

JSC Kazakhstan Mortgage Company

Financial Statements

for the year ended 31 December 2007

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Independent Auditors' Report

To the Board of Directors of JSC Kazakhstan Mortgage Company

Report on the Financial Statements

We have audited the accompanying financial statements of JSC Kazakhstan Mortgage Company (the "Company"), 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 the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.


Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company 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

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




Wilson Mitchell
Audit Partner


4 March 2008

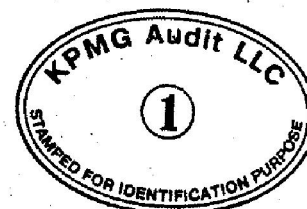
JSC Kazakhstan Mortgage Company
Income Statement for the year ended 31 December 2007

	Note	2007 '000 KZT	2006 '000 KZT
Interest income	4	6,096,331	4,893,304
Interest expense	4	(3,965,866)	(2,915,873)
Net interest income		2,130,465	1,977,431
Fee and commission income	5	125,669	160,031
Fee and commission expense	5	(63,909)	(78,151)
Net fee and commission income		61,760	81,880
Net loss on financial instruments at fair value through profit or loss	6	(51,447)	(144,927)
Net foreign exchange gain		4,134	-
Other income		13,335	22,930
		2,158,247	1,937,314
Impairment losses	7	-	(65,250)
General administrative expenses	8	(1,140,425)	(890,434)
Income before taxes		1,017,822	981,630
Income tax expense	9	-	-
Net income		1,017,822	981,630
Basic earnings per share, in KZT	21	564	650

The financial statements as set out on pages 5 to 40 were approved on March 4, 2008.

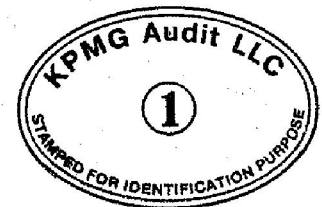



 Absattarova R.K.
 Chief Accountant



*JSC Kazakhstan Mortgage Company
Balance Sheet as at 31 December 2007*

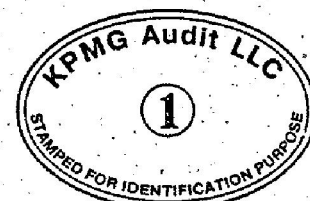
	Note	2007 '000 KZT	2006 '000 KZT
ASSETS			
Cash and cash equivalents	10	11,498,717	189,146
Placements with banks and other financial institutions	11	5,744,540	2,530,205
Financial instruments at fair value through profit or loss	12	72,879	1,821,903
Amounts receivable under reverse repurchase agreements	13	15,283,381	-
Loans to customers	14	60,153,057	46,962,434
Held-to-maturity investments	15	11,090,663	11,153,566
Property and equipment	16	1,204,526	1,176,481
Intangible assets	17	154,118	61,246
Other assets		31,181	11,981
Total assets		105,233,062	63,906,962
LIABILITIES AND SHAREHOLDERS' EQUITY			
Debt securities issued	18	53,490,593	43,700,709
Other borrowed funds	19	22,092,268	-
Other liabilities	20	638,165	203,128
Total liabilities		76,221,026	43,903,837
Shareholders' equity	21		
Share capital		26,420,000	17,920,000
Reserve capital		1,937,804	1,070,957
Retained earnings		654,232	1,012,168
Total shareholders' equity		29,012,036	20,003,125
Total liabilities and shareholders' equity		105,233,062	63,906,962



The balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 9 to 40.

JSC Kazakhstan Mortgage Company
Statement of Cash Flows for the year ended 31 December 2007

	Note	2007 '000 KZT	2006 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before taxes		1,017,822	981,630
Adjustments for non-cash items:			
Net (gain)/loss on financial instruments at fair value through profit or loss		(732)	144,923
Depreciation and amortisation		122,665	45,647
Net loss on disposal of property and equipment		939	-
Impairment losses		-	65,250
Operating income before changes in working capital		1,140,694	1,237,450
(Increase)/decrease in operating assets			
Placements with banks and other financial institutions		(3,174,290)	(711,766)
Financial instruments at fair value through profit or loss		1,785,425	502,143
Amounts receivable under reverse repurchase agreements		(15,283,381)	-
Loans to customers		(13,066,477)	(11,923,296)
Held-to-maturity securities		22,437	(11,518,231)
Other assets		(19,200)	(3,642)
Increase/(decrease) in operating liabilities			
Amounts payable under repurchase agreements		-	(219,034)
Other liabilities		435,032	106,648
Net cash from operating activities		(28,159,760)	(22,529,728)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(196,516)	(1,022,606)
Purchase of intangible assets		(32,249)	(39,390)
Net cash from from investing activities		(228,765)	(1,061,996)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of share capital		8,500,000	9,020,000
Proceeds from debt securities issued		15,350,182	20,576,972
Repurchase/redemption of debt securities issued		(6,110,000)	(7,088,900)
Proceeds from other borrowers funds		22,054,230	-
Dividends paid		(96,316)	(70,508)
Cash flows from financing activities		39,698,096	22,437,564
Net increase/(decrease) in cash and cash equivalents		11,309,571	(1,154,160)
Cash and cash equivalents at the beginning of the year		189,146	1,343,306
Cash and cash equivalents at the end of the year	10	11,498,717	189,146



The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 9 to 40.

JSC Kazakhstan Mortgage Company
Statement of Changes in Shareholder's Equity for the year ended 31 December 2007

	Share capital '000 KZT	Reserve capital '000 KZT	Retained earnings '000 KZT	Total '000 KZT
Balance at 1 January 2006	8,900,000	436,382	848,085	10,184,467
Net income for the year	-	-	981,630	981,630
Shares issued	9,020,000	-	-	9,020,000
Dividends declared	-	-	(182,972)	(182,972)
Transfer to reserve capital	-	634,575	(634,575)	-
Balance at 31 December 2006	17,920,000	1,070,957	1,012,168	20,003,125
Net income for the year	-	-	1,017,822	1,017,822
Shares issued	8,500,000	-	-	8,500,000
Dividends declared	-	-	(508,911)	(508,911)
Transfer to reserve capital	-	866,847	(866,847)	-
Balance at 31 December 2007	26,420,000	1,937,804	654,232	29,012,036



1 Background

(a) Principal activities

JSC "Kazakhstan Mortgage Company" (the "Company") was established on 29 December 2000 in accordance with resolution number 469 of the National Bank of the Republic of Kazakhstan ("NBRK") dated 20 December 2000. The Company operates under a licence issued by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "FMSA") dated 27 April 2004 for lending in national currency, factoring and issuing its own securities. The principal activities of the Company are the purchase of mortgage loans from banks and credit institutions.

