3. Summary of significant accounting policies (continued)

Future changes in accounting policies (continued)

IFRIC 13 "Customer Loyalty Programmes"

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Bank expects that this interpretation will have no impact on the Bank's financial statements as no such schemes currently exist.

IFRIC 15 "Agreements for the Construction of Real Estate"

IFRIC Interpretation 15 was issued in July 2008 and is applicable retrospectively for annual periods beginning on or after 1 January 2009. IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 "Construction Contracts" or IAS 18 "Revenue" and supersedes the current guidance for real estate in the Appendix to IAS 18. The Bank expects that this interpretation will have no impact on the Bank's financial statements.

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

IFRIC Interpretation 16 was issued in July 2008 and is applicable for annual periods beginning on or after 1 October 2008. This Interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of net investment, where within the group the hedging instrument can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. The Bank expects that this interpretation will have no impact on the Bank's financial statements.

IFRIC 17 "Distribution of Non-Cash Assets to Owners"

IFRIC Interpretation 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and requires that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. The Bank expects that this interpretation will have no impact on the Bank's financial statements.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Bank determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Bank commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Bank has the positive intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised in the income statement when the investments are impaired, as well as through the amortisation process.

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the National Bank of Republic of Kazakhstan (the "NBRK") and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Borrowings

Borrowings are classified as liabilities, where the substance of the contractual arrangement results in the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Borrowings, which include amounts due to credit institutions and amounts due to customers, are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the income statement when the borrowings are derecognised as well as through the amortisation process.

Obligatory reserves

Obligatory reserves represent mandatory reserve deposits and cash which are not available to finance the Bank's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the cash flow statements.

Leases

Operating – Bank as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

Impairment of financial assets

The Bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss is recognised in the income statement.

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Assets carried at amortised cost (continued)

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets 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, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. Any subsequent reversal of an impairment loss is recognised in the income statement, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date.

When an asset is uncollectible, it is written off against the related allowance for asset impairment. Such assets are written off after all necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the income statement.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the Bank has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Bank either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Bank's continuing involvement is the amount of the transferred asset that the Bank may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Bank's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

Taxation

The current income tax expense is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

3. Summary of significant accounting policies (continued)

Taxation (continued)

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Kazakhstan also has various operating taxes that are assessed on the Bank's activities. These taxes are included as a component of other operating expenses.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met. The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Buildings	8
Furniture and fixtures	9
Computers and office equipment	4
Leasehold improvements	5
Motor vehicles	5

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalisation.

Intangible assets

Intangible assets include computer software and licences. Intangible assets are carried at cost less any accumulated amortisation. Intangible assets are amortised on a straight-line basis over the useful economic lives of 5 to 10 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other employee benefit obligations

The Bank does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The Bank has no post-retirement benefits or significant other compensated benefits requiring accrual.

Share capital

Share capital is recognised at the fair value of consideration received or paid. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional paid-in capital.

Contingencies

Contingent liabilities are not recognised in the balance sheet but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the balance sheet but disclosed when an inflow of economic benefits is probable.

3. Summary of significant accounting policies (continued)

Income and expense recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Bank and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Bank revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Commission income

The Bank earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

– *Fee income earned from services that are provided over a certain period of time*

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan.

– *Fee income from providing transaction services*

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Foreign currency translation

The financial statements are presented in Kazakh Tenge, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement as gains less losses from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the NBRK exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. As at 31 December 2008 and 2007, average stock exchange rates were KZT 120.79 and KZT 120.30 to 1 USD, respectively.

4. Significant accounting judgements and estimates

Estimation uncertainty

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

Taxation

Kazakh tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and state authorities. As such, significant additional taxes, penalties and interest may be assessed.

