JSC SB "Sberbank"

Financial Statements

for the year ended 31 December 2007

Contents

KPMG Audit LLC
Koktem Business Centre
180 Dostyk Avenue
050051 Almaty, Kazakhstan

Telephone +7 (727) 298 08 98
Fax +7 (727) 298 07 08
E-mail company@kpmg.kz

Independent Auditors' Report

To the Board of Directors and Management Board of JSC SB "Sberbank"

Report on the Financial Statements

We have audited the accompanying financial statements of JSC SB "Sberbank" (the "Bank"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement 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 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 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 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 financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Berdalina J. K.
Certified Auditor
Managing Partner

Wilson Mitchell
Audit Partner

KPMG Audit LLC
License #0000021 dated 6 December 2006
to conduct audits

25 March 2008

	Note	2007 '000 KZT	2006 (Restated) '000 KZT
Interest income	4	4,559,968	3,397,833
Interest expense	4	(1,274,327)	(1,417,760)
Net interest income		**3,285,641**	**1,980,073**
Fee and commission income	5	1,855,490	1,349,363
Fee and commission expense	6	(166,550)	(161,415)
Net fee and commission income		**1,688,940**	**1,187,948**
Net foreign exchange income	7	383,768	278,165
Net gain/(loss) on financial instruments at fair value through profit or loss	8	2,889	(4,235)
Net realised loss on available-for-sale securities		(746)	(3,148)
Other income	9	93,642	15,381
Operating income		**5,454,134**	**3,454,184**
Impairment losses	10	(1,142,785)	(434,011)
General administrative expenses	11	(2,852,146)	(1,720,896)
Operating expenses		**(3,994,931)**	**(2,154,907)**
Income before income tax		**1,459,203**	**1,299,277**
Income tax expense	12	(208,000)	(318,303)
Net income		**1,251,203**	**980,974**
Earnings per share (in KZT)	27	324	490

The financial statements as set out on pages 5 to 59 were approved on 25 March 2008.

Oleg Smirnov
Chairman of the Board

Yevgeniy Chernykh
Chief Accountant

The Income Statement is to be read in conjunction with the notes to, and forming part of, the financial statements.

	Note	2007 '000 KZT	2006 (Restated) '000 KZT
ASSETS			
Cash		2,656,966	2,055,145
Due from the National Bank of the Republic of Kazakhstan		3,819,296	3,596,796
Placements with banks and other financial institutions	13	6,175,254	487,090
Financial instruments at fair value through profit or loss	14	137,967	100,537
Loans to customers	15	18,329,922	12,811,654
Amounts receivable under reverse repurchase agreements	16	16,553,178	1,721,504
Available-for-sale securities			
- Unpledged	17	7,357,650	3,934,697
- Pledged under sale and repurchase agreements	17	533,076	-
Held to maturity investments		-	199,335
Property and equipment	18	1,664,386	1,552,316
Intangible assets	19	55,804	26,738
Other assets	20	216,089	242,321
Total assets		**57,499,588**	**26,728,133**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Deposits and balances from banks and other financial institutions	21	278,573	514,037
Current accounts and deposits from customers	22	18,472,266	16,339,564
Amounts payable under repurchase agreements	23	533,076	-
Subordinated debt securities issued	24	5,612,489	5,604,833
Other liabilities	25	411,924	379,966
Deferred tax liabilities	26	175,101	162,865
Total liabilities		**25,483,429**	**23,001,265**
Shareholders' equity			
Share capital	27	10,000,000	2,000,000
Share premium		19,000,000	-
Reserve for general banking risks		352,345	152,345
Revaluation reserve for available-for-sale securities		(17,863)	(55,951)
Retained earnings		2,681,677	1,630,474
Total shareholders' equity		**32,016,159**	**3,726,868**
Total liabilities and shareholders' equity		**57,499,588**	**26,728,133**
Commitments and contingencies	31,32		

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

The Balance Sheet is to be read in conjunction with the notes to, and forming part of, the financial statements.

	2007 '000 KZT	2006 (Restated) '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before tax	1,459,203	1,299,277
Adjustments for non-cash items:	-	
Depreciation and amortisation	213,171	127,869
Impairment (reversals) losses	1,142,785	434,011
Net unrealised foreign exchange gain	(20,911)	(48,805)
Net unrealised (gain)/loss on financial instruments at fair value through profit or loss	(470)	8,785
Gain from disposal of property and equipment	(76,313)	(341)
	2,717,465	**1,820,796**
(Increase)/decrease in operating assets	-	
Amounts receivable under reverse repurchase agreements	(14,831,674)	(1,721,504)
Obligatory reserve	238,016	(1,212,279)
Financial instruments at fair value through profit or loss	(36,960)	-
Available-for-sale securities	(3,917,941)	(323,546)
Placements with banks and other financial institutions	-	848,442
Held to maturity investments	199,335	-
Loans to customers	(6,651,205)	943,039
Other assets	113,630	(136,649)
Increase/(decrease) in operating liabilities	-	
Deposits and balances from banks and other financial institutions	(235,464)	(2,740,798)
Amounts payable under repurchase agreements	533,076	(300,050)
Current accounts and deposits from customers	2,132,702	5,007,424
Other liabilities	31,958	184,153
Net cash provided from operating activities before taxes paid	**(19,707,062)**	**2,369,028**
Income tax paid	(256,377)	(318,302)
Cash flows (used in)/from operations	**(19,963,439)**	**2,050,726**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and intangible assets	(358,362)	(146,288)
Sale of property and equipment	80,368	-
Cash flows used in investing activities	**(277,994)**	**(146,288)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of subordinated debt securities	-	806,420
Repayment of subordinated debt securities	7,656	(1,500,000)
Proceeds from the issuance of share capital	27,000,000	-
	-	
Cash flows from/(used in) financing activities	**27,007,656**	**(693,580)**
	-	
Net increase in cash and cash equivalents	**6,766,223**	**1,210,858**
Effect of changes in exchange rates on cash and cash equivalents	(19,332)	(21,633)
Cash and cash equivalents at the beginning of the year	4,602,147	3,412,922
Cash and cash equivalents at the end of the year (Note 34)	**11,349,038**	**4,602,147**

The Statement of Cash Flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

	Share capital '000 KZT	Share premium '000 KZT	Reserve for general banking risks '000 KZT	Revaluation reserve for available-for-sale securities '000 KZT	Retained earnings '000 KZT	Total '000 KZT
Balance at 1 January 2006	**2,000,000**	-	**152,345**	**5,043**	**649,500**	**2,806,888**
Net losses on available-for-sale securities	-	-	-	(60,994)	-	(60,994)
Net income for the year (restated)	-	-	-	-	980,974	980,974
Total recognised income for the year (restated)						919,980
Balance at 31 December 2006 (restated)	**2,000,000**	-	**152,345**	**(55,951)**	**1,630,474**	**3,726,868**
Net gains on available-for-sale securities	-	-	-	38,088	-	38,088
Net income for the year	-	-	-	-	1,251,203	1,251,203
Total recognised income for the year						1,289,291
Transfer	-	-	200,000	-	(200,000)	-
Issue of shares	8,000,000	19,000,000	-	-	-	27,000,000
Balance at 31 December 2007	**10,000,000**	**19,000,000**	**352,345**	**(17,863)**	**2,681,677**	**32,016,159**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

The Statement of Changes in Equity is to be read in conjunction with the notes to, and forming part of the financial statements.