The Company's official address is 34 Abylai-khan avenue, Almaty, Kazakhstan. The Company has a representative office in Astana.

The number of persons employed by the Company as at 31 December 2007 was 192 (2006: 152).

In 2007 Moody's Investors Service confirmed JSC Kazakhstan Mortgage Company's long-term local currency issuer rating of Baa1.

The Company is wholly-owned by the Ministry of Finance of the Republic of Kazakhstan.

(b) Kazakhstan business environment

The Republic of Kazakhstan 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 Company. The future business environment may differ from management's assessment.

2 Basis of preparation

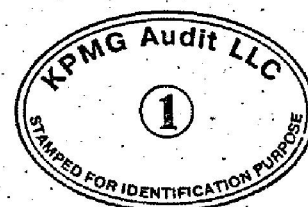
(a) Statement of compliance

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

(b) Functional and presentation currency

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

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



2 Basis of preparation, continued

(c) 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. 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 14 – Loans to customers.

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 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.

(b) Cash and cash equivalents

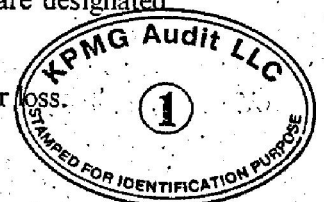
The Company considers cash, its current account with the National Bank of the Republic of Kazakhstan and short-term deposits with an original maturity of less than 3 months to be cash and cash equivalents.

(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 Company as at fair value through profit or loss.



3 Significant accounting policies, continued

(c) Financial instruments, continued

(i) Classification, continued

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

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

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

Financial assets and liabilities at fair value through profit or loss are not reclassified subsequent to initial recognition.

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 Company intends to sell immediately or in the near term;
- the Company upon initial recognition designates as at fair value through profit or loss;
- the Company upon initial recognition designates as available-for-sale; or
- the Company 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 Company has the positive intention and ability to hold to maturity, other than those that:

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

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

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



3 Significant accounting policies, continued

(c) Financial instruments, continued

(ii) Recognition

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

(iii) Measurement

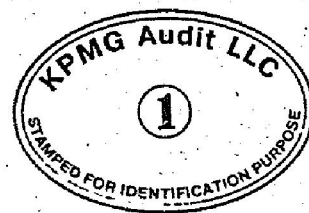
A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

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

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



3 Significant accounting policies, continued

(c) Financial instruments, continued

(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.

(v) *Gains and losses on subsequent measurement*

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

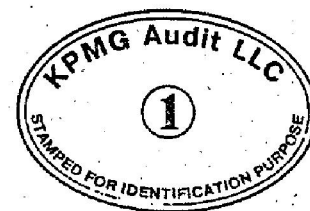
- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in the income statement;

- a gain or loss on an available-for-sale financial asset is recognised directly in equity through the statement of changes in shareholder's 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 Company transfers substantially all 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.



3 Significant accounting policies, continued

(c) Financial instruments, continued

(vii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the balance sheet and the counterparty liability included in amounts payable under repurchase agreements. 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 repurchase agreements. 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.

(d) 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:

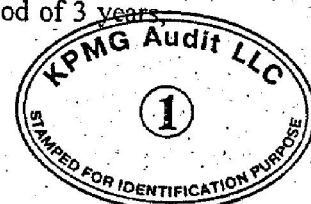
Building	40 years;
Office equipment	7 years;
Vehicles	7 years;
Computer equipment	3 years;
Other assets	5-10 years.

(e) Intangible assets

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

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 a period of 3 years, being the estimated useful lives of intangible assets.



3 Significant accounting policies, continued

(f) 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 Company 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.

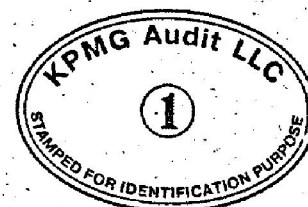
The Company first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Company determines that no objective evidence of 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 Company uses its experience and judgment 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 Company writes off a loan balance (and any related allowances for loan losses) when the Company's management determines that the loans are uncollectable and when all necessary steps to collect the loan are completed.



3 Significant accounting policies, continued

(f) 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 be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

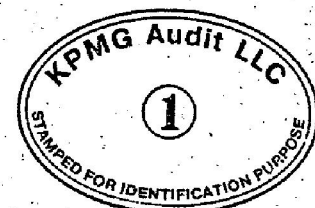
(iii) *Non financial assets*

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

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

(g) Provisions

A provision is recognised in the balance sheet when the Company 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.



3 Significant accounting policies, continued

(b) 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.

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 following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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.

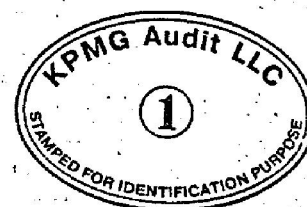
(i) Income and expense recognition

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

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

(j) Changes in accounting policies

As at 1 January 2007, the Company 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 Company's financial instruments and the nature and extent of risks arising from financial instruments and increased disclosure in respect of Company's objectives, policies and processes for managing capital.



3 Significant accounting policies, continued

(k) 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 Company's operations. The Company plans to adopt these pronouncements when they become effective. The Company has not yet analysed the likely impact of these new standards on its financial statements.

