		9,706,544	11,640,204
Total equity		**24,416,321**	**20,368,048**
Total liabilities and equity		**249,002,505**	**183,074,190**

Commitments and contingencies 32-34

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The unconsolidated balance sheet is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	2008 '000 KZT	2007 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/income before taxes	(453,969)	2,350,593
Adjustments for:		
Depreciation and amortisation	768,826	456,308
Impairment losses	3,750,601	2,501,593
Recovery of provisions for off-balance sheet credit risk	-	(64,330)
Loss/(gain) on sale of property and equipment	2,054	(441)
Vacation accrual	185,679	80,320
Net change in replacement value of derivatives	(16,304)	15,552
Change in accrued interest income	919,762	(2,645,284)
Change in accrued interest expense	474,330	1,244,878
Amortisation of discount on subordinated debt securities issued	236,048	147,785
Amortisation of (premium)/discount on available-for-sale assets	(300,609)	134,980
Operating income before changes in net operating assets	**5,566,418**	**4,221,954**
(Increase)/decrease in operating assets		
Obligatory reserve	4,178,500	311,180
Placements with banks and other financial institutions	499,145	469,523
Amounts receivable under reverse repurchase agreements	9,716,034	(9,716,034)
Loans to customers	(17,681,496)	(22,702,443)
Other assets	(1,552,501)	73,968
Increase/(decrease) in operating liabilities		
Deposits and balances from banks and other financial institutions	6,739,917	(2,964,476)
Amounts payable under repurchase agreements	5,553,784	8,496,221
Current accounts and deposits from customers	48,213,083	11,283,152
Other liabilities	(2,897,651)	448,124
Net cash from/(used in) operating activities before income tax paid	**58,335,233**	**(10,078,831)**
Income tax paid	(155,771)	(414,375)
Cash flows from/(used in)from operations	**58,179,462**	**(10,493,206)**

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The unconsolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

	2008 '000 KZT	2007 '000 KZT
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale assets	(74,107,253)	(29,223,272)
Proceeds from sale and redemption of available-for-sale assets	66,268,133	39,981,082
Investments in subsidiaries	(1,208,388)	(1,156,504)
(Purchases)/sales of precious metals	(36,622)	29,691
Purchases of property and equipment	(458,537)	(4,196,117)
Sales of property and equipment	19,970	9,023
Purchases of intangible assets	(218,298)	(297,901)
Cash flows (used in)/from investing activities	**(9,740,995)**	**5,146,002**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on repayment of debt securities issued	(1,500,000)	-
Receipts from subordinated debt securities issued	4,892,676	6,611,961
Shares issued	4,010,143	-
Cash flows from financing activities	**7,402,819**	**6,611,961**
Net increase in cash and cash equivalents	**55,841,286**	**1,264,757**
Cash and cash equivalents at the beginning of the year	22,867,164	21,602,407
Cash and cash equivalents at the end of the year (Note 37)	**78,708,450**	**22,867,164**

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The unconsolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

'000 KZT	Share capital	Share premium	Reserve for general banking risks	Revaluation reserve for available-for-sale assets	Retained earnings	Total equity
Balance at 1 January 2007	7,999,927	25,632	649,315	461,987	9,793,619	18,930,480
Net income for the year	-	-	-	-	1,845,552	1,845,552
Net unrealised loss on available-for-sale assets	-	-	-	(66,333)	-	(66,333)
Net realised gains on available-for-sale assets transferred to the income statement on disposal	-	-	-	(341,651)	-	(341,651)
Total recognised income for the year						**1,437,568**
Transfers	-	-	(1,033)	-	1,033	-
Balance at 31 December 2007	**7,999,927**	**25,632**	**648,282**	**54,003**	**11,640,204**	**20,368,048**
Net income for the year	-	-	-	-	123,383	123,383
Net unrealised gain on available-for-sale assets	-	-	-	79,096	-	79,096
Net realised gains on available-for-sale assets transferred to the income statement on disposal	-	-	-	(164,349)	-	(164,349)
Total recognised income for the year						**38,130**
Increase of reserves for general banking risks (Note 28(d))	-	-	2,057,043	-	(2,057,043)	-
Contribution to share capital	4,010,143	-	-	-	-	4,010,143
Balance at 31 December 2008	**12,010,070**	**25,632**	**2,705,325**	**(31,250)**	**9,706,544**	**24,416,321**

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The unconsolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the unconsolidated financial statements.

1 Background

(a) Principal activities

Eurasian Bank JSC (the "Bank") was established in 1994 in the Republic of Kazakhstan as a closed joint-stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint-stock company on 2 September 2003. The Bank operates based on general banking licence number 237 granted on 28 December 2007. The Bank also possesses licences number 0401100623 and number 0407100189 for brokerage, dealing and custodian activities granted. The principal activities of the Bank are deposit taking and customer account maintenance, lending and issuing guarantees, custodian services, cash and settlement operations, operations with securities and foreign exchange.

The activities of the Bank are regulated by the Financial Markets and Organisations Supervisory and Regulatory Agency (the "FMSA") and the National Bank of the Republic of Kazakhstan ("the NBRK").

The Bank has 18 regional branches and 44 cash settlement centers from which it conducts business throughout the Republic of Kazakhstan. The registered address of the Bank's head office is 56 Kunayeva, Almaty, Republic of Kazakhstan. The majority of the Bank's assets and liabilities are located in Kazakhstan.

As at 31 December 2007 the Bank had five subsidiaries. During the year ended 31 December 2008, the Bank sold one of the subsidiaries - Pension Assets Investment Management Organisation "Bailyk Asset Management" JSC to the Eurasian Financial Industrial Company JSC ("the Parent company"). A brief description of the activities of the four retained wholly-owned subsidiaries is given below.

- Insurance Company "Eurasia" JSC is a company incorporated in the Republic of Kazakhstan and licenced by the FMSA for the following insurance services: general liability, property, cargo and employer's liability. The subsidiary also provides re-insurance services.
- "Eurasian Accumulation Pension Fund" (Subsidiary of "Eurasian Bank" JSC)" JSC is a fund incorporated by the Administration of Justice of Almaty, Kazakhstan in accordance with re-registration number 74066-1910-AO, dated 7 August 2008. The fund is licenced by the FMSA with licence number 0000016, dated 22 September 2008 and its primary purpose is to collect pension contributions from employees on behalf of the Defined Contribution Plan of the "Eurasian Accumulation Pension Fund" (Subsidiary of "Eurasian Bank" JSC)" JSC, maintain participants' account records and distribute pensions. As at 31 December 2008 the fund managed net pension assets on behalf of 272,255 participants amounting to KZT 46,385,254 thousand.
- Eurasian Capital JSC is a company incorporated in the Republic of Kazakhstan and specialises in providing brokerage-dealing, underwriting, investment portfolio management and consulting services.
- Eurasian Capital B.V. is a special purpose entity established to facilitate the Bank's issues of debt securities.

On 5 November 2008, Management took the decision to sell all its shares in Insurance Company "Eurasia" JSC, "Eurasian Accumulation Pension Fund" (Subsidiary of "Eurasian Bank" JSC)" JSC and Eurasian Capital JSC within one year. As at 31 December 2008, these investments were classified as held for sale.

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1 Background, continued

(b) Shareholders

The Bank is wholly-owned by Eurasian Financial Industrial Company JSC (the "Parent Company").

(c) Kazakhstan business environment

The Bank's operations are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment.

The unconsolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Bank. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying unconsolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The Bank also prepared consolidated financial statements for the year ended 31 December 2008 in accordance with IFRS that can be obtained from the Bank's head office at 56 Kunayeva, Almaty, the Republic of Kazakhstan.

(b) Basis of measurement

The unconsolidated financial statements are prepared on the historical cost basis except that available-for-sale assets and financial instruments at fair value through profit or loss are stated at fair value.

(c) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan Tenge ("KZT"). Management have determined the Bank's functional currency to be the KZT as it reflects the economic substance of the underlying events and circumstances of the Bank. The KZT is also the Bank's presentation currency for the purposes of these unconsolidated financial statements.

Financial information presented in KZT has been rounded to the nearest thousand.

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STAMPED FOR IDENTIFICATION PURPOSE

2 Basis of preparation, continued

(d) Use of estimates and judgments

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these unconsolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the Note 15 – Loans to customers.

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the unconsolidated financial statements. The accounting policies have been consistently applied.

(a) Accounting for investments in subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Investments in subsidiaries are stated at cost.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the Bank's functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Foreign exchange differences arising on translation are recognised in the income statement.

The exchange rates used by the Bank in the preparation of the unconsolidated financial statements were as follows at 31 December 2008 and 2007:

Currency	**2008**	**2007**
1 United States Dollar	120.79	120.30
1 Euro	170.24	177.17
1 Russian Rouble	4.11	4.92

(c) Cash and cash equivalents

The Bank considers cash and nostro accounts with the NBRK, nostro accounts and placements with banks with an original maturity up to 3 months to be cash and cash equivalents. The minimum reserve deposit with the NBRK is not considered to be a cash equivalent due to restrictions on its withdrawability.

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STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(d) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,
- upon initial recognition, designated by the entity as at fair value through the profit or loss.

The Bank designates financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that:

- the Bank intends to sell immediately or in the near term;
- the Bank upon initial recognition designates as at fair value through profit or loss;
- the Bank upon initial recognition designates as available-for-sale; or
- the Bank may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss;
- the Bank designates as available-for-sale; or
- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

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STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(d) Financial instruments, continued

(ii) Recognition

Financial assets and liabilities are recognised in the balance sheet when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments which are measured at amortised cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in the income statement. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions and the current creditworthiness of the counterparties.

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3 Significant accounting policies, continued

(d) Financial instruments, continued

(v) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in the income statement;
- a gain or loss on an available-for-sale financial asset is recognised directly in equity through the statement of changes in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in the income statement. Interest in relation to an available-for-sale financial asset is recognised as earned in the income statement calculated using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in the income statement when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vi) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Bank also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(vii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the balance sheet and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents interest expense and is recognised in the income statement over the term of the repo agreement using the effective interest rate method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the reverse repo agreement using the effective interest method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

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3 Significant accounting policies, continued

(d) Financial instruments, continued

(viii) Derivative financial instruments

Derivative financial instruments include swap, forward, futures, spot transactions and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in the income statement.