(Thousands of Kazakh Tenge)

4. Significant accounting judgements and estimates (continued)

Taxation (continued)

Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2008 management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

5. Cash and balances with NBRK

Cash and balances with the NBRK comprise:

	2008	*2007*
Cash on hand	**316,322**	282,422
Current accounts with the NBRK	**143,849**	273,236
Time deposits with the NBRK up to 90 days	**1,400,671**	3,132,599
Cash and balances with NBRK	**1,860,842**	3,688,257

Interest rates and maturities of time deposits are as follows:

	2008		*2007*	
	%	*Maturity*	*%*	*Maturity*
Time deposits with NBRK up to 90 days	**5.25%**	**2008**	5.5%	2007

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 deposits with the NBRK or in correspondent accounts or in physical cash and maintained based on average monthly balances of the aggregate of deposits with the NBRK and correspondent accounts and physical cash. The use of such funds is, therefore, subject to certain usage restrictions. As at 31 December 2008, the obligatory reserves are KZT 81,554 thousand (31 December 2007 - KZT 256,942 thousand).

6. Cash and cash equivalents

Cash and cash equivalents as at 31 December comprise:

	2008	*2007*
Cash and balances with NBRK (Note 5)	**1,860,842**	3,688,257
Amounts due from banks (Note 7)	**1,652,052**	726,246
	3,512,894	4,414,503
Less: Obligatory reserves (Note 5)	**(81,554)**	(256,942)
Cash and cash equivalents	**3,431,340**	4,157,561

7. Due from banks

As at 31 December amounts due from other banks comprise:

	2008	*2007*
Current accounts with the Parent Bank	**1,628,233**	578,853
Current accounts with the OECD banks	**18,352**	141,166
Current accounts with the CIS and other foreign banks	**5,467**	6,227
Due from banks	**1,652,052**	726,246

Interest rates on current accounts with banks are as follows:

	2008			*2007*		
Current accounts:	*USD*	*EURO*	*JPY*	*USD*	*EURO*	*JPY*
The Parent	**1-Month LIBOR plus 1.36%**	**1-Month LIBOR plus 0.98%**	**1-Month LIBOR plus 0.22%**	1-Month LIBOR less 0.22%	1-Month LIBOR less 0.26%	1-Month LIBOR less 0.05%
OECD based banks	**Federal Funds rate**	–	–	Federal Funds rate less 0.5%	–	–

(Thousands of Kazakh Tenge)

8. Investment securities held-to-maturity

As at 31 December investment securities held-to-maturity comprise:

	2008		*2007*	
	Carrying value	*Nominal value*	*Carrying value*	*Nominal value*
Notes of the NBRK	–	–	1,228,589	1,250,000
Treasury bills of the Ministry of Finance	**2,357,249**	**2,360,827**	–	–
	2,357,249	**2,360,827**	1,228,589	1,250,000

As at 31 December 2008, the Bank held only treasury bills of the Ministry of Finance of the Republic of Kazakhstan. The effective interest rate of treasury bills of the Ministry of Finance was 7.50% - 8.75% per annum, the maturity – 2009-2011.

9. Property and equipment

The movements in property and equipment during 2008 and 2007 are as follows:

	Buildings	*Leasehold improvements*	*Computer equipment*	*Vehicles*	*Other*	*Total*
Cost:						
31 December 2006	49,035	29,572	29,965	23,716	22,476	154,764
Additions	–	–	1,581	–	844	2,425
Disposals	–	–	(654)	–	(1,270)	(1,924)
31 December 2007	49,035	29,572	30,892	23,716	22,050	155,265
Additions	–	–	**1,059**	–	**738**	**1,797**
31 December 2008	**49,035**	**29,572**	**31,951**	**23,716**	**22,788**	**157,062**
Accumulated depreciation:						
31 December 2006	(33,485)	(26,479)	(27,635)	(16,603)	(9,319)	(113,521)
Charge	(5,884)	(1,973)	(1,550)	(4,743)	(2,709)	(16,859)
Disposals	–	–	653	–	654	1,307
31 December 2007	(39,369)	(28,452)	(28,532)	(21,346)	(11,374)	(129,073)
Charge	**(5,884)**	**(720)**	**(1,248)**	**(2,370)**	**(2,655)**	**(12,877)**
31 December 2008	**(45,253)**	**(29,172)**	**(29,780)**	**(23,716)**	**(14,029)**	**(141,950)**
Net book value:						
31 December 2008	**3,782**	**400**	**2,171**	–	**8,759**	**15,112**
31 December 2007	9,666	1,120	2,360	2,370	10,676	26,192

Carrying amount of fully amortised assets that were in use as at 31 December 2008 is KZT 80,888 thousand (2007: KZT 52,230 thousand).