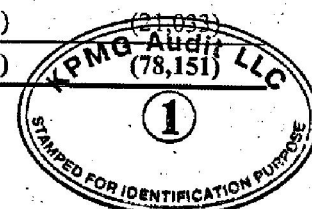
International Financial Reporting Standard IAS 1 "Presentation of Financial Statements" (Revised), which is effective for annual periods beginning on or after 1 January 2009, specifies how an entity should present changes in equity not resulting from transactions with owners and other changes in equity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

4 Net interest income

	2007 '000 KZT	2006 '000 KZT
Interest income		
Loans to customers	5,013,884	4,222,383
Held-to-maturity investments	737,938	459,963
Placements with banks and other financial institutions	236,334	157,053
Financial instruments at fair value through profit or loss	60,480	40,649
Amounts receivable under reverse repurchase agreements	47,695	13,256
	6,096,331	4,893,304
Interest expense		
Debt securities issued	(3,927,853)	(2,915,873)
Other borrowed funds	(38,013)	-
	(3,965,866)	(2,915,873)

5 Fee and commission income and expense

	2007 '000 KZT	2006 '000 KZT
Commission income		
Fees from loan prepayments	120,233	154,108
Commission income	5,436	5,923
	125,669	160,031
Commission expense		
Commission expense on trust operations	(32,576)	(35,793)
Brokerage fees	(2,685)	(20,745)
Commission expenses on transfer operations	(778)	(580)
Other commission expense	(27,870)	(21,033)
	(63,909)	(78,151)



6 Net loss on financial instruments at fair value through profit or loss

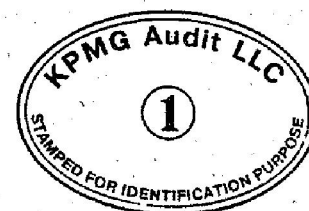
	2006 '000 KZT	2005 '000 KZT
Net realised loss on financial instruments at fair value through profit or loss	(52,179)	(4)
Net unrealised gain/(loss) on revaluation of financial instruments at fair value through profit or loss	732	(144,923)
	(51,447)	(144,927)

7 Impairment losses

	2007 '000 KZT	2006 '000 KZT
Property and equipment	-	65,250
	-	65,250

8 General administrative expenses

	2007 '000 KZT	2006 '000 KZT
Employee compensation	592,676	463,611
Taxes other than on income	164,816	83,455
Depreciation and amortisation	122,665	45,648
Advertising and marketing	89,210	101,054
Payroll related taxes	57,722	51,207
Professional services	17,500	11,565
Communications and information services	15,694	11,988
Occupancy	14,432	50,927
Maintenance	12,438	8,337
Travel expenses	8,712	6,171
Office supplies	1,940	1,144
Other	42,620	55,327
	1,140,425	890,434



9 Income tax expense

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

Interest earned on the mortgage loans issued to individuals for more than three years can be excluded from the Company's taxable income under the Law of 1995 *On Taxes and Other Mandatory Payments to the Budget*. This privilege is valid until 1 January 2008. If the combination of excluded income plus deductible expenses creates an operating loss, the loss can not be carried forward to future years.

Reconciliation of effective tax rate:

	2007		2006	
	'000 KZT	%	'000 KZT	%
Income before tax	1,017,822	100%	981,630	100%
Income tax using the applicable tax rate	305,347	30%	294,489	30%
Non-taxable items	(305,347)	(30%)	(294,489)	(30%)
Total income tax expense	-	-	-	-

10 Cash and cash equivalents

	2007	2006
	'000 KZT	'000 KZT
Current account with the National Bank of the Republic of Kazakhstan	428,308	189,146
Current accounts with other banks	4,989,622	-
Short-term deposit with other banks	6,080,787	-
	11,498,717	189,146

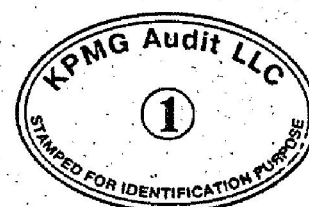
As at 31 December 2007 short-term deposits consisted of two deposits in local banks with interest rates of 8.5% and 9% per annum that were repaid in January 2008.

11 Placements with banks and other financial institutions

As at 31 December 2007 and 2006 the Company placed term deposits in local banks that carry interest rates ranging from 9% to 12.5% per annum (2006: 7% - 9% per annum) and have maturities from April 2008 to January 2009 (2006: March-April 2007).

12 Financial instruments at fair value through profit or loss

As at 31 December 2007 and 2006 financial instruments at fair value through profit or loss consist of Treasury bills of the Ministry of Finance of the Republic of Kazakhstan.



13 Amounts receivable under reverse repurchase agreements

	2007	2006
	Amounts	Amounts
	'000 KZT	'000 KZT
Amounts receivable from local banks and other financial institutions	15,283,381	-

Collateral

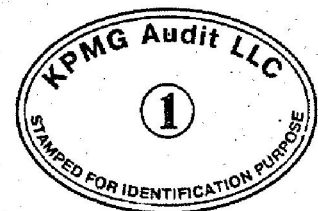
Amounts receivable under reverse repurchase agreement as of December 31, 2007 were collateralised by Treasury bills of the Ministry of Finance of the Republic of Kazakhstan.

14 Loans to customers

Loans to customers comprise mortgage loans purchased from commercial banks and credit institutions of the Republic of Kazakhstan. The loans comprise only KZT denominated mortgage loans due from individuals located within the Republic of Kazakhstan. All loans are secured by real estate collateral.

	2007	2006
	'000 KZT	'000 KZT
Mortgage loans with recourse to the seller	40,326,052	37,227,479
Mortgage loans without recourse to the seller		
- with guarantee	19,170,742	9,212,921
- without guarantee	174,247	164,159
Accrued interest	482,016	357,875
	60,153,057	46,962,434

Loans to customers carry interest rates ranging from 7.9% to 12.04% per annum (2006: 7.5% to 9.9% per annum).