Although the Bank trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(ix) Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(e) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences from the first day of the month subsequent to the date of acquisition or, in respect of internally constructed assets, to the month an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	25 to 40 years
Computer and banking equipment	3 to 8 years
Vehicles	7 years
Furniture	8 to 10 years
Leasehold improvements	5 years

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3 Significant accounting policies, continued

(f) Intangible assets

Intangible assets, which are acquired by the Bank, are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. Amortisation commences from the first day of the month subsequent to the date the asset is available for use. The estimated useful life of intangible assets is 5 to 7 years.

(g) Impairment

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans, other receivables and unquoted available-for-sale debt securities ("loans and receivables"). The Bank reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan or receivable that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a Bank of assets such as adverse changes in the payment status of borrowers in the Bank, or economic conditions that correlate with defaults in the Bank.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(g) Impairment, continued

(i) Financial assets carried at amortised cost, continued

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in the income statement and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectible, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when the Bank's management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in the income statement and can not be reversed.

(iii) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in the income statement and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(h) Provisions

A provision is recognised in the balance sheet when the Bank has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included within other liabilities.

(j) Dividends

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of Kazakhstan.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(k) Taxation, continued

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Income and expense recognition

With the exception of financial assets held for trading and other financial instruments at fair value through profit or loss, interest income and expense are recognised in the income statement using the effective interest method. Interest income on financial assets held for trading and on other financial instruments at fair value through profit or loss comprises coupon interest only.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss, respectively.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortised to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Dividend income is recognised in the income statement on the date that the dividend is declared.

Gains and losses from foreign currency derivative financial instruments are included in net foreign exchange gain.

Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided.

(m) Fiduciary assets

The Bank provides custody services that result in the holding of assets on behalf of third parties. These assets and the income arising therefrom are excluded from these unconsolidated financial statements as they are not assets of the Bank. Commissions received from such business are shown within fee and commission income in the unconsolidated income statement.

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(n) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2008, and have not been applied in preparing these unconsolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Bank's operations. The Bank plans to adopt these pronouncements when they become effective. The Bank has not yet analysed the likely impact of these new standards on its financial statements.

IFRS 8 "Operating Segments" introduces the "management approach" to segment reporting and becomes mandatory for the Bank's 2009 unconsolidated financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Bank's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently the Bank does not present segment information in respect of its segments. Under the management approach, the Bank will represent segment information in respect of Corporate Banking and Retail Banking.

Revised IAS 1 "Presentation of Financial Statements" (2007) which becomes mandatory for the Bank's 2009 unconsolidated financial statements is expected to have a significant impact on the presentation of the unconsolidated financial statements. The Standard introduces the concept of total comprehensive income and requires presentation of all owner changes in equity in the statement of changes in equity, separately from non-owner changes in equity.

Various "Improvements to IFRSs" have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purpose, will come into effect not earlier than 1 January 2009.

4 Net interest income

	2008 '000 KZT	2007 '000 KZT
Interest income		
Loans to customers	16,531,595	16,018,405
Available-for-sale assets	1,570,282	967,002
Placements with banks and other financial institutions	605,916	850,382
Amounts receivable under reverse repurchase agreements	318,599	98,981
Due from the NBRK	252,913	86,875
Total interest income	**19,279,305**	**18,021,645**
Interest expense		
Current accounts and deposits from customers	(6,258,788)	(5,283,806)
Deposits and balances from banks and other financial institutions	(4,001,630)	(3,902,955)
Subordinated debt securities issued	(2,329,016)	(1,315,680)
Debt securities issued	(92,462)	(102,419)
Amounts payable under repurchase agreements	(20,906)	(39,710)
Total interest expense	**(12,702,802)**	**(10,644,570)**

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

5 Fee and commission income

	2008 '000 KZT	2007 '000 KZT
Remittance	579,006	461,981
Cash operations	374,758	467,399
Foreign exchange conversion charge	357,042	618,046
Guarantee and letter of credit issuance	191,497	163,484
Card accounts maintenance	99,160	50,613
Cash delivery	69,947	70,403
Custodian service	43,108	38,391
Other	69,395	64,484
Total fee and commission income	**1,783,913**	**1,934,801**

6 Fee and commission expense

	2008 '000 KZT	2007 '000 KZT
Cash operations	34,558	68,084
Remittance	36,153	35,131
Card accounts maintenance	34,155	18,961
Custodian service	17,032	15,560
Other	10,539	8,644
Total fee and commission expense	**132,437**	**146,380**

7 Net foreign exchange gain

	2008 '000 KZT	2007 '000 KZT
Gain on spot transactions and derivatives	1,074,078	1,193,583
Loss from revaluation of financial assets and liabilities	(83,008)	(70,151)
	991,070	**1,123,432**

8 Net realised gain on available-for-sale assets

	2008 '000 KZT	2007 '000 KZT
Equity instruments:		
Shares of local banks	-	255,222
Debt instruments:		
Government securities of the Republic of Kazakhstan	120,177	(3,138)
Treasury notes of foreign governments	39,840	86,926
Other	4,332	2,641
	164,349	**341,651**

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

9 Other income

	2008 '000 KZT	2007 '000 KZT
Penalties and fines	283,277	128,510
Precious metals trading gain	29,887	22,875
(Loss)/gain on sale of property and equipment	(2,054)	441
Gain on sale of inventory	12,044	-
Other income	40,848	52,440
	364,002	**204,266**

10 Impairment losses

	2008 '000 KZT	2007 '000 KZT
Loans to customers (Note 15)	3,785,351	2,452,532
Placements with banks and other financial institutions (Note 13)	(15,096)	15,096
Other assets (Note 21)	(19,654)	33,965
Net impairment losses	**3,750,601**	**2,501,593**

11 Personnel and administrative expenses

	2008 '000 KZT	2007 '000 KZT
Employee compensation	3,029,517	2,904,672
Social security costs	261,035	338,246
Other employee costs	218,693	140,286
Total personnel expense	**3,509,245**	**3,383,204**

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

11 Personnel and administrative expenses, continued

	2008 '000 KZT	2007 '000 KZT
Depreciation and amortisation	768,826	456,308
Occupancy	472,090	480,577
Advertising and marketing	336,977	551,703
Taxes other than on income	295,349	262,412
Professional services	177,838	203,240
Communications and information services	190,896	157,856
Travel expenses	127,788	130,162
Repairs and maintenance	99,062	80,773
Security	89,462	86,652
Stationery and office supplies	62,318	60,412
Transportation	34,574	26,755
Insurance	22,369	4,412
Representation expenses	12,351	13,751
Fines and penalties	11,805	3,313
Trainings	11,195	19,084
Other	228,623	126,375
Total administrative expense	**2,941,523**	**2,663,785**

12 Income tax (benefit)/expense

	2008 '000 KZT	2007 '000 KZT
Current tax (benefit)/expense		
Current year	38,560	539,903
(Over)/under provided in prior years	(211,421)	57,403
	(172,861)	**597,306**
Deferred tax benefit		
Origination and reversal of temporary differences	(404,491)	(92,265)
Total income tax (benefit)/expense in the unconsolidated income statement	**(577,352)**	**505,041**

The Bank's applicable tax rate for current tax is 30% (2007: 30%). With effect from 1 January 2009 the income tax rate for Kazakh companies has been reduced to 20% in 2009, 17.5% in 2010 and 15% in 2011 and subsequently. Except in relation to property and equipment, intangible assets, loans to customers and long-term accounts receivable, the tax rate applicable for deferred taxes was 20% (2007: 30%). The tax rate applicable for deferred taxes in relation to property and equipment, intangible assets, loans to customers and long-term accounts receivable was calculated based on the timing of the expected realisation of temporary differences, applying the rates that will be in effect at that time.

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STAMPED FOR IDENTIFICATION PURPOSE

12 Income tax (benefit)/expense, continued

Reconciliation of effective tax rate:

	2008 '000 KZT	%	2007 '000 KZT	%
(Loss)/income before tax	**(453,969)**	**100**	**2,350,593**	**100**
Income tax (benefit)/expense at the applicable tax rate	(136,191)	30	705,178	30
Tax-exempt securities and loan income	(488,161)	107	(910,157)	(39)
Effect of change in tax rates	442,588	(97)	-	-
(Over)/under provided in prior years	(211,421)	47	57,403	2
(Non-taxable)/non-deductible items	(184,167)	40	652,617	28
	(577,352)	**127**	**505,041**	**21**

13 Placements with banks and other financial institutions

	2008 '000 KZT	2007 '000 KZT
**Not impaired or past due**		
Nostro accounts		
OECD banks	32,810,625	17,124,038
Largest 10 Kazakh banks	143,315	296,144
Other foreign banks	1,146,212	45,926
Total nostro accounts	**34,100,152**	**17,466,108**
Loans and deposits		
OECD banks	3,281,668	-
Largest 10 Kazakh banks	981,138	1,384,629
Other foreign banks	252,914	2,150
Total loans and deposits not impaired	**4,515,720**	**1,386,779**
**Impaired**		
Loans to other foreign banks	-	304,882
Impairment allowance	-	(15,096)
Net impaired loans to other foreign banks	**-**	**289,786**
	38,615,872	**19,142,673**

(a) Concentration of placements with banks and other financial institutions

As at 31 December 2008 and 2007 the Bank had 1 and 1 bank and financial institution, respectively, whose balances exceeded 10% of total placements with banks and other financial institutions. The gross value of these balances as of 31 December 2008 and 2007 were KZT 31,616,893 thousand and KZT 15,601,845 thousand, respectively.