1 Background

(a) Principal activities

Joint Stock Company Subsidiary Bank "Sberbank" ("the Bank") was chartered as a closed joint stock company under the laws of the Republic of Kazakhstan on 1 July 1993. On 27 September 1993 the Bank received a general banking license, #32 (subsequently changed to #199 in 1996) issued by the National Bank of the Republic of Kazakhstan ("the NBRK"). Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint stock company on 24 December 2004. In 2006 OJSC Commercial Savings Bank of Russian Federation ('Sberbank of Russia' or 'the Parent') acquired 99.9% of the capital of the Bank. On 13 January 2007 the Bank was renamed JSC SB "Sberbank".

The Bank provides general banking services to its clients: accepts deposits from banks, legal entities and individuals, conducts treasury operations, makes loans, transfers payments within Kazakhstan and abroad, exchanges currencies and provides other banking services.

On 15 July 1999 the Bank also obtained a license for performing broker and dealer activity in the securities market with the right to maintain client accounts.

The Bank's head office is located in Almaty, the Republic of Kazakhstan, 30, Gogol Street. The Bank's network comprises 9 branches in the cities of Almaty, Astana, Aktay, Pavlodar, Uralsk, Atyrau, Karaganda, Aktobe and Taldykorgan, and 92 sub-branches.

At 31 December 2007 and 2006, the Bank had 1,016 and 738 employees, respectively.

(b) Kazakhstan business environment

The Republic of Kazakhstan ('RK') has been experiencing political and economic change which has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Republic of Kazakhstan involve risks, which do not typically exist in other markets.

The accompanying 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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and Presentation Currency

The national currency of Kazakhstan is the 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 financial statements.

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

(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 financial statements in conformity with IFRS. Future actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in Note 15 - impairment losses in relation to loans to customers.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies

The following significant accounting policies have been applied in the preparation of the financial statements. The accounting policies have been consistently applied. Changes in accounting policies are described at the end of this Note.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign 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. Non-monetary assets and liabilities that are stated at fair value and whose appraised value is denominated in foreign currencies are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the income statement.

The exchange rates at year-end used by the Bank in the preparation of the financial statements are as follows at 31 December:

Currency	2007	2006
1 United States Dollar	120.30	127.00
1 Euro	177.17	167.12
1 Russian Rouble	4.92	4.82

(b) Cash and cash equivalents

The Bank considers cash balances and accounts with the National Bank of the Republic of Kazakhstan, nostro accounts and placements with other banks with an original maturity up to 3 months to be cash and cash equivalents. The obligatory reserve is not considered to be a cash equivalent due to restrictions on its withdrawability.

(c) 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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(c) Financial instruments, continued

(i) Classification, continued

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 as an asset. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as a liability.

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, those that the Bank upon initial recognition designates as at fair value through profit or loss, those that the Bank upon initial recognition designates as available-for-sale, or those where the holder 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, those that the Bank designates as available-for-sale; or those that 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

(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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(c) Financial instruments, continued

(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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(c) 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 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 shareholders' 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.

(d) 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 prices 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 difference between the purchase and resale prices represents interest income and is recognised in the income statement over the term of the repo agreement using the effective interest rate 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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(e) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items 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 on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	30 years
Computer equipment	4 years
Office equipment	4 to 13 years
Vehicles	10 years
Other	4 to 13 years

(f) Intangible assets

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

Acquired computer software licenses 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. The estimated useful lives are as follows:

Licenses	15 years
Software	15 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 that can be reliably estimated.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(g) Impairment, continued

(i) Financial assets carried at amortised cost, continued

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 group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

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.

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 uncollectable, 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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(g) Impairment, continued

(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 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

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 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 is reversed only 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.

(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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(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 legislation.

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
1
STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(k) Taxation, continued

Deferred tax is provided using the balance sheet liability 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) Interest income and expense and fee and commission income

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 amortized to the interest income over the estimated life of the financial instrument using the effective interest rate method.

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

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

(m) Changes in accounting policies

As at 1 January 2007, the Bank adopted the International Financial Reporting Standard IFRS 7 "Financial Instruments: Disclosures" and the amendment to International Financial Reporting Standard IAS 1 "Presentation of Financial Statements" – "Capital Disclosures". The application of the Standard and the amendment resulted in increased disclosure in respect of Bank's financial instruments and the nature and extent of risks arising from financial instruments and increased disclosure in respect of Bank's objectives, policies and processes for managing capital.

In 2006 the Bank adopted the fair value model for accounting for the Bank's land and buildings. In 2007 the Bank decided to change the accounting policy to reflect the cost model for accounting for land and buildings to harmonize their accounting policies with that of Sberbank, the Bank's new owner.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

3 Significant accounting policies, continued

(m) Changes in accounting policies, continued

As a result of this change, the revaluation reserve for property, plant and equipment, retained earnings, property, plant and equipment and deferred tax liabilities as at 1 January 2007 and depreciation expense and net income for the year ended 31 December 2006 have been restated as follows:

	Previously reported '000 KZT	Restated '000 KZT
Depreciation expense	134,059	124,031
Net income for the year	970,945	980,974
Retained earnings	1,635,961	1,630,474
Revaluation reserve for property, plant and equipment	600,529	-
Deferred tax liabilities	426,885	162,865
Property, plant and equipment	2,422,352	1,552,316
Earnings per share (in tenge)	485	490

There is no impact on retained earnings at 1 January 2006.

(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 2007, and have not been applied in preparing these 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*, which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should report information about its operating segments and sets out requirements for related disclosures about products and services, geographical areas and major customers. Operating segments are components of an entity about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. IFRS 8 *Operating Segments* will replace International Financial Reporting Standard IAS 14 *Segment Reporting*.

- International Financial Reporting Standard IAS 1 "Presentation of Financial Statements" (Revised), which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should present changes in equity not resulting from transactions with owners and other changes in equity in its financial statements, and introduces certain other requirements in respect of presentation of information in the financial statements.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

4 Net interest income and expense

	2007 '000 KZT	2006 '000 KZT
Interest income		
Loans to customers	3,460,632	3,032,266
Amounts receivable under reverse repurchase agreements	616,062	86,655
Available-for-sale securities and held to maturity investments	326,106	165,061
Placements with banks and other financial institutions	151,078	107,761
Financial instruments at fair value through profit or loss	6,090	6,090
	4,559,968	**3,397,833**
Interest expense		
Deposits and balances from banks and other financial institutions	4,467	78,834
Current accounts and deposits from customers	683,005	647,910
Debt securities issued	586,855	691,016
	1,274,327	**1,417,760**

5 Fee and commission income

	2007 '000 KZT	2006 '000 KZT
Remittances	1,068,695	647,579
Cash transactions	263,276	310,715
Balance and deposit maintenance	218,147	132,557
Foreign exchange	133,978	127,928
Annual credit card maintenance	131,191	90,607
Guarantee and letter of credit issuance	1,132	22,893
Other	39,071	17,084
	1,855,490	**1,349,363**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

6 Fee and commission expense

	2007 '000 KZT	2006 '000 KZT
Credit card maintenance	54,059	29,994
Transfers	47,585	67,845
Security deals	5,813	3,416
Deposit insurance commission	3,172	4,088
Foreign exchange	2,809	1,854
Custody operations	191	2,672
Other	52,921	51,546
	166,550	**161,415**