14 Loans to customers, continued

(a) Credit quality of mortgage loans

The following table provides information on the credit quality of mortgage loans as at 31 December 2007 and 2006:

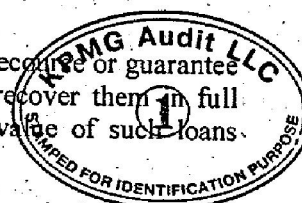
	2007 '000 KZT	2006 '000 KZT
Mortgage loans with recourse to the seller		
- Current	38,944,561	36,731,338
- Overdue less than 30 days	476,851	32,585
- Overdue 30-89 days	802,895	704,140
- Overdue 90-179 days	220,613	45,285
- Overdue 180-360 days	206,881	-
Mortgage loans without recourse to the seller guaranteed by the JSC Kazakhstan Fund of Guaranteeing Mortgage Loans		
- Current	18,857,553	9,241,204
- Overdue less than 30 days	290,492	-
- Overdue 30-89 days	81,455	24,828
- Overdue 90-179 days	46,009	-
- Overdue 180-360 days	51,500	18,895
Mortgage loans without recourse to the seller and without guarantee of JSC Kazakhstan Fund of Guaranteeing Mortgage Loans		
- Current	9,603	21,780
- Overdue less than 30 days	3,032	-
- Overdue 30-89 days	16,456	-
- Overdue 90-179 days	2,777	-
- Overdue 180-360 days	-	142,379
- Overdue more than 360 days	142,379	-
	60,153,057	46,962,434

(b) Analysis of impairment

As described in Note 2, the Company uses its experience and judgment to estimate the amount of impairment loss for loans to customers.

The significant assumptions used in determining impairment losses for mortgage loans include:

- Mortgage loans with recourse overdue more than 60 days can be sold back by the Company at any time at their gross amounts. Loans over 90 days were in process of sale back to the seller at 31 December 2007.
- Mortgage loans guaranteed by the State Fund JSC Kazakhstan Fund of Guaranteeing Mortgage Loans ("JSC KFGML") can be recovered from the guarantor if the sale of the collateral is not sufficient to repay the loan in full.
- Management assumed that the Company can sell mortgage loans without recourse or guarantee and overdue more than 360 days for 100% of their gross amounts, or recover them in full through the sale of the collateral. Management believes the collateral value of such loans exceeds the amount of the loans.



14 Loans to customers, continued

(b) Analysis of impairment, continued

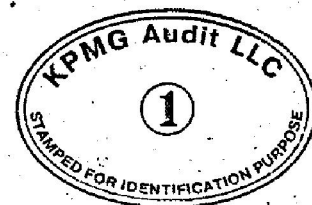
The Company has reviewed its current loan portfolio and has not identified any loans which display indicators of impairment, except for those without recourse or guarantee and contractually overdue. In addition, the Company historically has had no loans losses. On this basis the Company determined that any provision for impairment is not necessary.

(c) Analysis of collateral

Mortgage loans are secured by underlying housing real estate. The Company has an average ratio of mortgage loan to collateral value of 70%. In cases when the loan is guaranteed by JSC KFGML, this ratio can be increased to 90%. As at 31 December 2007 mortgage loans in the total amount of KZT 19,327,009 thousand were guaranteed by this State Fund. For the remaining mortgage loans without JSC KFGML's guarantee this ratio is 75% on average. The Company estimates that the fair value of the collateral for overdue mortgage loans is at least equal to 100% of the mortgage balance.

15 Held-to-maturity investments

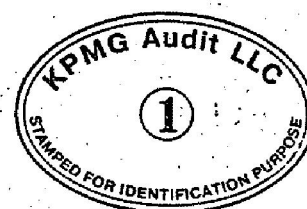
	2007 '000 KZT	2006 '000 KZT
Government bonds		
Treasury bills of the Ministry of Finance of Republic of Kazakhstan	2,233,748	2,258,545
Corporate bonds		
JSC Bank Kaspiyskiy	2,235,773	2,254,315
JSC Bank CenterCredit	1,689,348	1,687,310
JSC Tsesna Bank	1,392,999	1,392,852
JSC Kazakhstan Kagazy	731,812	740,354
JSC Doszhan Temir Zholy	715,238	718,073
JSC Astana Finance	508,314	-
JSC ROSA	420,796	422,172
JSC Kazinvest Bank	311,186	315,371
JSC Alliance Bank	287,363	283,125
JSC Halyk Bank	225,187	226,638
JSC Bank Turan Alem	176,107	179,675
JSC Karazhanbasmunay	162,792	170,289
JSC ALMEX	-	504,847
	11,090,663	11,153,566



16 Property and equipment

'000 KZT	Land	Building	Computer equipment	Vehicles	Other assets	Equipment to be installed	Total
<i>Cost</i>							
At 1 January 2007	121,958	541,061	80,389	9,497	29,573	506,200	1,288,678
Additions	-	-	11,238	6,216	47,522	132,436	197,412
Disposals	-	-	(237)	(5,857)	(282)	-	(6,376)
Transfers	-	-	282,400	-	109,800	(392,200)	-
Transfers to intangible assets	-	-	-	-	-	(101,210)	(101,210)
At 31 December 2007	121,958	541,061	373,790	9,856	186,613	145,226	1,378,504
<i>Depreciation and impairment losses</i>							
At 1 January 2007	-	2,098	30,315	5,926	8,608	65,250	112,197
Depreciation charge	-	13,527	46,687	1,072	20,792	-	82,078
Disposals	-	-	-	(5,437)	-	-	(5,437)
Transfers	-	-	(10,228)	-	(4,632)	-	(14,860)
At 31 December 2007	-	15,625	66,774	1,561	24,768	65,250	173,978
<i>Carrying value</i>							
At 31 December 2006	121,958	538,963	50,074	3,571	20,965	440,950	1,176,481
At 31 December 2007	121,958	525,436	307,016	8,295	161,845	79,976	1,204,526

'000 KZT	Land	Building	Computer equipment	Vehicles	Other assets	Equipment to be installed	Total
<i>Cost</i>							
At 1 January 2006	-	-	48,704	9,497	18,871	189,000	266,072
Additions	121,958	541,061	31,685	-	10,702	317,200	1,022,606
At 31 December 2006	121,958	541,061	80,389	9,497	29,573	506,200	1,288,678
<i>Depreciation and impairment losses</i>							
At 1 January 2006	-	-	14,161	4,568	5,498	-	24,227
Depreciation charge	-	2,098	16,154	1,358	3,110	-	22,720
Impairment losses	-	-	-	-	-	65,250	65,250
At 31 December 2006	-	2,098	30,315	5,926	8,608	65,250	112,197
<i>Carrying value</i>							
At 31 December 2005	-	-	34,543	4,929	13,373	189,000	241,485
At 31 December 2006	121,958	538,963	50,074	3,571	20,965	440,950	1,176,481



16 Property and equipment, continued

During the year ended 31 December 2006 the Company has written down the value of the delivered but not yet installed equipment by KZT 65,250 thousand to its estimated recoverable value.