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

13 Placements with banks and other financial institutions, continued

(b) Analysis of movements in the impairment allowance

	2008 '000 KZT	2007 '000 KZT
Balance at the beginning of the year	15,096	-
Net (recovery)/charge for the year (Note 10)	(15,096)	15,096
Balance at the end of the year	-	**15,096**

14 Amounts receivable under reverse repurchase agreements

	2008 '000 KZT	2007 '000 KZT
Concluded on the auto-repo market through the Kazakhstan Stock Exchange.	-	9,727,026

Collateral

As of 31 December 2007, amounts receivable under reverse repurchase agreements were collateralised by the following securities:

	2008 '000 KZT	2007 '000 KZT
Notes of the NBRK	-	7,363,866
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	-	2,167,740
Bonds of Kazakh banks	-	1,124,105
	-	**10,655,711**

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers

	2008 '000 KZT	2007 '000 KZT
Commercial loans		
Loans to large corporate clients	62,681,224	53,649,255
Loans to small and medium size companies ("SME")	17,037,755	8,342,022
Total commercial loans	**79,718,979**	**61,991,277**
Loans to individuals		
Mortgage	20,875,617	28,103,930
Individual entrepreneurship	15,154,620	12,578,515
Consumer	6,910,203	10,922,411
Automobile	4,100,494	3,468,889
Other	2,644,695	2,385,115
Total loans to individuals	**49,685,629**	**57,458,860**
Gross loans to customers	**129,404,608**	**119,450,137**
Impairment allowance	(5,781,337)	(3,692,412)
Net loans to customers	**123,623,271**	**115,757,725**

Movements in the loan impairment allowance for the years ended 31 December 2008 and 2007 are as follows:

	2008 '000 KZT	2006 '000 KZT
Balance at the beginning of the year	3,692,412	1,762,362
Net charge for the year (Note 10)	3,785,351	2,452,532
Sale of loans	(1,131,996)	-
Write-offs	(564,430)	(522,482)
Balance at the end of the year	**5,781,337**	**3,692,412**

As at 31 December 2008, interest accrued on impaired loans amounted to KZT 762,738 thousand (31 December 2007: KZT 544,218 thousand), which was fully provisioned.

In November 2008, the Bank sold a portfolio of retail loans for a consideration of KZT 5,155,995 thousand with 10% receivable in advance and the remainder receivable in instalments until 25 December 2010.

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(a) Credit quality of commercial loan portfolio

The following table provides information on the credit quality of the commercial loan portfolio as at 31 December 2008:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Loans to large corporate clients				
Loans for which no impairment has been identified	53,811,464	(659,220)	53,152,244	1.23
Impaired loans:				
- not past due	5,615,803	(637,882)	4,977,921	11.36
- overdue less than 90 days	2,312,600	(502,746)	1,809,854	21.74
- overdue more than 90 days and less than 1 year	706,394	(264,597)	441,797	37.46
- overdue more than 1 year	234,963	(234,963)	-	100.00
Total impaired loans	8,869,760	(1,640,188)	7,229,572	18.49
Total loans to large corporate clients	**62,681,224**	**(2,299,408)**	**60,381,816**	**3.67**
Loans to small and medium size companies				
Loans for which no impairment has been identified	14,549,055	(183,418)	14,365,637	1.26
Impaired loans:				
- not past due	676,702	(145,814)	530,888	21.55
- overdue less than 90 days	667,649	(208,840)	458,809	31.28
- overdue more than 90 days and less than 1 year	1,144,349	(418,705)	725,644	36.59
Total impaired loans	2,488,700	(773,359)	1,715,341	31.07
Total loans to small and medium size companies	**17,037,755**	**(956,777)**	**16,080,978**	**5.62**
Total commercial loans	**79,718,979**	**(3,256,185)**	**76,462,794**	**4.08**

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(a) Credit quality of commercial loan portfolio, continued

The following table provides information on the credit quality of the commercial loan portfolio as at 31 December 2007:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Loans to large corporate clients				
Loans for which no impairment has been identified	46,803,885	(288,468)	46,515,417	0.62
Impaired loans:				
- not past due	3,808,237	(270,752)	3,537,485	7.11
- overdue less than 90 days	2,892,773	(607,748)	2,285,025	21.01
- overdue more than 90 days and less than 1 year	144,360	(144,360)	-	100.00
Total impaired loans	6,845,370	(1,022,860)	5,822,510	14.94
Total loans to large corporate clients	**53,649,255**	**(1,311,328)**	**52,337,927**	**2.44**
Loans to small and medium size companies				
Loans for which no impairment has been identified	7,328,887	(69,150)	7,259,737	0.94
Impaired loans:				
- not past due	227,896	(9,823)	218,073	4.31
- overdue less than 90 days	389,880	(24,425)	365,455	6.26
- overdue more than 90 days and less than 1 year	387,041	(105,030)	282,011	27.14
- overdue more than 1 year	8,318	(8,318)	-	100.00
Total impaired loans	1,013,135	(147,596)	865,539	14.57
Total loans to small and medium size companies	**8,342,022**	**(216,746)**	**8,125,276**	**2.60**
Total commercial loans	**61,991,277**	**(1,528,074)**	**60,463,203**	**2.46**

The Bank has estimated the loan impairment of commercial loans based on an analysis of the estimated future cash flows for impaired loans and based on current economic conditions for loans for which no indications of impairment has been identified.

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(a) Credit quality of commercial loan portfolio, continued

In determining the provision for unimpaired commercial loans as at 31 December 2008 the management have considered past losses on impaired loans and the current economic conditions.

Impaired loans are assessed by making assumptions on realisable value of collateral and likelihood of successful repossession, the amount and timing of expected receipts and recoveries from the operation of businesses, the likely deduction of any costs involved in recovery of amounts outstanding. The assumptions are developed for each impaired loan depending on individual circumstances.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment provision on commercial loans as of 31 December 2008 would be KZT 764,628 thousand lower/higher.

During the year ended 31 December 2008, the Bank renegotiated commercial loans that would otherwise be past due or impaired of KZT 4,272,420 thousand (31 December 2007: KZT 6,661,575 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

(i) Analysis of collateral

The following table provides the analysis of commercial loan portfolio, net of impairment, by types of collateral as at 31 December 2008 and 2007:

	2008 '000 KZT	**% of loan portfolio**	**2007 '000 KZT**	**% of loan portfolio**
Real estate	36,610,534	48%	34,681,223	57%
Guarantees of legal entities and individuals	9,394,508	12%	2,534,084	4%
Bank deposits	8,706,301	11%	1,431,964	2%
Goods in transit	7,582,962	10%	3,246,809	5%
Insurance policy	6,756,424	9%	126,519	0%
Real estate under construction	1,462,030	2%	10,021,101	17%
Equipment	655,145	1%	2,937,260	5%
Motor vehicles	615,398	1%	2,863,318	5%
Intellectual property rights	-	0%	623,648	1%
Traded securities	-	0%	116,468	1%
Other collateral	4,355,950	6%	1,268,624	2%
No collateral	323,542	0%	612,185	1%
Total	**76,462,794**	**100%**	**60,463,203**	**100%**

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

As at 31 December 2008, impaired or overdue loans with a gross value of KZT 1,024,676 thousand are secured by collateral with a fair value of KZT 211,166 thousand. The majority of the remaining impaired loans of KZT 10,333,784 thousand, are collateralised. However, repayment of the amounts due is expected to come from the operation of the businesses. The fair value of collateral on these loans was not determinable.

During the year ended 31 December 2008, the Bank did not obtain any assets by taking control of collateral accepted as security for commercial loans (31 December 2007: nil).

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(a) Credit quality of commercial loan portfolio, continued

(ii) Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of commercial loans for the year ended 31 December 2008 are as follows:

'000 KZT	Loans to large corporate clients	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	1,311,328	216,746	1,528,074
Loans written off during the year as uncollectible	(307,429)	(216,225)	(523,654)
Loan impairment losses during the year	1,295,509	956,256	2,251,765
Loan impairment allowance as at 31 December	**2,299,408**	**956,777**	**3,256,185**

Movements in the loan impairment allowance by classes of commercial loans for the year ended 31 December 2007 are as follows:

'000 KZT	Loans to large corporate clients	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	991,429	80,282	1,071,711
Loans written off during the year as uncollectible	(443,855)	(40,855)	(484,710)
Loan impairment recovery during the year	763,754	177,319	941,073
Loan impairment allowance as at 31 December	**1,311,328**	**216,746**	**1,528,074**

KPMG Audit LLC ① STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(b) Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals' portfolios as at 31 December 2008:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Retail loans collectively assessed for impairment				
Mortgage loans				
- Not past due	17,608,990	(177,023)	17,431,967	1.01
- Overdue less than 30 days	1,596,268	(71,075)	1,525,193	4.45
- Overdue 30-59 days	544,561	(81,258)	463,303	14.92
- Overdue 60-89 days	347,965	(82,580)	265,385	23.73
- Overdue 90-119 days	440,032	(156,841)	283,191	35.64
- Overdue 120-149 days	314,351	(162,979)	151,372	51.85
- Overdue 150 - 180 days	23,450	(21,260)	2,190	90.66
Total mortgage loans	**20,875,617**	**(753,016)**	**20,122,601**	**3.61**
Individual entrepreneurship loans				
- Not past due	12,574,073	(174,586)	12,399,487	1.39
- Overdue less than 30 days	731,399	(28,154)	703,245	3.85
- Overdue 30-59 days	331,737	(51,080)	280,657	15.40
- Overdue 60-89 days	520,698	(71,038)	449,660	13.64
- Overdue 90-119 days	603,650	(37,969)	565,681	6.29
- Overdue 120-149 days	385,405	(139,068)	246,337	36.08
- Overdue 150-180 days	7,658	(3,602)	4,056	47.04
Total individual entrepreneurship loans	**15,154,620**	**(505,497)**	**14,649,123**	**3.34**
Consumer loans				
- Not past due	5,378,911	(59,973)	5,318,938	1.11
- Overdue less than 30 days	869,456	(55,633)	813,823	6.40
- Overdue 30-59 days	209,652	(101,026)	108,626	48.19
- Overdue 60-89 days	81,566	(51,120)	30,446	62.67
- Overdue 90-119 days	83,480	(63,357)	20,123	75.89
- Overdue 120-149 days	258,275	(156,508)	101,767	60.60
- Overdue 150-180 days	28,863	(27,242)	1,621	94.38
Total consumer loans	**6,910,203**	**(514,859)**	**6,395,344**	**7.45**
Automobile loans				
- Not past due	3,114,162	(48,846)	3,065,316	1.57
- Overdue less than 30 days	535,374	(53,162)	482,212	9.93
- Overdue 30-59 days	129,168	(53,344)	75,824	41.30
- Overdue 60-89 days	93,538	(51,378)	42,160	54.93
- Overdue 90-119 days	87,096	(59,092)	28,004	67.85
- Overdue 120-149 days	70,448	(55,206)	15,242	78.36
- Overdue 150-180 days	70,708	(57,748)	12,960	81.67
Total automobile loans	**4,100,494**	**(378,776)**	**3,721,718**	**9.24**