7 Net foreign exchange income

	2007 '000 KZT	2006 '000 KZT
Gain on spot transactions	362,857	229,360
Gain from revaluation of financial assets and liabilities	20,911	48,805
	383,768	**278,165**

8 Net gain/(loss) on financial instruments at fair value through profit or loss

	2007 '000 KZT	2006 '000 KZT
Realised gains on financial instruments at fair value through profit or loss	3,359	1,402
Unrealised losses on financial instruments at fair value through profit or loss	(470)	(5,637)
	2,889	**(4,235)**

9 Other income

	2007 '000 KZT	2006 '000 KZT
Income from sale of fixed assets and intangible assets	76,313	340
Other	17,329	15,041
	93,642	**15,381**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

10 Impairment losses

	2007 '000 KZT	2006 '000 KZT
Loans to customers	1,132,937	432,524
Letters of credit and guarantees issued	-	1,481
Other assets	9,848	-
Placements with banks and other financial institutions	-	6
	1,142,785	**434,011**

11 General administrative expenses

	2007 '000 KZT	2006 (restated) '000 KZT
Employee compensation	1,278,511	738,399
Occupancy	318,467	151,723
Taxes other than on income	237,472	151,596
Depreciation and amortisation	213,171	127,869
Advertising and marketing	150,138	113,512
Repairs and maintenance	116,147	72,191
Administrative	98,909	71,966
Representative	63,759	70,800
Communications and information services	69,674	42,928
Travel	46,072	41,860
Transportation	24,364	16,741
Security	23,617	13,154
Professional services	38,319	8,281
Insurance	4,294	5,307
Penalties and fees	447	671
Other	168,785	93,898
	2,852,146	**1,720,896**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

12 Income tax expense

	2007 '000 KZT	2006 '000 KZT
Current tax expense		
Current year	189,055	249,973
Underprovided in prior years	6,709	-
Withholding tax	-	82
	195,764	**250,055**
Deferred tax expense		
Origination of temporary differences	12,236	68,248
Total income tax expense in the income statement	**208,000**	**318,303**

The Bank's applicable tax rate for current and deferred tax is 30% (2006: 30%).

Reconciliation of effective tax rate:

	2007 '000 KZT	%	2006 '000 KZT	%
Income before tax	**1,459,203**	**100%**	**1,299,277**	**100%**
Income tax at the applicable tax rate	437,761	30%	386,774	30%
(Non-taxable income)/non-deductible expenditures	(236,470)	(16%)	(68,553)	(5%)
Underprovided in prior years	6,709		-	-
Withholding tax	-	-	82	0.01%
	208,000	**24%**	**318,303**	**24%**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

13 Placements with banks and other financial institutions

	2007 '000 KZT	2006 '000 KZT
Nostro accounts		
With rating from AA-to AA+	799	6,177
With rating from A-to A+	1,216,532	237,463
With rating BBB	298,439	19,639
With rating from BB-to BB+	124,093	92,080
With rating below B+	163,695	48,701
Without rating	-	70,337
Total nostro accounts	**1,803,558**	**474,397**
Loans and deposits		
With rating from AA-to AA+	386,163	-
With rating from A-to A+	1,335,330	12,700
With rating BBB	1,804,500	-
With rating below B+	842,100	-
Total loans and deposits	**4,368,093**	**12,700**
Accrued interest	3,603	-
Provision for impairment	-	(7)
Total	**6,175,254**	**487,090**

The above ratings were determined by the following rating agencies: Moody's, Standard & Poor's and Fitch.

(a) Analysis of movements in the provision for impairment

	2007 '000 KZT	2006 '000 KZT
Balance at the beginning of the year	7	11
Net (recovery)/charge for the year	(7)	6
Write-offs	-	(10)
Balance at the end of the year	-	7

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

As at 31 December 2007 and 2006 the Bank had one bank, whose balances exceeded 10% of total placements with banks and other financial institutions. The gross value of these balances as of 31 December 2007 and 2006 were KZT 2,040,935 thousand and KZT 172,35[illegible] thousand, respectively.

KPMG Audit, LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

14 Financial instruments at fair value through profit or loss

	2007 '000 KZT	2006 '000 KZT
Debt and other fixed-income instruments – held for trading		
Kazakh Ministry of Finance bonds	100,067	100,537
Derivative financial instruments		
Foreign currency contracts	37,900	-
	137,967	**100,537**

Foreign currency contracts

The table below summarises, by major currency, the contractual amounts of the Bank's forward exchange contracts outstanding at 31 December 2007 with details of the contracted exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the balance sheet date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, have been recognised in the income statement and in financial instruments at fair value through profit or loss, as appropriate.

	Notional amount '000 KZT	Weighted average contracted exchange rates
Buy USD sell KZT		
Less than three months	6,084,000	122.07
Between three months and one year	6,123,000	122.07
Sell USD buy KZT		
Less than three months	6,074,500	121.84
Between three months and one year	12,201,500	121.84

The counterparties to the foreign exchange contracts comprise foreign banks in non-OECD countries.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers

(a) Industry analysis of the loan portfolio

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

	2007 '000 KZT	2006 '000 KZT
Retail customers	**7,771,357**	**7,979,232**
Consumer loans	6,654,467	6,701,008
Mortgage lending	756,135	977,995
Credit cards	299,106	196,908
Car loans	61,649	103,321
Commercial customers	**12,052,578**	**5,169,280**
Trade	5,857,685	725,207
Mining	1,409,800	-
Construction	1,319,962	1,770,548
Services	1,236,795	730,810
Manufacturing	976,540	294,600
Transportation	488,194	525,562
Food	282,514	214,663
Education	202,819	243,025
Publishing	94,409	178,374
Financial services	64,267	109,595
Research and development	41,433	-
Hotels and restaurants	20,827	2,433
Social organisations	1,663	246,579
Other	55,670	127,884
Accrued Interest	228,377	172,539
	20,052,312	**13,321,051**
Provision for impairment	(1,722,390)	(509,397)
	18,329,922	**12,811,654**

(b) Analysis of movements in the provision for impairment

	2006 '000 KZT	2006 '000 KZT
Balance at the beginning of the year	509,397	333,359
Net charge for the year	1,132,937	432,524
Net recoveries/(write-offs)	80,056	(256,486)
Balance at the end of the year	**1,722,390**	**509,397**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(c) Credit quality of commercial loan portfolio

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:				
- Standard loans	3,221,645	-	3,221,645	-
- Watch list loans	-	-	-	-
Total loans for which no impairment has been identified	3,221,645	-	3,221,645	-
Total loans to large corporate clients	**3,221,645**	-	**3,221,645**	-
Loans to small and medium size companies				
Loans for which no impairment has been identified:				
- Standard loans	7,992,663	37,236	7,955,427	0.5
- Watch list loans	229,569	12,816	216,753	5.6
Total loans for which no impairment has been identified	8,222,232	50,052	8,172,180	0.6
Impaired loans:				
- not past due	470,566	235,283	235,283	50.0
- overdue less than 90 days	23,220	23,220	-	100.0
- overdue more than 90 days and less than 1 year	114,915	114,915	-	100.0
Total impaired loans	608,701	373,418	235,283	61.3
Total loans to small and medium size companies	**8,830,933**	**423,470**	**8,407,463**	**4.8**
Total commercial loans	**12,052,578**	**423,470**	**11,629,108**	**3.5**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(c) 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 2006:

	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:				
- Standard loans	743,700	-	743,700	-
- Watch list loans	-	-	-	-
Total loans for which no impairment has been identified	743,700	-	743,700	-
Total loans to large corporate clients	**743,700**	**-**	**743,700**	**-**
Loans to small and medium size companies				
Loans for which no impairment has been identified:				
- Standard loans	3,029,971	-	3,029,971	-
- Watch list loans	1,031,481	-	1,031,481	-
Total loans for which no impairment has been identified	4,061,452	-	4,061,452	-
Impaired loans:				
- not past due	260,128	97,014	163,114	37.3
- overdue less than 90 days	104,000	3,866	100,134	3.7
Total impaired loans	364,128	100,880	263,248	27.7
Total loans to small and medium size companies	**4,425,580**	**100,880**	**4,324,700**	**2.3**
Total commercial loans	**5,169,280**	**100,880**	**5,068,400**	**2.0**

The Bank has estimated loan impairment for commercial loans based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

In determining the impairment allowance for loans to small and medium size companies management have assumed a historic annual loss rate of 1.7%.

During the year ended 31 December 2007 the Bank renegotiated commercial loans that would otherwise be past due or impaired of KZT 276,849 thousand (31 December 2006: KZT 152,079 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

KPMG Audit LLC
STAMPED FOR IDENTIFICATION PURPOSE
1

15 Loans to customers, continued

(c) Credit quality of commercial loan portfolio, continued

(i) Analysis of collateral

The following table provides an analysis of the commercial loan portfolio, net of impairment, by types of collateral as at 31 December 2007 and 2006:

	2007 '000 KZT	% of loan portfolio	2006 '000 KZT	% of loan portfolio
Real estate	9,093,217	75.4	3,998,501	77.3
Other collateral	1,642,891	13.6	1,156,071	22.4
No collateral	1,316,470	10.9	14,708	0.3
Total	**12,052,578**		**5,169,280**	

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. Impaired loans with a gross value of KZT 608,701 thousand are secured by collateral with a fair value of KZT 263,248 thousand. During the year ended 31 December 2007 the Bank did not obtain any assets by taking control of collateral accepted as security for commercial loans (31 December 2006: nil).

(ii) Analysis of movements in the impairment allowance

Movements in the impairment allowance for 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	-	100,880	100,880
Loans written off during the year as uncollectible	-	-	-
Loan impairment losses during the year	-	322,590	322,590
Loan impairment allowance as at 31 December	**-**	**423,470**	**423,470**

Movements in the loan impairment allowance by classes of commercial loans for the year ended 31 December 2006 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	-	231,079	231,079
Loans written off during the year as uncollectible	-	(99,601)	(99,601)
Reversals of impairment losses during the year	-	(30,598)	(30,598)
Loan impairment allowance as at 31 December	**-**	**100,880**	**100,880**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(d) Credit quality of loans to individuals

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

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Consumer loans				
Express loans				
- Not past due	3,065,083	59,861	3,005,222	2
-Overdue less than 30 days	278,929	68,008	210,921	24
-Overdue 30-89 days	239,816	154,134	85,682	64
-Overdue 90-179 days	274,015	238,935	35,080	87
-Overdue 180 - 360 days	437,108	434,841	2,267	99
-Overdue more than 360 days	234,611	233,257	1,354	99
Total Express loans	**4,529,562**	**1,189,036**	**3,340,526**	**26**
Other consumer loans				
- Not past due	2,071,513	1,448	2,070,066	0.1
-Overdue less than 30 days	26,315	1,184	25,131	4
-Overdue 30-89 days	13,907	2,222	11,685	16
-Overdue 90-179 days	1,078	1,036	41	96
-Overdue 180 – 360 days	6,288	6,288	-	100
-Overdue more than 360 days	5,804	5,804	-	100
Total other consumer loans	**2,124,905**	**17,982**	**2,106,923**	**1**
Total consumer loans	**6,654,467**	**1,207,018**	**5,447,449**	**17**
Mortgage loans				
- Not past due	738,200	-	738,200	-
-Overdue less than 30 days	13,830	-	13,830	-
-Overdue 30-89 days	4,105	-	4,105	-
-Overdue 90-179 days	-	-	-	-
-Overdue 180 - 360 days	-	-	-	-
-Overdue more than 360 days	-	-	-	-
Total mortgage loans	**756,135**	**-**	**756,135**	**-**
Credit cards				
- Not past due	7,160	-	7,160	-
-Overdue less than 30 days	213,892	10,710	203,182	5
-Overdue 30-89 days	128	10	118	8
-Overdue 90-179 days	282	57	225	20
-Overdue 180 - 360 days	-	-	-	
-Overdue more than 360 days	77,644	77,644	-	100
Total credit cards	**299,106**	**88,421**	**210,685**	**30**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(d) Credit quality of loans to individuals, continued

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Car loans				
- Not past due	52,791	40	52,751	-
- Overdue less than 30 days	4,814	75	4,739	2
- Overdue 30-89 days	702	24	678	3
- Overdue 90-179 days	-	-	-	-
- Overdue 180 - 360 days	3,342	3,342	-	100
- Overdue more than 360 days	-	-	-	-
Total car loans	**61,649**	**3,481**	**58,168**	**6**
Total loans to individuals	**7,771,357**	**1,298,920**	**6,472,437**	**17**

The following table provides information on the credit quality of loans to individuals portfolios as at 31 December 2006:

Consumer loans	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Express loans				
- Not past due	4,905,522	22,098	4,883,424	0.5
-Overdue less than 30 days	329,768	80,404	249,364	24
-Overdue 30-89 days	162,733	104,592	58,141	64
-Overdue 90-179 days	145,479	126,855	18,624	87
-Overdue 180 - 360 days	5,201	5,174	27	99
-Overdue more than 360 days	-	-	-	-
Total express loans	**5,548,703**	**339,123**	**5,209,580**	**6**
Other consumer loans				
- Not past due	1,144,978	34,045	1,110,933	3
-Overdue less than 30 days	6,441	290	6,151	4
-Overdue 30-89 days	885	141	744	16
-Overdue 90-179 days	-	-	-	-
-Overdue 180 – 360 days	-	-	-	-
-Overdue more than 360 days	-	-	-	-
Total other consumer loans	**1,152,304**	**34,476**	**1,117,828**	**3**
Total consumer loans	**6,701,007**	**373,599**	**6,327,408**	**6**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(d) Credit quality of loans to individuals, continued

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Mortgage loans				
- Not past due	849,484	-	849,484	-
- Overdue less than 30 days	32,201	-	32,201	-
- Overdue 30-89 days	6,703	-	6,703	-
- Overdue 90-179 days	89,607	-	89,607	-
- Overdue 180 - 360 days	-	-	-	-
- Overdue more than 360 days	-	-	-	-
Total mortgage loans	**977,995**	**-**	**977,995**	-
Credit cards				
- Not past due	6,893	-	6,893	-
- Overdue less than 30 days	162,559	8,140	154,419	5
- Overdue 30-89 days	835	65	770	8
- Overdue 90-179 days	221	45	176	20
- Overdue 180 - 360 days	-	-	-	-
- Overdue more than 360 days	26,400	26,400	-	100
Total credit cards	**196,908**	**34,650**	**162,258**	18
Car loans				
- Not past due	95,776	73	95,703	0.1
- Overdue less than 30 days	2,005	31	1,974	2
- Overdue 30-89 days	4,809	164	4,645	3
- Overdue 90-179 days	732	-	732	-
- Overdue 180 - 360 days	-	-	-	-
- Overdue more than 360 days	-	-	-	-
Total car loans	**103,322**	**268**	**103,054**	0.3
Total loans to individuals	**7,979,232**	**408,517**	**7,570,715**	5

The Bank estimates loan impairment based on its past historical loss experience on these types of loans. Management assumed that losses migration rates are constant and can be estimated based on historic loss migration pattern for the past 12 months.