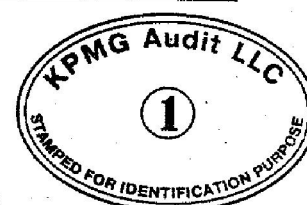
17 Intangible assets

'000 KZT

Cost	Software
At 1 January 2007	106,310
Additions	32,249
Transfers from property and equipment	101,210
At 31 December 2007	239,769
Amortisation	
At 1 January 2007	45,064
Amortisation charge	40,587
At 31 December 2007	85,651
Carrying value	
At 31 December 2006	61,246
At 31 December 2007	154,118

'000 KZT

Cost	Software
At 1 January 2006	66,920
Additions	39,390
At 31 December 2006	106,310
Amortisation	
At 1 January 2006	22,136
Amortisation charge	22,928
At 31 December 2006	45,064
Carrying value	
At 31 December 2005	44,784
At 31 December 2006	61,246



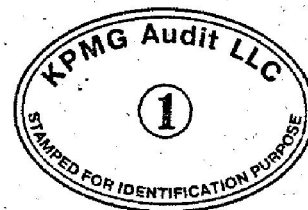
18 Debt securities issued

Debt securities issued as at 31 December 2007 and 2006 comprised KZT denominated bonds.

Emission	Issue date	Maturity	Coupon rate	Effective rate	2007 '000 KZT	2006 '000 KZT
KZPC4M12B140	01.05.2006	01.05.2007	0%	4.9%	-	4,918,046
KZPC1Y03B142	01.03.2005	01.03.2008	4.90%	11.2%	3,210,478	3,105,076
KZ2CKY05B216	01.06.2004	01.04.2009	0.39% + floating inflation index	8.0%	5,140,702	5,121,843
KZPC2Y05B145	01.03.2005	01.03.2010	5.69%	11.6%	4,877,379	664,971
KZ2CKY07B220	01.06.2004	01.04.2011	0.39%+ floating inflation index	11.0%	4,259,194	4,231,442
KZ2CKY07B303	01.10.2004	01.10.2011	0.10%+ floating inflation index	12.0%	5,171,286	5,163,756
KZ2CKY10A853	11.08.2003	01.10.2013	0.80%+ floating inflation index	12.4%	1,854,015	2,148,845
KZ2CKY10A986	01.12.2003	01.04.2014	1.00%+ floating inflation index	11.7%	3,728,564	4,111,692
KZ2CKY10B075	01.02.2004	01.04.2014	0.50%+ floating inflation index	7.3%	3,756,358	4,146,257
KZPC1Y10B543	10.04.2005	10.04.2015	6.90%	7.4%	4,984,937	4,973,219
KZPC2Y12B547	10.04.2005	10.04.2017	0.01%+ floating inflation index	7.9%	5,114,441	5,115,562
KZPC3Y01B548	15.01.2007	15.01.2008	0%	13.8%	3,913,001	-
KZPC4Y10B547	15.01.2007	15.01.2017	0.01+ floating inflation index (limited to 7.50%)	12.6%	2,619,718	-
KZ2CKY10B315	01.10.2004	01.10.2014	0,1%+ floating inflation index	4.9%	4,860,520	-
					53,490,593	43,700,709

These obligations are secured by loan agreements with customers and the related real estate supporting these loans (Note 14) in the total amount of KZT 59,052,564 thousand.

The floating inflation rate is based on the inflation index for the prior 12 months published by the Statistics Agency of the Republic of Kazakhstan and is revised semi-annually according to the date of issue.



19 Other borrowed funds

	2007 '000 KZT	2006 '000 KZT
Due to the Government of the Republic of Kazakhstan	12,000,100	-
Loan from foreign bank	10,092,168	-
	22,092,268	-

Due to the Government of the Republic of Kazakhstan consists of a loan received in December 2007 from the Ministry of Finance of the Republic of Kazakhstan for the purchase of mortgage loans from second tier banks. The loan bears interest rate 0.1% per annum, repayable on demand and matures in December 2027.

Also in December 2007 the Company received USD denominated loan from Credit Suisse International in the amount of USD 85,000 thousand at an interest rate of 7.4% per annum that was arranged by Credit Suisse London branch. The loan matures in May 2014. Upon loan receipt the Company incurred up-front agency commissions in the amounts of 1.7% of the loan received and USD 120 thousand that were deferred and amortised to interest expense over the loan period using the effective interest rate method.

20 Other liabilities

	2007 '000 KZT	2006 '000 KZT
Dividends payable	524,058	112,964
Payable to employees	58,034	41,436
Taxes other than on income	20,028	13,057
Professional services	13,000	8,415
Other payables	23,045	27,256
	638,165	203,128

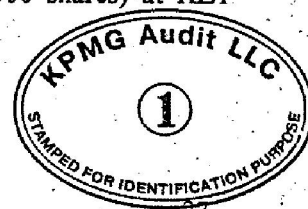
21 Share capital

(a) Issued capital

Share capital as at 31 December 2007 and 2006 was KZT 26,420,000 thousand and KZT 17,920,000 thousand, respectively. The 100% owner of the Company is the State through the Committee of State Property and Privatization of the Ministry of Finance of the Republic of Kazakhstan.

	2007	2006
Number of issued shares at par value of KZT 10,000 per 1 share	2,642,000	1,792,000
Issued and fully paid share capital as at 31 December ('000 KZT)	26,420,000	17,920,000

On December 25, 2007 the Company issued 850,000 shares (2006: 902,000 shares) at KZT 10,000 par value to the sole shareholder, the Ministry of Finance, for cash.