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(b) Credit quality of loans to individuals, continued

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Other loans to individuals				
- Not past due	1,687,514	(20,743)	1,666,771	1.23
- Overdue less than 30 days	70,178	(2,476)	67,702	3.53
- Overdue 30-59 days	41,848	(1,175)	40,673	2.81
- Overdue 60-89 days	617,997	(235,033)	382,964	38.03
- Overdue 90-119 days	9,155	(3,764)	5,391	41.11
- Overdue 120-149 days	962	(717)	245	74.53
- Overdue 150-180 days	217,041	(109,096)	107,945	50.27
Total other loans to individuals	**2,644,695**	**(373,004)**	**2,271,691**	**14.10**
Total loans to individuals	**49,685,629**	**(2,525,152)**	**47,160,477**	**5.08**

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

The following table provides information on the credit quality of loans to individuals' portfolios as at 31 December 2007:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Retail loans collectively assessed for impairment				
Mortgage loans				
- Not past due	26,891,179	(356,465)	26,534,714	1.33
- Overdue less than 30 days	545,175	(108,167)	437,008	19.84
- Overdue 30-59 days	300,054	(138,503)	161,551	46.16
- Overdue 60-89 days	109,421	(68,557)	40,864	62.65
- Overdue 90-119 days	69,574	(47,313)	22,261	68.00
- Overdue 120-149 days	144,988	(137,007)	7,981	94.50
- Overdue 150-180 days	43,539	(40,767)	2,772	93.63
Total mortgage loans	**28,103,930**	**(896,779)**	**27,207,151**	**3.19**
Individual entrepreneurship loans				
- Not past due	11,615,620	(221,872)	11,393,748	1.91
- Overdue less than 30 days	592,768	(60,080)	532,688	10.14
- Overdue 30-59 days	185,140	(93,750)	91,390	50.64
- Overdue 60-89 days	31,473	(19,895)	11,578	63.21
- Overdue 90-119 days	80,958	(69,505)	11,453	85.85
- Overdue 120-149 days	72,556	(72,556)	-	100.00
Total individual entrepreneurship loans	**12,578,515**	**(537,658)**	**12,040,857**	**4.27**
Consumer loans				
- Not past due	10,049,370	(167,373)	9,881,997	1.67
- Overdue less than 30 days	544,664	(135,461)	409,203	24.87
- Overdue 30-59 days	152,697	(91,207)	61,490	59.73
- Overdue 60-89 days	80,216	(59,087)	21,129	73.66
- Overdue 90-119 days	44,281	(41,491)	2,790	93.70
- Overdue 120-149 days	34,595	(34,595)	-	100.00
- Overdue 150-180 days	16,588	(16,588)	-	100.00
Total consumer loans	**10,922,411**	**(545,802)**	**10,376,609**	**5.00**
Automobile loans				
- Not past due	3,239,760	(10,679)	3,229,081	0.33
- Overdue less than 30 days	157,974	(9,562)	148,412	6.05
- Overdue 30-59 days	37,430	(5,845)	31,585	15.62
- Overdue 60-89 days	13,139	(4,005)	9,134	30.48
- Overdue 90-119 days	8,099	(2,469)	5,630	30.49
- Overdue 120-149 days	9,014	(3,967)	5,047	44.01
- Overdue 150-180 days	3,473	(1,528)	1,945	44.00
Total automobile loans	**3,468,889**	**(38,055)**	**3,430,834**	**1.10**

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(b) Credit quality of loans to individuals, continued

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Other loans to individuals				
- Not past due	2,225,447	(59,411)	2,166,036	2.67
- Overdue less than 30 days	53,111	(45)	53,066	0.08
- Overdue 30-59 days	4,529	(100)	4,429	2.21
- Overdue 60-89 days	1,504	(144)	1,360	9.57
- Overdue 90-119 days	73,028	(58,944)	14,084	80.71
- Overdue 120-149 days	27,370	(27,274)	96	99.65
- Overdue 150-180 days	126	(126)	-	100.00
Total other loans to individuals	**2,385,115**	**(146,044)**	**2,239,071**	**6.12**
Total loans to individuals	**57,458,860**	**(2,164,338)**	**55,294,522**	**3.77**

The Bank estimates loan impairment based on its past historical loss experience for these types of loans. Except in respect of large loans to individuals, which principally comprised individual entrepreneurship loans, the significant assumptions used at 31 December 2008 in determining impairment losses for loans to individuals include that loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 6 months. For large loans to individuals, which consist of KZT 4,187,042 thousand, in determining the provision the Bank has principally relied on realisation of real estate collateral with a fair value of KZT 4,293,186 thousand

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loan impairment on loans to individuals as of 31 December 2008 would be KZT 471,605 thousand lower/higher.

(i) Analysis of collateral

Mortgage loans are secured by underlying housing real estate. Individual entrepreneurship loans are secured by real estate and movable property. Automobile loans are secured by the underlying car. Other loans are not secured.

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(b) Credit quality of loans to individuals, continued

(ii) Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2008 are as follows:

'000 KZT	Mortgage loans	Individual entrepreneurship loans	Consumer loans	Automobile loans	Other loans to individuals	Total
Loan impairment allowance as at 1 January	896,779	537,658	545,802	38,055	146,044	2,164,338
Loans (written off)/ recovered during the year	6,462	(8,973)	(49,121)	10,541	315	(40,776)
Sale of loans	(575,024)	(386,097)	(127,163)	(35,118)	(8,594)	(1,131,996)
Loan impairment losses during the year	424,799	362,909	145,341	365,298	235,239	1,533,586
Loan impairment allowance as at 31 December	**753,016**	**505,497**	**514,859**	**378,776**	**373,004**	**2,525,152**

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2007 are as follows:

'000 KZT	Mortgage loans	Individual entrepreneurship loans	Consumer loans	Automobile loans	Other loans to individuals	Total
Loan impairment allowance as at 1 January	398,314	21,191	103,387	50,419	117,340	690,651
Loans (written off)/ recovered during the year	(7,931)	-	(52,369)	(58,535)	81,063	(37,772)
Loan impairment losses during the year	506,396	516,467	494,784	46,171	(52,359)	1,511,459
Loan impairment allowance as at 31 December	**896,779**	**537,658**	**545,802**	**38,055**	**146,044**	**2,164,338**

KPMG Audit LLC
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15 Loans to customers, continued

(c) Industry and geographical analysis of the loan portfolio

Loans to customers are issued primarily to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	2008 '000 KZT	2007 '000 KZT
Loans to large corporate clients and SME		
Construction	26,133,802	16,319,270
Wholesale trade	16,083,315	12,205,166
Real estate	7,695,486	7,613,343
Agriculture, forestry and timber	6,911,664	1,179,348
Food production	5,365,484	4,038,990
Entertainment	4,375,767	2,795,190
Services	3,778,071	1,738,144
Manufacturing	3,037,678	819,641
Transport	2,720,057	2,945,877
Retail trade	778,870	1,343,996
Mining/metallurgy	1,135,468	9,072,750
Medical and social care	407,248	77,956
Publishing	279,276	269,677
Energy production and supply	301,900	249,313
Financial intermediary	218,569	183,909
Machinery production	192,321	624,027
Hotels and restaurants	32,383	77,732
Other	271,620	436,948
Total loans to large corporate clients and SME	**79,718,979**	**61,991,277**
Loans to individuals		
Mortgage loans	20,875,617	28,103,930
Individual entrepreneurship loans	15,154,620	12,578,515
Consumer loans	6,910,203	10,922,411
Automobile loans	4,100,494	3,468,889
Other loans to individuals	2,644,695	2,385,115
Total loans to individuals	**49,685,629**	**57,458,860**
Total loans to customers, gross	**129,404,608**	**119,450,137**
Impairment allowance	(5,781,337)	(3,692,412)
Total loans to customers, net	**123,623,271**	**115,757,725**

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15 Loans to customers, continued

(d) Significant credit exposures

As at 31 December 2008 and 2007 the Bank did not have borrowers or groups of related borrowers, respectively, whose loan balances exceeded 10% of loans to customers.

(e) Loan maturities

The maturity of the Bank's loan portfolio is presented in Note 40, which shows the remaining period from the reporting date to the contractual maturity of the loans comprising the loan portfolio. Due to the short-term nature of the loans issued by the Bank, it is likely that many of the Bank's loans to customers will be prolonged on maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the classification indicated based on contractual terms.

16 Available-for-sale assets

	2008 '000 KZT	2007 '000 KZT
Held by the Bank		
Debt instruments		
Bonds of local banks	3,042,512	442,209
Eurobonds of local banks	1,143,788	7,965
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	84,939	1,175,964
Bonds of local financial institutions, other than banks	60,969	677,562
Notes of the NBRK	16,310	310,679
Treasury notes of the US government	-	149,721
Local municipal bonds	-	119,865
Equity investments		
Corporate shares	10,000	10,000
	4,358,518	**2,893,965**
Pledged under sale and repurchase agreements		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	7,704,198	5,856,536
Bonds of local financial institutions, other than banks	3,045,042	-
Notes of the NBRK	3,116,244	947,689
Bonds of local banks	2,432,767	-
Eurobonds of local banks	-	881,006
Treasury notes of the US government	-	1,720,913
	16,298,251	**9,406,144**
Total available-for-sale assets	**20,656,769**	**12,300,109**

As at 31 December 2008, except for treasury notes of US Government, available-for-sale assets have issuer's credit ratings varying between BBB- and BB-.

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STAMPED FOR IDENTIFICATION PURPOSE

16 Available-for-sale assets, continued

Bonds of local banks include fixed income debt securities of BTA Bank JSC with a carrying value of KZT 5,020,899 thousand, acquired at par on 20 June 2008 maturing on 16 June 2018 and having a fixed coupon rate of 11% p.a.

Bonds of local financial institutions, other than banks, include fixed income debt securities of Kazakhstan Mortgage Company JSC with a book value of KZT 2,387,820 thousand, acquired at 102.45% to par between 22 October 2008 and 3 November 2008, maturing on 1 December 2012 and having a fixed coupon rate of 11%.