(i) Analysis of collateral

Mortgage loans are secured by underlying housing real estate. Car loans are secured by underlying car. Credit card overdrafts and consumer loans are not secured.

The Bank estimates that the fair value of the collateral for overdue or impaired mortgage loans is at least equal to 95% of the mortgage balance. Management believes that it is impracticable to estimate the fair value of collateral held in respect of other loans to individuals.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

15 Loans to customers, continued

(d) Credit quality of loans to individuals, continued

(ii) Analysis of movements in the impairment allowance

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

	Consumer loans	Mortgage loans	Credit cards	Car loans	Total
Loan impairment allowance as at 1 January	373,599	-	34,650	268	408,517
Net recoveries/(write-offs) during the year	74,392	-	5,449	215	80,056
Loan impairment losses during the year	759,027	-	48,322	2,998	810,347
Loan impairment allowance as at 31 December	**1,207,018**	**-**	**88,421**	**3,481**	**1,298,920**

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2006 are as follows:

	Consumer loans	Mortgage loans	Credit cards	Car loans	Total
Loan impairment allowance as at 1 January	92,763	-	9,444	73	102,280
Loans written off during the year as uncollectible	(142,288)	-	(14,485)	(112)	(156,885)
Loan impairment losses during the year	423,124	-	39,691	307	463,122
Loan impairment allowance as at 31 December	**373,599**	**-**	**34,650**	**268**	**408,517**

(e) Significant credit exposures

As at 31 December 2007 the loan balances of the ten largest borrowers totaled 26% of loans to customers (2006: 19%). The gross value of these loans as of 31 December 2007 and 2006 was KZT 5,247,832 thousand and KZT 2,586,181 thousand, respectively.

(f) Loan maturities

The maturity of the Bank's loan portfolio is presented in Note 38, 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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

16 Amounts receivable under reserve repurchase agreements

	2007 '000 KZT	2006 '000 KZT
Banks and other financial institutions	16,553,178	1,721,504

As at 31 December 2007 and 2006, amounts receivable under reverse repurchase agreements were collateralised by the following securities:

	Fair Value 2007 '000 KZT	Fair Value 2006 '000 KZT
Bonds of the Ministry of Finance of RK	13,071,018	-
Notes of National Bank of RK	1,757,000	-
Bonds of JSC Eurasian Bank	707,000	603,201
Bonds of JSC Kazkommertsbank	500,069	483,404
Bonds of JSC Bank TuranAlem	450,003	-
Bonds of JSC Halyk Bank	-	400,400
Bonds of JSC RG Brands	-	234,499
	16,485,090	**1,721,504**

17 Available-for-sale securities

	2007 '000 KZT	2006 '000 KZT
Unpledged		
Debt instruments –Quoted		
Kazakh Government Eurobonds	-	2,467,425
Kazakh Government Ministry of Finance Bonds	6,102,272	1,464,872
Notes of the National Bank of RK	1,252,978	-
Equity instruments – *Unquoted*		
Central Depository shares	200	200
KASE	2,200	2,200
Pledged under sale and repurchase agreements		
Debt instruments – Unquoted		
Kazakh Government Ministry of Finance Bonds	533,076	-
	7,890,726	**3,934,697**

As at 31 December 2007 and 2006 equity investments consisted of ordinary shares of JSC "Central Depository" and KASE, which are unquoted and are stated at cost.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

18 Property and equipment

'000 KZT	Land	Buildings	Computer equipment	Office equipment	Vehicles	Other	CIP	Total
Cost								
At 1 January 2006	30,399	940,403	156,142	312,421	102,794	3,445	360,053	1,905,657
Additions	-	-	1,585	-	-	2,869	121,976	126,430
Disposals	-	-	(4,572)	(2,822)	(1,388)	(24)		(8,806)
Transfers	-	154,417	69,402	141,769	26,450	-	(392,038)	-
At 1 January 2007 (as restated)	**30,399**	**1,094,820**	**222,557**	**451,368**	**127,856**	**6,290**	**89,991**	**2,023,281**
Additions	-	47,265	74,267	148,343	31,542	1,794	22,113	325,324
Disposals	-	-	(23,943)	(60,898)	(40,062)	(2,654)	(2,143)	(129,700)
Transfers	110	54,313	-	-	-	-	(54,423)	-
At 31 December 2007	**30,509**	**1,196,398**	**272,881**	**538,813**	**119,336**	**5,430**	**55,538**	**2,218,905**
Depreciation								
At 1 January 2006	-	168,931	81,001	77,891	26,085	1,056	-	354,964
Depreciation charge (restated)	-	42,415	38,058	32,183	11,030	345	-	124,031
Disposals	-	-	(3,965)	(2,822)	(1,223)	(20)	-	(8,030)
At 1 January 2007 (as restated)	**-**	**211,346**	**115,094**	**107,252**	**35,892**	**1,381**	**-**	**470,965**
Depreciation charge	-	39,064	55,943	84,749	27,529	1,914	-	209,199
Disposals	-	-	(23,943)	(65,853)	(33,195)	(2,654)	-	(125,645)
At 31 December 2007	**-**	**250,410**	**147,094**	**126,148**	**30,226**	**641**	**-**	**554,519**
Carrying value								
At 31 December 2007	**30,509**	**945,988**	**125,787**	**412,665**	**89,110**	**4,789**	**55,538**	**1,664,386**
At 31 December 2006	30,399	883,474	107,463	344,116	91,964	4,909	89,991	1,552,316

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

19 Intangible assets

'000 KZT	Licenses	Software	Total
Cost			
At 1 January 2006	826	48,792	49,618
Additions	-	19,858	19,858
At 1 January 2007	**826**	**68,650**	**69,476**
Additions	-	33,038	33,038
At 31 December 2007	**826**	**101,688**	**102,514**
Amortisation			
At 1 January 2006	-	38,900	38,900
Amortisation charge	-	3,838	3,838
At 1 January 2007	**-**	**42,738**	**42,738**
Amortisation charge	-	3,972	3,972
At 31 December 2007	**-**	**46,710**	**46,710**
Carrying value			
At 31 December 2007	**826**	**54,978**	**55,804**
At 31 December 2006	826	25,912	26,738

20 Other assets

	2007 '000 KZT	2006 '000 KZT
Prepayments	86,390	124,837
Prepaid income tax	60,613	-
Transit accounts	35,898	73,549
Employee compensation	2,089	7,096
Inventories	7,090	4,665
Other debtors	33,857	32,174
	225,937	**242,321**
	(9,848)	-
	216,089	**242,321**

Analysis of movements in the impairment allowance

	2007 '000 KZT	2006 '000 KZT
Balance at the beginning of the year	-	-
Net (recovery)/charge for the year	9,848	-
Write-offs	-	-
Balance at the end of the year	**9,848**	-

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

21 Deposits and balances from banks and other financial institutions

	2007 '000 KZT	2006 '000 KZT
Correspondent accounts of other banks	276,772	28,862
Current bank loans	1,762	293,617
Accrued interest	39	1,040
Term deposits	-	190,518
	278,573	**514,037**

As at 31 December 2007 and 2006 the Bank had three banks and one bank whose balances approximated 10% of total deposits and balances from banks and other financial institutions. The gross value of these balances as at 31 December 2007 and 2006 were KZT 160,832 thousand and KZT 190,500 thousand, respectively.