21 Share capital, continued

(b) Reserve capital

In accordance with the Law of the Republic of Kazakhstan "On Banks and Banking Activities in the Republic of Kazakhstan", the Company should establish a capital reserve. At 31 December 2007 and 2006, the capital reserve amounted to KZT 1,937,804 thousand and KZT 1,070,957 thousand, respectively. This reserve is non-distributable.

(c) Dividends

In accordance with Government Regulation № 633 dated 26 July 2007 On Dividends on Governmental Shares and Income on Governmental Interest in Organisations, the Company should distribute 50% of its net income (2006: 10%), for the related period to the state budget in the form of dividends.

(d) Earnings per share

Basic earnings per share is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of ordinary shares outstanding during the year.

	2007	2006
Net income, in thousand of KZT	1,017,822	981,630
Weighted average number of ordinary shares	1,805,973	1,510,279
Basic earnings per share, in KZT	564	650

22 Risk management

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

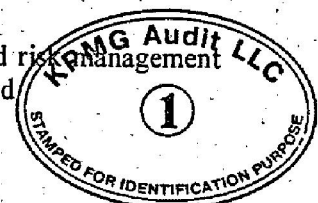
(a) Risk management policies and procedures

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

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

The Risk Management Committee develops proposals on assets/liabilities and risk management based on strategies, policies and procedures approved by the Management Board



22 Risk management, continued

(a) Risk management policies and procedures, continued

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

The Company 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.

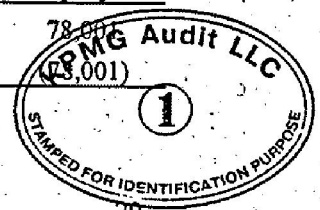
(c) Interest rate risk

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

The Company 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.

An analysis of sensitivity of the Company's projected net income for the year and equity to changes in the market interest rate 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:

	2007		2006	
	'000 KZT		'000 KZT	
	Net income	Equity	Net income	Equity
100 bp parallel increase	(32,107)	(32,107)	78,001	78,001
100 bp parallel decrease	32,107	32,107	(78,001)	(78,001)



22 Risk management, continued

(c) Interest rate risk, continued

An analysis of sensitivity of the net income for the year and equity as a result of changes in fair value of financial instruments at fair value through profit or loss due to changes in the interest rates based on positions existing as at 31 December 2007 and 2006 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

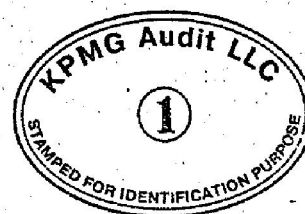
	2007 '000 KZT		2006 '000 KZT	
	Net income	Equity	Net income	Equity
100 bp parallel increase	729	729	18,219	18,219
100 bp parallel decrease	729	729	18,219	18,219

(d) Currency risk

The Company has assets and liabilities denominated in foreign currency. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Company's exposure to currency risk at year end refer to Note 29.

An analysis of the sensitivity of the Company's net income for the year and equity to changes in the foreign currency exchange rate based on positions existing as at 31 December 2007 and 2006 and a simplified scenario of a 5% change in USD to Republic of Kazakhstan Tenge exchange rates is as follows:

	2007 '000 KZT		2006 '000 KZT	
	Net income	Equity	Net income	Equity
5% appreciation of USD against KZT	(184,000)	(184,000)	-	-
5% depreciation of USD against KZT	184,000	184,000	-	-



22 Risk management, continued

(e) 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 Company. The Company has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Company's credit risk. The Company's credit policy is reviewed and approved by the Management Board.

The Company's credit policy establishes:

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

The main task at credit risk management is the application of a weighted credit policy, considering profitability with safety of asset allocation at purchase of mortgage loans and control over position of loan portfolio based on in-depth, objective, complete and qualified monitoring.

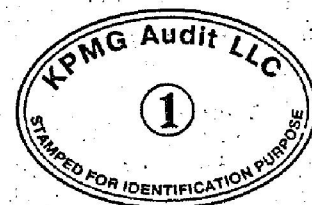
Susceptibility to credit risk is controlled by obtaining high quality collateral, the receipt of a guarantees and obtaining recourse to the seller of the loans.

The Company's maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet.

Financial assets of the Company's counterparties are classified by the lowest out ratings assigned to the Company's counterparties by three international rating agencies Moody's Investors' Services, Standard Poor's and Fitch.

Ratings are listed below as per the coding of rating agency Standard & Poor's using the rating correspondence table of Bloomberg information system.

State securities of the Republic of Kazakhstan and accrued income of them are classified in accordance with the lowest long term rating of the Republic of Kazakhstan.

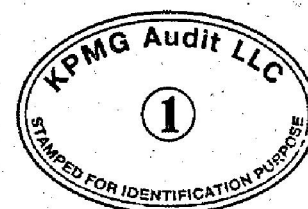


22 Risk management, continued

(e) Credit risk, continued

Below is the Company's financial assets credit rating, except for loans to customers which have no ratings, as at 31 December 2007 and 31 December 2006:

	2007			2006		
	Rating	Amount, '000 KZT	Share in financial assets, %	Rating	Amount, '000 KZT	Share in financial assets, %
Financial assets						
	AA	4,989,622	4.8%	BBB	189,146	0.3%
	BBB	428,308	0.4%	-	-	-
Cash and cash equivalents	BB	1,001,416	1.0%	-	-	-
	B+	5,079,371	4.9%	-	-	-
	BB+	1,001,222	1.0%	B+	1,530,205	2.4%
	BB	2,503,066	2.4%	B	500,000	0.8%
Placement with banks and other financial institutions	BB-	338,779	0.3%	B-	500,000	0.8%
	B+	1,401,473	1.3%			
	B-	500,000	0.5%			
Financial Instruments at fair value through profit or loss	BBB	72,879	0.1%	BBB	1,821,903	2.9%
Amounts receivable under reverse repurchase agreements	BBB	15,283,381	14.7%	-	-	-
	BBB	2,233,748	2.2%	BBB	2,258,545	3.6%
	BB+	733,501	0.7%	BB+	226,638	0.4%
	BB	176,107	0.2%	BB	179,675	0.3%
	B+	2,523,136	2.4%	B+	2,537,440	4.0%
	B	311,186	0.3%	B	315,371	0.5%
	B-	1,392,999	1.3%	B-	1,392,852	2.2%
	BB-	1,689,348	1.6%	BB-	1,687,310	2.7%
Held-to-maturity investments	Without rating	2,030,638	2.0%	Without rating	2,555,735	4.1%
Total		43,690,180	42.1%		15,694,820	25.0%
Total financial assets		103,874,418	100.0%		62,669,235	100.0%



22 Risk management, continued

(f) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments. The Company 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 Company's liquidity policy is reviewed and approved by the Management Board.