Included in available-for-sale assets are non-quoted equity securities - the ordinary shares of Processing Centre JSC are unquoted and carried at cost with a carrying value of KZT 10,000 thousand (2007: KZT 10,000 thousand), the fair value of which cannot be reliably determined.

17 Investments in subsidiaries held for sale

During the year ended 31 December 2007, the Bank acquired four subsidiaries and established a special purpose entity. Included in the table below is the list of investments in subsidiaries as at 31 December 2008, which have been accounted for at cost.

Name	Country of incorporation	Activities	Proportion of ownership interest, % 2008	Carrying amount '000 KZT 2008	Proportion of ownership interest, % 2007	Carrying amount '000 KZT 2007
"Eurasian Accumulation Pension Fund" (Subsidiary of "Eurasian Bank" JSC)" JSC	Kazakhstan	Pension fund	100.0	1,703,315	100.0	503,315
Insurance Company "Eurasia" JSC	Kazakhstan	Insurance	100.0	200,000	100.0	200,000
Eurasian Capital JSC	Kazakhstan	Asset manage-ment	100.0	100,000	100.0	100,000
Eurasian Capital B.V.	Netherlands	Finance	100.0	11,577	100.0	3,189
Pension Assets Investment Management Organisation "Bailyk Asset Management" JSC	Kazakhstan	Asset manage-ment	-	-	100.0	350,000
				2,014,892		1,156,504

In September 2008, the Bank acquired 12,340 common shares of Eurasian Accumulation Pension Fund (Subsidiary of "Eurasian Bank" JSC) JSC at par value of KZT 97.2 thousand for consideration of KZT 1,200,000 thousand.

In November 2008, the Bank sold 3,500 shares of Pension Assets Investment Management Organisation "Bailyk Asset Management" JSC to the Parent Company at par value of KZT 100 thousand. Total proceeds on disposal of subsidiary transaction amounted to KZT 350,000 thousand. The transaction did not result in any gain or loss in the unconsolidated income statement.

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17 Investments in subsidiaries held for sale, continued

During 2008, the Bank made a net contribution of KZT 8,388 thousand to the equity of Eurasian Capital B.V. to finance its operating expenses.

On 5 November 2008, Management took the decision to sell all its shares in Insurance Company "Eurasia" JSC, "Eurasian Accumulation Pension Fund" (Subsidiary of "Eurasian Bank" JSC)" JSC and Eurasian Capital JSC within one year. As at 31 December 2008, these investments were classified as held for sale.

18 Deferred tax assets

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2008 and 2007. These deferred tax assets have been recognised in these unconsolidated financial statements. The future tax benefits will only be realised if profits will be available against which the temporary differences can be utilised and there are no changes to the law and regulations that adversely affect the Bank's ability to claim the deductions in future periods.

These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

	Assets		Liabilities		Net	
'000 KZT	**2008**	**2007**	**2008**	**2007**	**2008**	**2007**
Loans to customers	659,956	561,534	-	-	659,956	561,534
Property and equipment	-	-	(284,804)	(480,569)	(284,804)	(480,569)
Other assets	156,027	44,361	-	-	156,027	44,361
Other liabilities	-	-	(44,814)	(25,620)	(44,814)	(25,620)
Vacation accrual	78,864	62,592	-	-	78,864	62,592
Taxes payable	1,560	-	-	-	1,560	-
Total net deferred tax assets	**896,407**	**668,487**	**(329,618)**	**(506,189)**	**566,789**	**162,298**

With effect from 1 January 2009 the income tax rate for Kazakh companies has been reduced to 20% in 2009, 17.5% in 2010 and 15% in 2011 and subsequently. Except in relation to property and equipment, intangible assets, loans to customers and long-term accounts receivable , the tax rate applicable for deferred taxes was 20% (2007: 30%). The tax rate applicable for deferred taxes in relation to property and equipment, intangible assets, loans to customers and long-term accounts receivable was calculated based on the timing of the expected realisation of temporary differences, applying the rates that will be in effect at that time.

The above deductible temporary differences do not expire under current tax legislation. The net deferred tax asset as at 31 December 2008 and 2007 has been reflected in these unconsolidated financial statements.

KPMG Audit LLC
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STAMPED FOR IDENTIFICATION PURPOSE

18 Deferred tax assets, continued

Movement in temporary differences during the year ended 31 December 2008

'000 KZT	Balance 1 January 2008	Recognised in income	Balance 31 December 2008
Loans to customers	561,534	98,422	659,956
Property and equipment	(480,569)	195,765	(284,804)
Other assets	44,361	111,666	156,027
Other liabilities	(25,620)	(19,194)	(44,814)
Vacation accrual	62,592	16,272	78,864
Taxes payable	-	1,560	1,560
	162,298	**404,491**	**566,789**

19 Property and equipment

'000 KZT	Land and buildings	Computer and banking equipment	Vehicles	Furniture	Const-ruction in progress	Leasehold improve-ments	Total
Cost							
At 1 January 2008	8,059,588	1,593,054	325,874	176,088	449,712	199,333	10,803,649
Additions	55,407	232,912	-	20,114	146,054	4,050	458,537
Disposals	-	(53,400)	(28,908)	(662)	(349)	-	(83,319)
Transfers	-	238,320	-	-	(238,320)	-	-
At 31 December 2008	**8,114,995**	**2,010,886**	**296,966**	**195,540**	**357,097**	**203,383**	**11,178,867**
Depreciation							
At 1 January 2008	75,169	444,847	109,298	56,582	-	41,745	727,641
Depreciation charge	182,450	356,174	41,143	15,985	-	39,873	635,625
Disposals	-	(45,446)	(15,234)	(615)	-	-	(61,295)
At 31 December 2008	**257,619**	**755,575**	**135,207**	**71,952**	**-**	**81,618**	**1,301,971**
Carrying value							
At 31 December 2008	**7,857,376**	**1,255,311**	**161,759**	**123,588**	**357,097**	**121,765**	**9,876,896**
At 31 December 2007	7,984,419	1,148,207	216,576	119,506	449,712	157,588	10,076,008

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STAMPED FOR IDENTIFICATION PURPOSE

19 Property and equipment, continued

'000 KZT	Land and buildings	Computer and banking equipment	Vehicles	Furniture	Const-ruction in progress	Leasehold improve-ments	Total
Cost							
At 1 January 2007	729,932	924,166	259,142	136,336	454,509	170,064	2,674,149
Additions	6,915,152	198,637	67,659	39,917	891,474	88,219	8,201,058
Disposals	-	(11,516)	(927)	(165)	-	(58,950)	(71,558)
Transfers	414,504	481,767	-	-	(896,271)	-	-
At 31 December 2007	**8,059,588**	**1,593,054**	**325,874**	**176,088**	**449,712**	**199,333**	**10,803,649**
Depreciation							
At 1 January 2007	34,325	239,434	72,317	43,645	-	19,127	408,848
Depreciation charge	40,844	212,773	37,622	13,096	-	76,552	380,887
Disposals	-	(7,360)	(641)	(159)	-	(53,934)	(62,094)
At 31 December 2007	**75,169**	**444,847**	**109,298**	**56,582**	**-**	**41,745**	**727,641**
Carrying value							
At 31 December 2007	**7,984,419**	**1,148,207**	**216,576**	**119,506**	**449,712**	**157,588**	**10,076,008**
At 31 December 2006	695,607	684,732	186,825	92,691	454,509	150,937	2,265,301

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20 Intangible assets

KZT'000	Computer software	Other	Total
Cost			
At 1 January 2008	539,294	100,986	640,280
Additions	194,734	23,564	218,298
Disposals	(749)	-	(749)
At 31 December 2008	**733,279**	**124,550**	**857,829**
Amortisation			
At 1 January 2008	114,957	24,908	139,865
Amortisation charge	111,027	22,174	133,201
Disposals	(749)	-	(749)
At 31 December 2008	**225,235**	**47,082**	**272,317**
Carrying value			
At 31 December 2008	**508,044**	**77,468**	**585,512**
At 1 January 2008	424,337	76,078	500,415

KZT'000	Computer software	Other	Total
Cost			
At 1 January 2007	271,799	70,580	342,379
Additions	267,495	30,406	297,901
At 31 December 2007	**539,294**	**100,986**	**640,280**
Amortisation			
At 1 January 2007	57,053	7,391	64,444
Amortisation charge	57,904	17,517	75,421
At 31 December 2007	**114,957**	**24,908**	**139,865**
Carrying value			
At 31 December 2007	**424,337**	**76,078**	**500,415**
At 1 January 2007	214,746	63,189	277,935

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21 Other assets

	2008 '000 KZT	2007 '000 KZT
Receivable from collection company	4,921,584	-
Accrued commission income	1,015,633	102,229
Receivable on sale of subsidiary (Note 17)	350,000	-
Advances on capital expenditures	272,582	30,939
Prepayments	181,495	52,744
Precious metals	53,668	17,046
Due from American Express for travel cheques accepted	47,435	39,470
Taxes prepaid, other than income tax	45,598	39,845
Materials and supplies	31,161	19,445
Documentary settlements	-	23,531
Net receivables under open spot transactions	830	2,350
Other	250,917	43,756
	7,170,903	371,355
Impairment allowance	(3,574)	(36,890)
	7,167,329	**334,465**

Receivable from collection company relates to the outstanding balance on the sale of a portfolio of retail loans (see Note 15).

As at 31 December 2008 the Bank recognised accrued commission income in the amount of KZT 861,410 thousand from Bazalt LLC and Silicat LLC for guarantees issued in favour of Development Bank of Kazakhstan JSC. The commission was discounted at a discount rate of 15% over a period of seven years in accordance with the tenor of the guarantees.

Analysis of movements in the impairment allowance

	2008 '000 KZT	2006 '000 KZT
Balance at the beginning of the year	36,890	3,175
Net (recovery)/charge for the year (Note 10)	(19,654)	33,965
Write-offs	(13,662)	(250)
Balance at the end of the year	**3,574**	**36,890**

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STAMPED FOR IDENTIFICATION PURPOSE

22 Deposits and balances from banks and other financial institutions

	2008 '000 KZT	2007 '000 KZT
Loans from financial institutions, other than banks	28,202,459	14,115,848
Term deposits	11,037,880	8,014,862
Loans from banks	5,824,519	2,160,056
Vostro accounts	151,485	38,342
Syndicated bank loans	-	14,000,320
	45,216,343	**38,329,428**

Concentration of deposits and balances from banks and other financial institutions

As at 31 December 2008 and 2007 the Bank had 3 and 4 banks and financial institutions, respectively, whose balances exceeded 10% of total deposits and balances from banks and other financial institutions. The gross value of these balances as of 31 December 2008 and 2007 were KZT 33,208,459 thousand and KZT 29,243,315 thousand, respectively.