22 Current accounts and deposits from customers

	2007 '000 KZT	2006 '000 KZT
Term deposits	8,872,570	9,870,129
Current accounts	8,642,907	5,609,473
Demand deposits	778,218	692,337
Accrued interest	178,571	167,625
	18,472,266	**16,339,564**

(a) Blocked accounts

As at 31 December 2007, the Bank maintained customer deposit balances of KZT 273,800 thousand (2006: KZT 457,156 thousand) which were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

(b) Concentration of current accounts and deposits from customers

As at 31 December 2007 the balances of the ten largest depositors totaled 8% of current accounts and deposits from customers (2006: 12%). The gross value of these balances as of 31 December 2007 and 2006 was KZT 1,558,671 thousand and KZT 1,945,912 thousand, respectively.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

23 Amount payable under repurchase agreements

	2007 '000 KZT	2006 '000 KZT
Banks and financial institutions	533,076	-

Securities pledged

As of 31 December 2007 the Bank had pledged certain securities as collateral under repurchase agreements (refer Note 17).

24 Subordinated debt securities issued

Emission	Currency	Issue date	Maturity date	Coupon Rate	2007 '000 KZT	2006 '000 KZT
2nd emission	KZT	July 2003-Sep 2004	July 2010	11%	2,984,870	2,990,957
3rd emission	KZT	Nov 2004	Nov 2011	8.5%	2,419,400	2,408,480
Accrued interest					208,219	205,396
					5,612,489	**5,604,833**

The subordinated debt securities issued comprise bonds issued on the local market which are subordinated to the claims of the Bank's depositors and other creditors.

25 Other liabilities

	2007 '000 KZT	2006 '000 KZT
Transit accounts	157,209	294,876
Sundry creditors	80,989	15,120
Taxes payable, other than income tax	68,836	15,387
Interest accrued	60,290	22,737
Unused vacation	36,329	21,563
Advances received	6,200	3,240
Settlements with employees	2,071	5,562
Provisions	-	1,481
	411,924	**379,966**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

26 Deferred tax liabilities

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 liabilities as at 31 December 2007 and 2006.

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

	Assets		Liabilities		Net	
	2007	2006 (restated)	2007	2006 (restated)	2007	2006 (restated)
Property, plant and equipment	-	1,366	(118,532)	(71,016)	(118,532)	(71,016)
Intangible assets			-	-	-	1,366
Loans to customers	-	-	(56,097)	(94,474)	(56,097)	(94,474)
Financial instruments at fair value through profit or loss	-	-	(11,370)	-	(11,370)	-
Other liabilities	10,898	1,259	-	-	10,898	1,259
Net tax assets/(liabilities)	**10,898**	**2,625**	**(185,999)**	**(165,490)**	**(175,101)**	**(162,865)**

The rate of tax applicable for deferred taxes was 30% (2006: 30%). The above deductible temporary differences do not expire under current tax legislation. The net deferred tax liability as at 31 December 2007 and 2006 has been reflected in these financial statements.

	2006	Recognised in income	2007
Property, plant and equipment	(71,016)	(47,516)	(118,532)
Intangible assets	1,366	(1,366)	-
Loans to customers	(94,474)	38,377	(56,097)
Financial instruments at fair value through profit or loss	-	(11,370)	(11,370)
Other liabilities	1,259	9,639	10,898
Net tax assets/(liabilities)	**(162,865)**	**(12,236)**	**(175,101)**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

27 Share capital

(a) Share capital

The Bank's authorised, issued and outstanding share capital comprises 10,000,000 ordinary shares (2006: 2,000,000). All shares have a par value of KZT 1,000. During 2007 8,000,000 ordinary shares were issued at KZT 3,375, which resulted in a share premium of KZT 19,000,000 thousand. As at 31 December 2007 and 2006 all of the issued shares were owned by OJSC "Joint Commercial Savings Bank of Russian Federation", except for 47 shares that are owned by three individuals.

(b) Earnings per share

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

	2007 '000 KZT	2006 '000 KZT
Net income attributable to common shareholders	1,251,203	980,974
Weighted average number of common shares for basic earnings per share	3,863,014	2,000,000
Basic earnings per share (KZT)	**324**	**490**

28 Segment information

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.

29 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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

29 Risk management, continued

(a) Risk management policies and procedures, continued

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 operate 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 President 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. 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.

(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 optimizing the return on risk.

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

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

29 Risk management, continued

(b) Market risk, continued

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, component of market 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 utilizes Value-at-Risk (VaR) methodology to monitor market risk of its trading positions.

(i) 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 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 2007 and 31 December 2006 is as follows:

	31 December 2007		31 December 2006	
	Net income	Equity	Net income	Equity
100 bp parallel increase	215,759	215,759	(29,968)	(29,968)
100 bp parallel decrease	(215,759)	(215,759)	29,968	29,968

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

29 Risk management, continued

(b) Market risk, continued

(ii) 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 model used by the Bank is based upon a 99 percent confidence level and assumes a 1 or 10-day holding period depending on the type of positions. The VaR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account inter-relationships between different markets and rates. Potential movements in market prices are determined with reference to market data from at least the last 12 months.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets:

- The use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those which are of an extreme nature.

- A 1 or 10-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period.

- The use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR.

- As VaR is only calculated on the end-of-day bases and does not necessarily reflect exposures that may arise on positions during the trading day.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

29 Risk management, continued

(b) Market risk, continued

(iii) Value at Risk (VAR) estimates, continued

- The VAR measure is dependent upon the Bank's position and the volatility of market 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.

A summary of the VaR estimates in respect of the Bank's portfolio of financial instruments at fair value through profit or loss and available-for-sale securities as at 31 December 2007 is as follows:

	31 December 2007	31 December 2007
Foreign exchange risk	1,185	10,575
Fixed income securities interest rate risk	47,435	63,870
	48,620	**74,445**

(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'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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

29 Risk management, continued

(c) Credit risk, continued

Corporate loan applications are originated by the relevant client managers and are then passed on to the Loan Department, which 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 application and the report are then independently reviewed by the Bank Risk Management Division and a second opinion is given accompanied by a check that credit policy requirements have been met. The Credit Committee reviews the loan application on the basis of submissions by the Loan Department and the Risk Management Division. Individual transactions are also reviewed by the Bank's Legal and Accounting Departments depending on the specific risks and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by 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 applications are reviewed by the Bank's Retail Lending Division through the use of scoring models and application data verification procedures developed together with the Risk Management Division.