The Company seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, 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 Company 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;
- development of reserve plans to maintain balance sheet liquidity and set level of financing.

The following tables show the undiscounted cash flows on the Company's financial liabilities on the basis of their earliest possible contractual maturity. The total gross amount outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability. The Company's expected cash flows on these financial liabilities may vary significantly from this analysis.

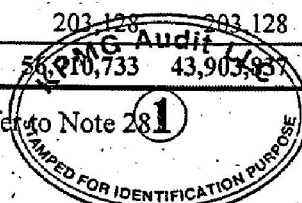
The position of the Company as at 31 December 2007 was as follows:

'000 KZT	Demand and less than 1 month	From 1 to 3 month	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Debt securities issued	4,060,938	3,312,744	2,499,055	2,225,199	71,970,903	84,068,839	53,490,593
Other borrowed funds	12,000,100	-	-	19,277	10,503,017	22,522,394	22,092,268
Other liabilities	101,107	13,000	524,058	-	-	638,165	638,165
Total	16,162,145	3,325,744	3,023,113	2,244,476	82,473,920	107,229,398	76,221,026

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

	Demand and less than 1 month	From 1 to 3 month	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow	Carrying amount
Debt securities issued	-	149,646	7,309,873	1,942,986	47,105,100	56,507,605	43,700,709
Other liabilities	81,749	8,415	112,964	-	-	203,128	203,128
Total	81,749	158,061	7,422,837	1,942,986	47,105,100	56,710,733	43,903,837

For further information on the Company's exposure to liquidity risk at year end refer to Note 28 **1**



23 Capital management

The National Bank of Republic of Kazakhstan sets and monitors capital requirements for the Company.

The Company defines as capital those items defined by statutory regulation as capital for credit institutions. Under the current capital requirements set by the National Bank of Republic of Kazakhstan the Company has to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. As at 31 December 2007, this minimum level is 8%. The Company was in compliance with the statutory capital ratio during the years ended 31 December 2007 and 2006.

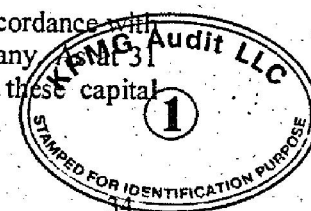
The Company also monitors its capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the Company's capital position calculated in accordance with the requirements of the Basle Accord, as at 31 December 2007 and 2006:

	2007 '000 KZT	2006 '000 KZT
Tier 1 capital		
Share capital	26,420,000	17,920,000
General reserves	1,937,804	1,070,957
Retained earnings	654,232	1,012,168
Total tier 1 capital	29,012,036	20,003,125
Tier 2 capital	-	-
Total tier 2 capital	-	-
Total capital	29,012,036	20,003,125
Risk-weighted assets		
Banking book	41,356,779	26,036,966
Trading book	17,871,264	9,624,041
Total risk weighted assets	59,228,043	35,661,007
Total capital expressed as a percentage of risk-weighted assets ("total capital ratio")	49%	56.1%
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	49%	56.1%

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Company is subject to minimum capital adequacy requirements calculated in accordance with the Basle Accord established by covenants under liabilities incurred by the Company at 31 December 2007, (this minimum level is 8%. The Company has complied with these capital requirements during the years ended 31 December 2007 and 2006.



24 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 Company 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 Company's property or relating to the Company's operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(b) Litigation

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

(c) Taxation contingencies

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

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

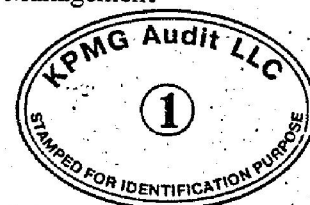
25 Related party transactions

(a) Transactions with the members of the Management Board

Total remuneration included in employee compensation (refer Note 8):

	2007 '000 KZT	2006 '000 KZT
Members of the Management Board	57,282	39,030

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



25 Related party transactions, continued

(a) Transactions with the members of the Management Board, continued

The outstanding balances and average interest rates as of 31 December 2007 and 2006 with the members of the Management Board are as follows:

	2007 '000 KZT	Average interest rate	2006 '000 KZT	Average interest rate
Balance Sheet				
Loans to customers	24,990	10.4%	-	-

Amounts included in the income statement in relation to transactions with the members of the Management Board are as follows:

	2007 '000 KZT	2006 '000 KZT
Income statement		
Interest income	1,389	-

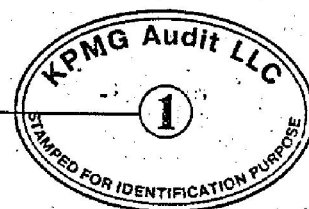
(b) Transactions with other related parties

Other related parties include the State and State organisations. The amounts below are included in the balance sheet and income statement for transactions with related parties as of 31 December 2007 and 2006:

	2007 '000 KZT		2007 '000 KZT	
	Ministry of Finance	State organisations	Ministry of Finance	State organisations
Interest income	165,251	-	167,532	9,088
Interest expense	(100)	-	-	-
Commission expenses	-	(3,174)	-	(2,241)

The balances with related parties as of 31 December include:

	2007 '000 KZT		2006 '000 KZT	
	Ministry of Finance	State organisations	Ministry of Finance	State organisations
Cash and cash equivalents	-	428,308	-	189,146
Financial instruments at fair value through profit or loss	72,879	-	1,821,903	-
Loans to customers guaranteed by JSC KFGML	-	19,327,009	-	9,284,927
Held-to-maturity investments	2,233,748	-	2,258,545	-
Other borrowed funds	12,000,100	-	-	-



26 Fair value of financial instruments

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

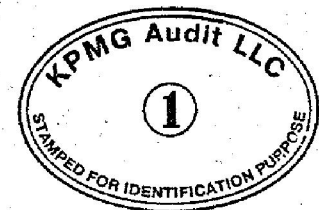
The estimated fair values of financial instruments at fair value through profit or loss and, held-to-maturity investments and other borrowed funds are based on quoted market prices at the balance sheet date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the balance sheet date.