23 Amounts payable under repurchase agreements

	2008 '000 KZT	2007 '000 KZT
Amounts due to banks and other financial institutions	14,130,677	8,583,385

Securities pledged

As of 31 December 2008 and 2007, the Bank had pledged certain securities as collateral under repurchase agreements (refer to Note 16).

24 Current accounts and deposits from customers

	2008 '000 KZT	2007 '000 KZT
Current accounts and demand deposits		
- Retail	11,075,588	4,248,729
- Corporate	50,484,609	18,224,172
Term deposits		
- Retail	23,240,696	15,202,517
- Corporate	55,053,567	53,927,827
	139,854,460	**91,603,245**

(a) Blocked accounts

As at 31 December 2008, the Bank maintained customer deposit balances of KZT 14,197,436 thousand (31 December 2007: KZT 4,294,152 thousand) which were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

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24 Current accounts and deposits from customers, continued

(b) Concentrations of current accounts and customer deposits

As at 31 December 2008 and 2007, the Bank had 2 and 1 customers, respectively, whose balances exceeded 10% of total customer accounts. These balances as of 31 December 2008 and 2007 were KZT 31,269,407 thousand and KZT 10,716,250 thousand, respectively.

25 Debt securities issued

	2008 '000 KZT	2007 '000 KZT
Par value	-	1,500,000
Discount	-	(4,441)
Accrued interest	-	9,479
	-	**1,505,038**

As at 31 December 2007, debt securities issued comprised KZT denominated bonds issued by the Bank bearing a fixed coupon rate of 6.5% per annum. Debt securities issued matured in November 2008.

26 Subordinated debt securities issued

	2008 '000 KZT	2007 '000 KZT
Par value	24,840,160	19,010,200
Discount	(2,466,222)	(1,760,545)
Accrued interest	715,439	410,268
	23,089,377	**17,659,923**

As at 31 December 2008, subordinated debt securities issued comprise unsecured obligations of the Bank. In case of bankruptcy, the repayment of the subordinated debt securities would be made after repayment in full of all other liabilities of the Bank. During the 12 months ended 31 December 2008, the Bank additionally placed subordinated bonds of the fourth, fifth and sixth issues with an aggregate nominal amount of KZT 6,065,160 thousand. As at 31 December 2008, the subordinated bonds of the second, third, fourth, fifth and sixth issues bear interest fixed at 7.5%, 11.0%, 11.0%, 13.0% and 11.0% per annum and mature in December 2011, April 2013, September 2014, August 2023 and August 2015 respectively.

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27 Other liabilities

	2008 '000 KZT	2007 '000 KZT
Deferred income	796,093	44,308
Payable to American Express Bank for travel cheques	570,736	428,171
Vacation accrual	394,320	208,641
Taxes payable, other than income taxes	269,983	217,540
Accrued administrative expenses	38,498	54,335
Debtors under factoring operations	49,973	-
Amounts payable to employees	12,556	2,509
Payable to Aktiva Plus LLC for premises acquired	85,401	4,004,059
Other	77,767	65,560
	2,295,327	**5,025,123**

As at 31 December 2008 the Bank recognised deferred commission income of KZT 684,864 thousand received from Basalt LLC and Silicat LLC for guarantees issued in the favour of the beneficiary - Development Bank of Kazakhstan JSC. The commission was discounted at a discount rate of 15% over a period of seven years in accordance with the tenor of the guarantees.

28 Share capital

(a) Issued capital and share premium

The issued and outstanding share capital comprises 10,999,800 fully paid ordinary shares, 8,368,300 with a par values of KZT 956 and 2,631,500 with a par value of KZT 1,524 (31 December 2007: 83,683 with a par value of KZT 95,598). On 12 June 2008 and 25 June 2008 the Bank issued 26,315 ordinary shares with a par value of KZT 152,360. On 4 November 2008, the Bank performed a share split of 1:100. Comparative information on earnings per share has been recalculated to reflect the split.

(b) Dividends

Dividends payable are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Republic of Kazakhstan. In accordance with the legislation of the Republic of Kazakhstan, as at the balance sheet date, reserves available for distribution of amounted to KZT 9,706,544 thousand (2007: KZT 11,640,204 thousand).

(c) Earnings per share

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

	2008	2007 Adjusted for split
Net income attributable to common shares, in thousands of KZT	123,383	1,845,552
Weighted average number of shares	9,784,593	8,368,300
Basic earnings per share, in KZT	13	[illegible]

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28 Share capital, continued

(d) Reserves for general banking risks

The Bank transferred KZT 2,057,043 thousand from retained earnings to the reserve for general banking risks. The reserve is not legally restricted and can be distributed as dividends upon the shareholder's decision.

29 Analysis by segment

The Bank's operations are highly integrated and constitute a single industry segment for the purposes of IAS 14 "Segment Reporting". The Bank's assets are concentrated primarily in the Republic of Kazakhstan, and the majority of the Bank's revenues and net income is derived from operations in, and connected with, the Republic of Kazakhstan.

30 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, which includes price, interest rate and currency risks, credit risk and liquidity risk.

(a) Risk management policies and procedures

The Bank's risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors of the Bank has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board of the Bank is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of Risk Department of the Bank is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Bank and indirectly to the Board of Directors.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee. In order to facilitate efficient decision-making, the Bank has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the Bank's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

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30 Risk management, continued

(b) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Bank's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the Asset and Liability Management Committee (ALCO), chaired by the Deputy Chairman of Bank. Market risk limits are approved by ALCO based on recommendations of the Risk Department's Market Risk Management Division.

The Bank manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The management of interest rates risk by monitoring interest rate gap is supplemented by monitoring the sensitivity of the Bank's net interest margin to various standard and non-standard interest rate scenarios.

The Bank also utilises Value-at-Risk (VaR) methodology to monitor market risk of its trading positions.

(i) Value at Risk (VaR) estimates

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR models used by the Bank are predominantly based on historical simulation. The historical simulation models derive plausible future scenarios from historical market rate time series.

The historical simulation models used by the Bank incorporate the following features:

- potential market movements are calculated with reference to data from the last 12 months;
- historical market rates and prices are calculated with reference to foreign exchange rates of the NBRK and equity prices on the Kazakhstan Stock Exchange (KASE) and the associated volatilities;

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30 Risk management, continued

(b) Market risk, continued

(i) Value at Risk (VaR) estimates, continued

- VaR is calculated to a 99 per cent confidence level; and
- VaR is calculated for a one-day holding period.

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 99 per cent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence; and
- VaR is calculated on the basis of exposures outstanding at the end-of-day and therefore does not necessarily reflect intra-day exposures.
- the VaR measure is dependent upon the Bank's position and the volatility of market rates and prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The Bank does not solely rely on its VaR calculations in its market risk measurement due to inherent risk of usage of VaR as described above. The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

(ii) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. Evaluation of currency risk is performed based on analysis of open foreign exchange positions for each type of foreign currency. Bank manages currency risk by conducting operations in foreign currency, which affect the structure of foreign currency denominated assets and liabilities, within the limits approved by ALCO for each currency position. The Bank is required to be in compliance with limits on open long, short and net foreign currency positions set by the FMSA. The limits for open positions are equal to 12.5% and 5% of shareholder's equity for currencies of countries with sovereign credit rating above "A" (Standard & Poors) and below "A", respectively. The maximum limit for net currency position is 25% of shareholder's equity.

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30 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

For the estimation of possible losses from currency risk the Bank uses VaR methodology.

A summary of the VaR estimates in respect of foreign currency risk as at 31 December 2008 and 2007 is as follows:

	31 December 2008	31 December 2007
Foreign exchange risk, open positions	6,477	1,127

For further information on the Bank's exposure to currency risk at year end refer to Note 41.

(iii) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Bank's income or the value of its portfolios of financial instruments.

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

An analysis of sensitivity of the Bank's projected net income for the year and equity to interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2008 and 2007 is as follows:

	31 December 2008		31 December 2007	
	Net income	Equity	Net income	Equity
100 bp parallel increase	12,795	12,795	64,348	64,348
100 bp parallel decrease	(12,795)	(12,795)	(64,348)	(64,348)

An analysis of sensitivity of the net income for the year and equity as a result of changes in fair value of financial assets available for sale due to changes in the interest rates based on positions existing as at 31 December 2008 and 2007 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

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30 Risk management, continued

(b) Market risk, continued

(iii) Interest rate risk, continued

	31 December 2008		31 December 2007	
	Net income	Equity	Net income	Equity
100 bp parallel increase	-	(444,627)	-	(328,193)
100 bp parallel decrease	-	436,363	-	347,172

The above analysis assumes all available for sale assets are held one year from the balance sheet date.

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank. The Bank has developed policies and procedures for the management of credit exposures (both for on balance sheet and off balance sheet exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Bank's credit risk. The Bank's credit policy is reviewed and approved by the Management Board.

The Bank established a number of credit committees, which are responsible for oversight of the Bank's credit risk.

The following credit committees are responsible for approving corporate and retail credit risk exposures:

- The Board of Directors approves loans for amounts exceeding 20% of total equity at the date of approval;
- The Management Board approves loans for amounts exceeding 15% of total equity at the date of approval;
- The Credit Committee approves applications up to 15% of total equity at the date of approval;
- Credit Commissions of the branches review and approve applications within limits set for each branch.

All Committees can approve the loan conditions different from those stated in the Bank's internal policy guidelines within certain limits. They can also submit the petition to the above committees up to the Board of Directors for resolution.

The Bank limits concentrations of exposure for a borrower or/and a group of related borrowers as well as by industry/sector, by region.