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

The Bank's maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet and off-balance sheet credit exposures in Note 31. 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 and advances to customers refer to Note 15 "Loans to customers".

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

29 Risk management, continued

(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.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor 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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

29 Risk management, continued

(d) Liquidity risk, continued

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 an adequate 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, to ensure that sufficient liquidity is maintained within the Bank as a whole.

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 National Bank of the Republic of Kazakhstan.

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 gross 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.

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

'000 KZT	Less than 1 month	From 1 to 3 month	From 3 to 12 months	From 1 to 5 year	No maturity	Total gross amount	Carrying amount
Deposits and balances from banks and other financial institutions	278,951	-	-	-	-	278,951	278,573
Current accounts and deposits from customers	10,671,588	1,457,137	3,991,389	2,744,896	-	18,865,010	18,472,266
Amounts payable under repurchase agreements	536,553	-	-	-	-	536,553	533,076
Subordinated debt securities issued	-	-	-	6,933,365	-	6,933,365	5,612,489
Other liabilities	407,618	-	4,306	-	175,101	587,025	587,025
Total	**11,894,710**	**1,457,137**	**3,995,695**	**9,678,261**	**175,101**	**27,200,904**	**25,483,429**

KPMG Audit LLC
STAMPED FOR IDENTIFICATION PURPOSE

29 Risk management, continued

(d) Liquidity risk, continued

The position of the Bank as at 31 December 2006 was as follows:

'000 KZT	Demand and less than 1 month	From 1 to 3 month	From 3 to 12 months	From 1 to 5 year	No maturity	Total gross amount	Carrying amount
Non-derivative liabilities							
Deposits and balances from banks and other financial institutions	-	514,476	-	-	-	514,476	514,037
Current accounts and deposits from customers	7,630,316	1,459,640	5,551,263	1,840,505	-	16,481,724	16,339,564
Subordinated debt securities issued	-	-	-	6,933,365	-	6,933,365	5,604,833
Other liabilities	338,784	-	41,182	-	162,865	542,831	542,831
Total	**7,969,100**	**1,974,116**	**5,592,445**	**8,773,870**	**162,865**	**24,472,396**	**23,001,265**

For further information on the Bank's exposure to liquidity risk at year end refer to Note 37.

30 Capital management

The Financial Markets Supervision Agency (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 ratio of total capital to risk weighted assets, contingent liabilities, operational and market risks above prescribed minimum levels. As at 31 December 2007, this minimum level of tier 1 capital to total assets is 0.06 (2006: 0.06) and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risks is 0.12 (2006: 0.12). The Bank was in compliance with the statutory capital ratios during the years ended 31 December 2007 and 31 December 2006.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

30 Capital management, continued

The following table shows the composition of the Bank's capital position calculated in accordance with the requirements of the FMSA, as at 31 December:

	2007 '000 KZT	2007 '000 KZT
Tier 1 capital		
Share capital	29,000,000	2,000,000
Retained earnings of prior periods	1,430,474	649,500
Total tier 1 capital	**30,430,474**	**2,649,500**
Tier 2 capital		
Excess of current year income over current year expenses	1,251,203	980,974
Asset revaluation reserve	-	-
Subordinated debt of second tier	3,735,520	1,331,289
Total tier 2 capital	**4,986,723**	**2,312,263**
Tier 3 capital		
Subordinated debt of second tier	-	40,209
Total tier 3 capital	**-**	**40,209**
Total capital	**35,417,197**	**5,001,972**
Risk-weighted assets, contingent liabilities, operational risk:		
Risk weighted assets	46,522,169	17,785,901
Risk weighted contingent liabilities	30,988,818	283,953
Operational risk	1,224,134	736,480
Total risk-weighted assets, contingent liabilities, operational risk	**78,735,121**	**18,806,334**
Tier 1 capital to total assets	**52.9%**	**9.9%**
Total capital to risk -weighted assets, contingent liabilities, operational risk	**45.0%**	**26.6%**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

31 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 and contingent liabilities 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.

	2007 '000 KZT	2006 '000 KZT
Contracted amount		
Loan and credit line commitments	368,317	777,678
Guarantees and letters of credit	977,977	262,852
Provisions	-	(1,481)
	1,346,294	**1,039,049**

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

Analysis of movements in the provision for impairment

	2007 '000 KZT	2006 '000 KZT
Balance at the beginning of the year	1,481	148
Net charge for the year	-	1,481
Write-off	(1,481)	(148)
Balance at the end of the year	**-**	**1,481**

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

32 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. The management are not aware of any significant considerable or potential litigation against the Bank.Taxation contingencies

(c) Taxation

The taxation system in the Republic of Kazakhstan is relatively new and is characterized 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 tax legislation. 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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

33 Related party transactions

(a) Control relationships

The Bank's immediate parent is OJSC "Commercial Savings Bank of Russian Federation". The ultimate controlling party of the Bank is the Government of the Russian Federation. Publicly available financial statements are produced by the Bank's immediate parent.

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

Total remuneration included in employee compensation (refer Note 11), comprises only short-term employee benefits:

	2007 '000 KZT	2006 '000 KZT
Members of the Board of Directors and Management Board	70,178	84,066

The above amounts include non-cash benefits in respect of members of the Management Board.

The outstanding balances and average interest rates as at 31 December 2006 with members of the Board of Directors and the Management Board are as follows:

	2007 '000 KZT	Average Interest Rate	2006 '000 KZT	Average Interest Rate
Balance Sheet				
Assets				
Loans to customers	47,815	12.3%	20,103	13%

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

	2007 '000 KZT	2006 '000 KZT
Income statement		
Interest income	5,448	3,356

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

33 Related party transactions, continued

Transactions with other related parties

	Parent company	
	2007 '000 KZT	**2007 Average Interest Rate**
Placements with banks and other financial institutions	2,040,935	8.4 %
Financial instruments at fair value through profit or loss	37,900	-
Interest income	25,996	-

34 Cash and cash equivalents

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

	2006 '000 KZT	**2006 '000 KZT**
Cash	2,656,966	2,055,145
Due from National Bank of the Republic of Kazakhstan	3,819,296	3,596,796
Nostro accounts	1,803,558	474,397
Placements with banks and other financial institutions with an original maturity of up to 3 months	4,368,093	12,700
Obligatory reserve	(1,298,875)	(1,536,891)
	11,349,038	**4,602,147**

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 physical cash and maintained based on average monthly balances of the aggregate of deposits with the NBRK and physical cash. The use of such funds is restricted, therefore they are excluded from cash and cash equivalents.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

35 Fair value of financial instruments

The Bank has performed an assessment of its financial instruments, as required by IFRS 7 "Financial Instruments: Disclosure and Presentation".

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

The estimated fair value of fixed rate balances due from other banks, including central banks, is calculated based on discounted expected future principal and interest cash flows.

The estimated fair value of quoted trading securities, available-for-sale assets, held to maturity investments and derivative financial instruments is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The estimated fair value of loans and advances to customers represents the discounted amount of estimated future cash flows expected to be received.

The estimated fair value of due to other banks and customer accounts balances, which are payable on demand, is their carrying value. The estimated fair value of due to other banks and customer accounts balances, which are not payable on demand, and other borrowed funds, which are not quoted in the active market, is calculated based on discounted expected future principal and interest cash flows.