The estimated fair values of all financial instruments approximate their carrying values.

The following table summarises the fair values of major financial assets and liabilities which are not presented on the balance sheet at their fair value:

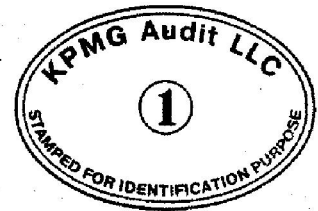
'000 KZT	2007		2006	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Assets				
Loans to customers	54,954,118	60,153,057	46,962,434	46,962,434
Held-to-maturity investments	9,473,575	11,090,663	9,526,719	11,153,566
Liabilities				
Debt securities issued	49,926,887	53,490,593	44,264,140	43,700,709



27 Average effective interest rates

The table below displays the Company's interest bearing assets and liabilities as at 31 December 2007 and 2006 and their corresponding average effective interest rates as at that date.

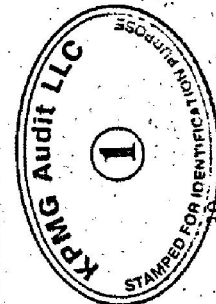
	Value '000 KZT	2007 Average Effective Interest Rate	Value '000 KZT	2006 Average Effective Interest Rate
Interest Bearing Assets				
Cash and cash equivalents				
<i>Short-term deposits</i>	6,080,787	8.7%	-	-
Placements with banks and other financial institutions				
<i>Term deposits</i>	5,744,540	9.79%	2,530,205	6.80%
Financial instruments at fair value through profit or loss	72,879	4.07%	1,821,903	5.24%
Amount receivable under reverse repurchase agreements	15,283,381	7.28%	-	-
Loans to customers	60,153,057	10.28%	46,962,434	10.82%
Held to maturity investments	11,090,663	6.9%	11,153,566	7.93%
Debt securities issued	53,490,593	9.83%	43,700,709	8.11%
Other borrowed funds	22,092,268	4.27%	-	-



28 Maturity analysis

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2007. The amounts in the tables below represent carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

Assets	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	No maturity	Total
	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT	'000 KZT
Cash and cash equivalents	5,080,787	1,000,000	-	-	-	5,417,930	11,498,717
Placements with banks and other financial institutions	56,340	-	1,350,000	4,338,200	-	-	5,744,540
Financial instruments at fair value through profit or loss	-	21,936	-	50,943	-	-	72,879
Amounts receivable under reverse repurchase agreements	15,283,381	-	-	-	-	-	15,283,381
Loans to customers	1,147,576	298,358	1,409,461	9,118,629	48,179,033	-	60,153,057
Held-to-maturity investments	14,617	44,715	186,361	4,304,969	6,540,001	-	11,090,663
Property and equipment	-	-	-	-	-	1,204,526	1,204,526
Intangible assets	-	-	-	-	-	154,118	154,118
Other assets	391	943	29,847	-	-	-	31,181
Total assets	21,583,092	1,365,952	2,975,669	17,812,741	54,719,034	6,776,574	105,233,062
Liabilities							
Debt securities issued	(3,210,478)	(3,913,001)	-	(19,448,562)	(26,918,552)	-	(53,490,593)
Other borrowed funds	12,000,100	-	-	-	(10,092,168)	-	(22,092,268)
Other liabilities	(22,096)	(538,058)	(78,011)	-	-	-	(638,165)
Total liabilities	(15,232,674)	(4,451,059)	(78,011)	(19,448,562)	(37,010,720)	-	(76,221,026)
Net position as at 31 December 2007	6,350,418	(3,085,107)	2,897,658	(1,635,821)	17,708,314	6,776,574	29,012,036
Net position as at 31 December 2006	308,212	47,172	(4,407,349)	(14,526,819)	37,155,036	1,426,873	20,003,125



29 Currency analysis

The currency structure of financial assets and liabilities of the Company as at 31 December 2007 is shown in the table below:

'000	KZT	USD	Total
Assets			
Cash and cash equivalents	6,509,095	4,989,622	11,498,717
Placements with banks and other financial institutions	5,744,540	-	5,744,540
Financial instruments at fair value through profit or loss	72,879	-	72,879
Amounts receivable under reverse repurchase agreements	15,283,381	-	15,283,381
Loans to customers	60,153,057	-	60,153,057
Held-to-maturity investments	11,090,663	-	11,090,663
Other assets	31,181	-	31,181
Liabilities			
Debt securities issued	(53,490,593)	-	(53,490,593)
Other borrowed funds	(11,845,518)	(10,246,750)	(22,092,268)
Other liabilities	(638,165)	-	(638,165)
Net carrying amount as of 31 December 2007	32,910,520	(5,257,128)	27,653,392
Net carrying amount as of 31 December 2006	18,765,398	-	18,765,398

30 Events subsequent to the balance sheet date

In accordance with the Decree of the Government of the Republic of Kazakhstan dated December 11, 2007 # 1219 "On Approval of Action Plan for Development of the Stock Market and Promotion of Population Investment Activity at the Stock Market for 2008" and the Order of the Ministry of Finance of the Republic of Kazakhstan dated January 18, 2008 # 29 the Company will increase its share capital by 264,200 ordinary shares in the first quarter of 2008 through public offering that will be done at JSC Regional Financial Center of Almaty city's stock exchange in accordance with the Certificate issued by the Agency of the Republic of Kazakhstan on the Regulation and Supervision of Financial Markets and Financial Organisations dated February 8, 2008 # A 4532.