The Bank's credit policy establishes:

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

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30 Risk management, continued

(c) Credit risk, continued

Corporate loan/credit application, accepted by a service manager, is passed on to the Department of Corporate Relations. The department is responsible for the Bank's corporate loan portfolio. Reports produced by the department's credit analysts are based on a structured analysis focusing on the customer's business and financial performance. The loan/credit application and the evaluation report are then independently reviewed by the Legal Department, who checks for the legal validity of the documents provided and expresses an opinion. The Collateral Department is responsible for checking the value and quality of the pledged property. A valuation assessment report is prepared. The Security Department checks the reputation of the potential borrower and whether the customer has non-performing loans in other banks. The conclusion is documented in a security report. The Risk Department checks for appropriate execution of the Bank's credit policy requirements. The Credit Committee of the Bank makes a decision based on the conclusions of the Department of Corporate Lending and other divisions of the Bank, who participates in the lending process.

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

Retail loan/credit applications are reviewed by the Shelf Product Division (for express loans, automobile loans and credit cards) and by the Retail Lending divisions of the branches through the use of scoring models and the application data verification procedures developed together with the Risk Department. Also, the Legal Department participates in the process of review of applications from retail clients by checking compliance of submitted documents with the internal requirements of the Bank and legislation of the Republic of Kazakhstan. For loans below USD 30 thousand, no opinion of the Collateral Department is required. For all loans above USD 50 thousand, the Security Department approval is required.

Apart from individual customer analysis, the credit portfolio of homogeneous loans is assessed by the Risk Department with regard to credit concentration, trends of the loan balances and market risks.

The Bank's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet and off balance exposures as presented in the Note 32. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The Bank monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans to customers refer to Note 15 "Loans to customers".

(d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Bank. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

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30 Risk management, continued

(d) Liquidity risk

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Bank's liquidity policy is reviewed and approved by the Management Board.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy of the Bank requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- managing the concentration and profile of debts;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for a portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities.

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

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the FMSA. The Bank was in compliance with these ratios during the year ended 31 December 2008.

The following tables show the undiscounted cash flows on the Bank's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The total amount (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment. The Bank's expected cash flows on these financial liabilities and unrecognised loan commitments may vary significantly from this analysis.

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30 Risk management, continued

(d) Liquidity risk, continued

The position of the Bank as at 31 December 2008 was as follows:

'000 KZT	Demand and less than 1 month	From 1 to 3 month	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	18,760,994	605,770	18,578,573	8,985,543	22,973,829	69,904,709	45,216,343
Amounts payable under repurchase agreements	14,145,962	-	-	-	-	14,145,962	14,130,677
Current accounts and deposits from customers	99,156,271	17,252,918	22,799,496	18,540,483	15,255,810	173,004,978	139,854,460
Subordinated debt securities issued	-	90,650	624,788	17,155,430	14,607,278	32,478,146	23,089,377
Other liabilities	417,913	570,736	-	-	-	988,649	2,295,327
Total	**132,481,140**	**18,520,074**	**42,002,857**	**44,681,456**	**52,836,917**	**290,522,444**	**224,586,184**
Credit related commitments	**35,659,238**	**-**	**-**	**-**	**-**	**35,659,238**	**-**

The position of the Bank as at 31 December 2007 was as follows:

'000 KZT	Demand and less than 1 month	From 1 to 3 month	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying Amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	38,235	6,234,504	27,234,088	2,297,895	5,445,339	41,250,061	38,329,428
Amounts payable under repurchase agreements	8,590,661	-	-	-	-	8,590,661	8,583,385
Current accounts and deposits from customers	28,360,307	1,005,014	4,813,556	71,954,510	2,476,627	108,610,014	91,603,245
Debt securities issued	-	-	1,597,500	-	-	1,597,500	1,505,038
Subordinated debt securities issued	-	270,459	1,430,459	9,593,672	17,567,036	28,861,626	17,659,923
Other liabilities	220,049	428,171	4,089,460	-	-	4,737,680	5,025,123
Total	**37,209,252**	**7,938,148**	**39,165,063**	**83,846,077**	**25,489,002**	**193,647,542**	**162,706,142**
Credit related commitments	**19,261,542**	**-**	**-**	**-**	**-**	**19,261,542**	**-**

For further information on the Bank's exposure to liquidity risk at year end refer to Note 40.

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31 Capital management

The FMSA sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the FMSA banks have to maintain a ratio of tier 1 capital to total assets and a ratio of total capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 31 December 2008, this minimum level of tier 1 capital to total assets was 5% and the minimum level of total capital to risk weighted assets, contingent liabilities, adjusted for operational and market risk was 10%. The Bank was in compliance with the statutory capital ratios during the years ended 31 December 2008 and 31 December 2007.

32 Commitments

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

	2008 '000 KZT	2007 '000 KZT
Contracted amount		
Loan and credit line commitments	20,062,614	13,261,594
Guarantees	10,443,462	2,414,118
Covered letters of credit	4,839,108	1,900,561
Uncovered letters of credit	314,054	1,685,269
	35,659,238	**19,261,542**

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Movements in provision for losses on credit related commitments are as follows:

	2008 '000 KZT	2007 '000 KZT
Balance at the beginning of the year	-	64,330
Net recovery for the year	-	(64,330)
Balance at the end of the year	-	-

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33 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2008 '000 KZT	2007 '000 KZT
Less than one year	54,899	185,922
Between one and five years	395,543	304,631
	450,442	**490,553**

The Bank leases a number of premises and equipment under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the current year KZT 472,090 thousand was recognised as an expense in the unconsolidated income statement in respect of operating leases (2007: KZT 480,577 thousand).

34 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to the Bank's operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

(b) Litigation

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial condition or the future results of the Bank.

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

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35 Custody activities

The Bank provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Bank and are not recognised in the balance sheet.

36 Related party transactions

(a) Parent Company

The parent of the Bank is Eurasian Financial Industrial Company JSC. No publicly available financial statements are produced by the Bank's parent company.

(b) Transactions with members of the Board of Directors and the Management Board

Total remuneration included in employee compensation (refer to Note 11):

	2008 '000 KZT	2007 '000 KZT
Members of the Board of Directors	120,650	141,979
Members of the Management Board	154,779	204,673
	275,429	**346,652**

The outstanding balances and average interest rates as at and for the years ended 31 December 2008 and 2007 with members of the Board of Directors and the Management Board were as follows:

	2008 '000 KZT	Average Interest Rate	2007 '000 KZT	Average Interest Rate
Unconsolidated balance sheet				
Assets				
Loans to customers	85,159	13.61%	319,068	11.59%
Liabilities				
Current accounts and deposits from customers	3,652,429	8.63%	3,628,761	9.51%

Other amounts included in the income statement in relation to transactions with members of the Board of Directors and the Management Board were as follows:

	2008 '000 KZT	2007 '000 KZT
Unconsolidated income statement		
Interest income	19,567	48,463
Interest expense	(262,321)	(238,105)

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36 Related party transactions, continued

(c) Transactions with other related parties

The outstanding balances and the related average interest rates as of 31 December 2008 and related income statement amounts of transactions for the year ended 31 December 2008 with other related parties are disclosed in the table below.

	Parent company		Subsidiaries		Fellow subsidiaries		Other		Total
	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT
Unconsolidated Balance Sheet									
Assets									
Loans to customers	-	-	-	-	3,438,232	12.58%	1,030,016	12.96%	**4,468,248**
Less: impairment allowance	-	-	-	-	(25,970)	-	-	-	**(25,970)**
Investments in subsidiaries	-	-	2,014,892	-	-	-	-	-	**2,014,892**
Other assets	350,000	-	110,396	-	11,821	-	141	-	**472,358**
Liabilities									
Current accounts and deposits from customers	1,011,164	5.02%	3,206,452	9.06%	3,724,694	1.00%	45,519,057	3.51%	**53,461,367**
Subordinated debt securities issued	-	-	4,398,098	8.80%	-	-	-	-	**4,398,098**
Other liabilities	-	-	180	-	107	-	1,096	-	**1,383**
Off balance sheet items									
Loan and credit line commitments	-	-	-	-	800	-	1,350,000	-	**1,350,800**
Guarantees and letters of credit issued	-	-	3,058	-	22,968	-	33,470	-	**59,496**
Unconsolidated Income Statement									
Interest income	-		-		437,486		108,395		**545,881**
Interest expense	(52,432)		(1,017,139)		(22,266)		(1,121,593)		**(2,213,430)**
Fee and commission income	6,911		85,212		33,395		771,963		**897,481**
Gain on spot transactions	13,392		17,199		18,520		421,310		**470,421**
Reversal of impairment losses	-		-		192,865		-		**192,865**
Administrative expenses	(196,782)		(125,697)		(51,186)		(221,500)		**(595,165)**

During the year, ended 31 December 2008, the Bank acquired property and equipment from the parent and subsidiary company in the amount of KZT 6,189 thousand, and a fellow subsidiary in the amount of KZT 167,927 thousand (2007: purchased from fellow subsidiary in the amount of KZT 6,106,801 thousand).

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36 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances and the related average interest rates as of 31 December 2007 and related income statement amounts of transactions for the year ended 31 December 2007 with other related parties are disclosed in the table below.

	Parent company		Subsidiaries		Fellow subsidiaries		Other		Total
	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT
Unconsolidated Balance Sheet									
Assets									
Loans to customers	-	-	-	-	3,645,203	12.60%	852,304	11.80%	**4,497,507**
Less: impairment allowance	-	-	-	-	(218,835)	-	-	-	**(218,835)**
Investments in subsidiaries	-	-	1,156,504	-	-	-	-	-	**1,156,504**
Other assets	-		2,443	-	-		1,383	-	**3,826**
Liabilities									
Current accounts and deposits from customers	1,142,282	3.20%	2,403,127	10.30%	2,078,710	1.48%	31,849,193	7.41%	**37,473,312**
Debt securities issued	-	-	3,421	6.89%	-	-	-	-	**3,421**
Subordinated debt securities issued	-		2,090,008	10.05%	-	-	-	-	**2,090,008**
Other liabilities	-	-	141	-	4,036,423	-	1,053	-	**4,037,617**
Off balance sheet items									
Loan and credit line commitments	-	-	-	-	205,349	-	1,352,635		**1,557,984**
Guarantees and letters of credit issued	-	-	3,714	-	24,555	-	2,026,254	-	**2,054,523**
Unconsolidated Income Statement									
Interest income	-		-		394,768		182,344		**577,112**
Interest expense	(32,175)		(176,384)		(25,117)		(1,908,887)		**(2,142,563)**
Fee and commission income	7,256		14,030		46,936		921,674		**989,896**
Gain on spot transactions	1,073		994		41,747		473,119		**516,933**
Impairment losses	-		-		(129,085)		-		**(129,085)**
Administrative expenses	(280,854)		(11,720)		(37,662)		(205,353)		**(535,589)**

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37 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the unconsolidated statement of cash flows was composed of the following items:

	2008 '000 KZT	2007 '000 KZT
Cash	7,843,582	5,063,808
Due from the NBRK – nostro account	37,528,015	8,658,213
Placements with banks and other financial institutions with original maturities of less than 3 months	37,435,264	17,422,054
Obligatory reserve	(4,098,411)	(8,276,911)
	78,708,450	**22,867,164**

Under Kazakh legislation, the Bank is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Bank. Such reserves must be held in either non-interest bearing deposits with NBRK or in cash and maintained based on average monthly balances of the aggregate of deposits with the NBRK and cash. The use of such funds is, therefore, subject to certain restrictions.