The estimated fair value of debt securities in issue is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The estimated fair value of all other financial instruments represents the discounted amount of estimated future cash flows expected to be received.

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 for a similar instrument at the balance sheet date.

Management of the Bank believes that fair value of financial instruments does not differ significantly from their carrying value.

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.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

36 Average effective interest rate

The table below displays the Bank's interest bearing assets and liabilities as at 31 December 2006 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	2007 Average effective interest rate, %	Value '000 KZT	2006 Average effective interest rate, %
Interest Bearing Assets				
Placements with banks and other financial institutions				
- KZT	283	0.5	22,099	0.5
- USD	1,434,013	2.7	215,480	0.5
- other currencies	369,262	2.8	236,818	0.5
Nostro accounts	**1,803,558**		**474,397**	
- USD	3,475,944	3.9	12,700	4.0
- other currencies	892,149	4.0	-	-
Loans and deposits	**4,368,093**		**12,700**	
- KZT	100,067	6.1	100,537	4.8
Financial instruments at fair value through profit or loss	**100,067**		**100,537**	
- KZT	16,499,810	26.0	11,294,815	27.0
- USD	1,546,545	22.0	1,280,588	23.0
- other currencies	283,567	24.0	236,251	24.0
Loans to customers	**18,329,922**		**12,811,654**	
Amounts receivable under repurchase agreements				
- KZT	16,533,178	9.2	1,721,504	3.0
- KZT	7,890,726	5.8	1,465,538	6.1
- USD	-	-	2,469,159	5.4
Available-for-sale securities	**7,890,726**		**3,934,697**	
- KZT	-	-	199,335	6.1
Held to maturity investments	**-**		**199,335**	

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

36 Average effective interest rate, continued

	2007 Value '000 KZT	2007 Average effective interest rate, %	2006 Value '000 KZT	2006 Average effective interest rate, %
Interest Bearing Liabilities				
- KZT	222,975	8.0	204,239	3.4
- USD	27,872	3.7	265,196	3.7
- other	27,726	4.0	44,602	4.9
Deposits and balances from banks and other financial institutions	**278,573**		**514,037**	
- KZT	533,076	1.8	-	-
Amount payable under repurchase agreements	**533,076**		-	
Current accounts and deposits from customers				
- KZT	7,590,779	1.0	5,262,185	1.5
- USD	1,454,455	0.8	1,021,040	0.8
- other currencies	375,939	0.5	186,210	0.5
Current accounts and demand deposits	**9,421,173**		**6,469,435**	
- KZT	5,086,497	8.6	6,297,907	11.5
- USD	2,633,518	9.4	3,261,246	10.5
- other currencies	1,331,078	7.0	310,976	7.2
Term deposits	**9,051,093**		**9,870,129**	
- KZT	5,612,489	11.5	5,604,833	11.0
Subordinated debt securities issued	**5,612,489**		**5,604,833**	

37 Maturity analysis

The following table shows banking assets and liabilities by remaining contractual maturity dates as at 31 December 2007 and 2006. Due to the fact that substantially all the financial instruments of by the Bank are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

37 Maturity analysis, continued

'000 KZT Assets	Less than 1 month	1 to 3 Months	3 months to 1 year	1 year to 5 years	More than 5 years	No maturity	Total
Cash	2,656,966	-	-	-	-	-	2,656,966
Due from the National Bank of the Republic of Kazakhstan	3,819,296	-	-	-	-	-	3,819,296
Placements with banks and other financial institutions	6,175,254	-	-	-	-	-	6,175,254
Financial instruments at fair value through profit or loss	-	-	137,967	-	-	-	137,967
Loans to customers	665,417	706,974	6,343,668	10,613,863	-	-	18,329,922
Amounts receivable under reverse repurchase agreements	16,553,178	-	-	-	-	-	16,553,178
Available-for-sale securities	-	405,365	5,158,334	2,324,627	-	2,400	7,890,726
Property and equipment	-	-	-	-	-	1,664,386	1,664,386
Intangible assets	-	-	-	-	-	55,804	55,804
Other assets	153,543	20,655	40,302	1,589	-	-	216,089
Total assets	**30,023,654**	**1,132,994**	**11,680,271**	**12,940,079**	**-**	**1,722,590**	**57,499,588**
Liabilities							
Deposits and balances from banks and other financial institutions	278,573	-	-	-	-	-	278,573
Current accounts and deposits from customers	10,688,670	1,477,552	3,973,252	2,332,752	40	-	18,472,266
Amounts payable under repurchase agreements	533,076	-	-	-	-	-	533,076
Subordinated debt securities issued	162,250	-	45,969	5,404,270	-	-	5,612,489
Other liabilities	407,618	-	4,306	-	-	-	411,924
Deferred tax liability	-	-		-	-	175,101	175,101
Total liabilities	**12,070,187**	**1,477,552**	**4,023,527**	**7,737,022**	**40**	**175,101**	**25,483,429**
Net position as at 31 December 2007	**17,953,467**	**(344,558)**	**7,656,744**	**5,203,057**	**(40)**	**1,547,489**	**32,016,159**
Net position as at 31 December 2006	(178,731)	(1,316,601)	(1,823,508)	4,668,044	952,860	1,424,804	3,726,868

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE

38 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2007:

	KZT '000 KZT	USD '000 KZT	Other currencies '000 KZT	Total '000 KZT
Assets				
Cash	1,549,710	874,802	232,454	2,656,966
Due from the National Bank of the Republic of Kazakhstan	811,797	3,007,499	-	3,819,296
Placements with banks and other financial institutions	283	4,909,957	1,265,014	6,175,254
Financial instruments at fair value through profit or loss	100,067	37,900	-	137,967
Loans to customers	16,499,810	1,546,545	283,567	18,329,922
Amounts receivable under reverse repurchase agreements	16,553,178	-	-	16,553,178
Available-for-sale securities	7,890,726			7,890,726
Property and equipment	1,664,386	-	-	1,664,386
Intangible assets	55,804	-	-	55,804
Other assets	85,274	73,327	57,488	216,089
Total assets	**45,211,035**	**10,450,030**	**1,838,523**	**57,499,588**
Liabilities				
Deposits and balances from banks and other financial institutions	222,975	27,872	27,726	278,573
Current accounts and deposits from customers	12,677,279	4,087,971	1,707,016	18,472,266
Amounts payable under repurchase agreements	533,076	-	-	533,076
Subordinated debt securities issued	5,612,489	-	-	5,612,489
Other liabilities	177,513	109,721	124,690	411,924
Deferred tax liability	175,101	-	-	175,101
Total liabilities	**19,398,433**	**4,225,564**	**1,859,432**	**25,483,429**
Net balance sheet position as at 31 December 2007	**25,812,602**	**6,224,466**	**(20,909)**	**32,016,159**
Net off balance sheet position as of 31 December 2007	**6,106,900**	**(6,069,000)**	**-**	**37,900**
Net on and off balance sheet positions as at 31 December 2007	**31,919,502**	**155,466**	**(20,909)**	**32,054,059**
Net balance sheet position as at 31 December 2006	3,580,631	92,634	53,603	3,726,868

KPMG Audit LLC
1
STAMPED FOR IDENTIFICATION PURPOSE