38 Fair value of financial instruments

The estimated fair value of the Bank's financial assets and liabilities, as required to be disclosed by IFRS 7 *Financial Instruments: Disclosure*, is as follows:

The estimated fair value of cash, nostro accounts with the NBRK, nostro accounts with other banks and other floating rate placements is their carrying value.

The estimated fair values of quoted available-for-sale assets, derivative financial instruments, debt securities issued, subordinated debt securities issued are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities, except as described below, are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the balance sheet date. As disclosed in Note 16 the fair value of unquoted equity securities available for sale with a carrying value of KZT 10,000 thousand could not be determined.

The estimated fair values of all financial instruments approximate their carrying values, except as follows:

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38 Fair value of financial instruments, continued

ASSETS	2008 '000 KZT Fair Value	2008 '000 KZT Carrying Value	2007 '000 KZT Fair Value	2007 '000 KZT Carrying Value
Placements with banks and other financial institutions	38,788,373	38,615,871	19,354,041	19,142,673
Loans to customers	119,877,682	123,623,271	114,128,114	115,757,725
LIABILITIES				
Deposits and balances from banks and other financial institutions	45,061,522	45,216,343	39,624,256	38,329,428
Current accounts and deposits from customers	140,327,103	139,854,460	93,187,249	91,603,245
Debt securities issued	-	-	1,485,034	1,505,038
Subordinated debt securities issued	25,119,892	23,089,377	17,477,362	17,659,923

The estimates of fair value are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

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39 Average effective interest rates

The table below displays the Bank's interest bearing assets and liabilities as at 31 December 2008 and 2007 and their corresponding average effective interest rates as at that date. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	Value '000 KZT	2008 Average Effective Interest Rate	Value '000 KZT	2007 Average Effective Interest Rate
Interest Bearing Assets				
Placements with banks and other financial institutions				
Nostro accounts				
- KZT	73,230	-	-	-
- USD	31,978,097	0.59%	16,998,107	4.25%
- other currencies	2,048,825	4.49%	468,001	2.85%
Loans and deposits				
- USD	1,210,103	9.51%	1,620,979	9.77%
- other currencies	3,305,617	2.00%	55,586	9.08%
Amount receivable under reverse repurchase agreements				
- KZT	-	-	9,727,026	6.79%
Loans to customers				
- KZT	88,327,525	17.83%	74,238,165	16.79%
- USD	34,645,686	16.46%	39,666,337	15.12%
- other currencies	650,060	17.37%	1,853,223	17.15%
Available-for-sale assets				
- KZT	19,512,982	10.45%	9,530,504	7.18%
- USD	1,143,787	7.32%	2,759,605	4.98%

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39 Average effective interest rates, continued

	Value '000 KZT	2008 Average Effective Interest Rate	Value '000 KZT	2007 Average Effective Interest Rate
Interest Bearing Liabilities				
Deposits and balances from banks and other financial institutions				
Loans from financial institutions, other than banks				
- KZT	17,380,791	8.61%	3,061,539	11.35%
- USD	10,821,668	10.95%	11,054,309	9.19%
Syndicated bank loans				
- USD	-	-	14,000,320	7.33%
Term deposits				
- KZT	9,105,240	10.14%	8,014,862	9.58%
- USD	1,932,640	4.50%	-	-
Loans from banks				
- USD	4,911,173	6.44%	1,687,264	7.63%
- other currencies	913,346	8.04%	472,792	6.57%
Amount payable under repurchase agreements				
- KZT	14,130,677	11.19%	6,187,406	4.98%
- USD	-	-	2,395,979	6.50%
Demand deposits and term deposits from customers				
Retail customers:				
- KZT	15,579,793	11.41%	10,233,407	9.06%
- USD	13,300,970	7.04%	8,406,937	7.32%
- other currencies	2,491,980	8.77%	675,100	7.56%
Corporate customers:				
- KZT	23,235,790	10.75%	32,819,892	9.64%
- USD	31,965,908	7.33%	17,708,917	8.78%
- other currencies	751,775	8.19%	301,275	2.24%
Debt securities issued				
- KZT	-	-	1,505,038	6.89%
Subordinated debt securities issued				
- KZT	23,089,377	13.29%	17,659,923	10.05%

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40 Maturity analysis

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2008.

Assets	Less than 1 month '000 KZT	1 to 3 months '000 KZT	3 months to 1 year '000 KZT	1 to 5 years '000 KZT	More than 5 years '000 KZT	No maturity '000 KZT	Overdue '000 KZT	Total '000 KZT
Cash	7,843,582	-	-	-	-	-	-	7,843,582
Due from the National Bank of the Republic of Kazakhstan	33,429,604	-	-	-	-	4,098,411	-	37,528,015
Placements with banks and other financial institutions	37,388,883	46,382	206,532	974,075	-	-	-	38,615,872
Loans to customers	8,953,664	6,778,283	32,168,152	47,188,772	26,231,633	-	2,302,767	123,623,271
Available-for-sale assets	1,992,538	1,670,556	2,112,278	9,292,798	5,578,599	10,000	-	20,656,769
Investments in subsidiaries	-	-	-	-	-	2,014,892	-	2,014,892
Income tax prepaid	-	-	523,578	-	-	-	-	523,578
Deferred tax assets	-	-	-	-	-	566,789	-	566,789
Property and equipment	-	-	-	-	-	9,876,896	-	9,876,896
Intangible assets	-	-	-	-	-	585,512	-	585,512
Other assets	214,807	200,056	1,603,297	4,755,038	318,291	50,835	25,005	7,167,329
Total assets	**89,823,078**	**8,695,277**	**36,613,837**	**62,210,683**	**32,128,523**	**17,203,335**	**2,327,772**	**249,002,505**

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40 Maturity analysis, continued

	Less than 1 month '000 KZT	1 to 3 months '000 KZT	3 months to 1 year '000 KZT	1 to 5 years '000 KZT	More than 5 years '000 KZT	No maturity '000 KZT	Overdue '000 KZT	Total '000 KZT
Liabilities								
Deposits and balances from banks and other financial institutions	16,222,577	4,631,781	6,704,677	2,953,608	14,703,700	-	-	45,216,343
Amounts payable under repurchase agreements	14,130,677	-	-	-	-	-	-	14,130,677
Current accounts and deposits from customers	74,511,490	5,228,220	25,797,324	32,429,386	1,888,040	-	-	139,854,460
Subordinated debt securities issued	-	445,095	270,344	12,272,872	10,101,066	-	-	23,089,377
Other liabilities	75,751	618,078	811,443	411,293	378,762	-	-	2,295,327
Total liabilities	**104,940,495**	**10,923,174**	**33,583,788**	**48,067,159**	**27,071,568**	**-**	**-**	**224,586,184**
Net position as at 31 December 2008	**(15,117,417)**	**(2,227,897)**	**3,030,049**	**14,143,524**	**5,056,955**	**17,203,335**	**2,327,772**	**24,416,321**
Net position as at 31 December 2007	1,595,119	4,882,014	10,396,127	(22,965,787)	5,603,284	20,059,152	798,139	20,368,048

Due to the fact that substantially all the financial instruments of the Bank are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

The amounts in the tables above represent carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

The Bank anticipate that the negative liquidity gaps in the table above will be covered by the continued retention of current accounts and deposits from customers as well as the proceeds from the sale of it's subsidiaries as discussed in the Note 42.

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41 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2008:

'000 KZT	KZT	USD	Other currencies	Total
Assets				
Cash	3,060,717	3,293,498	1,489,367	7,843,582
Due from the National Bank of the Republic of Kazakhstan	25,690,601	11,837,414	-	37,528,015
Placements with banks and other financial institutions	73,230	33,188,200	5,354,442	38,615,872
Loans to customers	88,327,525	34,645,686	650,060	123,623,271
Available-for-sale assets	19,512,982	1,143,787	-	20,656,769
Investments in subsidiaries	2,003,315	-	11,577	2,014,892
Income tax prepaid	523,578	-	-	523,578
Deferred tax assets	566,789	-	-	566,789
Property and equipment	9,876,896	-	-	9,876,896
Intangible assets	585,512	-	-	585,512
Other assets	6,304,010	652,002	211,317	7,167,329
Total assets	**156,525,155**	**84,760,587**	**7,716,763**	**249,002,505**
Liabilities				
Deposits and balances from banks and other financial institutions	26,487,817	17,810,054	918,472	45,216,343
Amounts payable under repurchase agreements	14,130,677	-	-	14,130,677
Current accounts and deposits from customers	67,406,047	66,219,699	6,228,714	139,854,460
Subordinated debt securities issued	23,089,377	-	-	23,089,377
Other liabilities	1,178,641	558,495	558,191	2,295,327
Total liabilities	**132,292,559**	**84,588,248**	**7,705,377**	**224,586,184**
Net on balance sheet positions as of 31 December 2008	**24,232,596**	**172,339**	**11,386**	**24,416,321**
Net on balance sheet positions as of 31 December 2007	19,640,425	19,592	708,031	20,368,048

42 Events subsequent to the balance sheet date

On 27 February 2009 and 10 March 2009, the Bank transferred all its shares in three subsidiaries to the Parent Company for a total consideration of KZT 4,003,315 thousand, receiving KZT 2,000,000 thousand in excess of cost of investments (Note 17).

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