10. Intangible assets

The movements in intangible assets during 2008 and 2007 are as follows:

	Licences	*Software*	*Total*
Cost:			
31 December 2006	25,384	18,173	43,557
Additions	23	10,425	10,448
31 December 2007	25,407	28,598	54,005
Additions	–	**40**	**40**
31 December 2008	**25,407**	**28,638**	**54,045**
Accumulated amortisation:			
31 December 2006	(13,621)	(6,558)	(20,179)
Charge	(2,562)	(2,447)	(5,009)
31 December 2007	(16,183)	(9,005)	(25,188)
Charge	**(2,563)**	**(3,132)**	**(5,695)**
31 December 2008	**(18,746)**	**(12,137)**	**(30,883)**
Net book value:			
31 December 2008	**6,661**	**16,501**	**23,162**
31 December 2007	9,224	19,593	28,817

(Thousands of Kazakh Tenge)

11. Taxation

The income tax expense comprises:

	2008	*2007*
Current tax charge	**84,400**	82,297
Deferred income tax expense /(benefit)	**1,434**	(1,153)
Income tax expense	**85,834**	81,144

In accordance with tax legislation effective on 31 December 2008, corporate income tax rate of 30.0% is decreased to 20.0%, 17.5% and 15.0% in 2009, 2010 and 2011 years, respectively.

The reconciliation between the income tax expense in the accompanying financial statements and profit before taxes multiplied by the statutory tax rate of 30% for the periods ended 31 December is as follows:

	2008	*2007*
Profit before income tax	**388,463**	337,360
Statutory tax rate	**30%**	30%
Theoretical income tax expense at the statutory rate	**116,539**	101,208
Non deductible expenses:		
Difference due to change in tax rates	**1,435**	–
Depreciation	**2,245**	1,628
Representation expenses	**902**	978
Non-banking expenses	**1,269**	1,389
Tax exempt income:		
Government securities	**(36,556)**	(24,059)
Income tax expense	**85,834**	81,144

Deferred tax assets and liabilities comprise the following:

	2008	*2007*
Deferred tax assets:		
Property and equipment and intangible assets	**1,645**	3,079
Net deferred tax assets	**1,645**	3,079

Kazakhstan currently has a number of laws related to various taxes imposed by both state and regional government authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges.

These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Bank is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

12. Amounts due to banks

A non-interest bearing current account in a non OECD bank is included in amounts due to banks as at 31 December 2008 and 2007.

13. Amounts due to customers

The amounts due to customers include the following:

	2008	*2007*
Current accounts	**3,509,917**	3,110,763
Time deposits	**20,142**	490,536
Guarantee deposit	**–**	49,737
Amounts due to customers	**3,530,059**	3,651,036

(Thousands of Kazakh Tenge)

13. Amounts due to customers (continued)

Amounts due to customers include accounts with the following types of customers:

	2008	*2007*
Current accounts:		
Governmental entities	**705,554**	1,621,860
Commercial entities	**2,169,544**	1,162,746
Individuals	**634,819**	326,157
	3,509,917	3,110,763
Time deposits:		
Governmental entities	**–**	451,525
Individuals	**20,142**	39,011
	20,142	490,536
Held as security against guarantees	**–**	49,737
Amounts due to customers	**3,530,059**	3,651,036

As at 31 December 2008 and 2007, the Bank's ten largest customers accounted for 71% and 84% of the total amounts due to customers.

An analysis of customer accounts by economic sector follows:

	2008	*%*	*2007*	*%*
Government entities	**705,554**	**20.0%**	2,073,385	56.8%
Individuals	**654,961**	**18.6%**	365,168	10.0%
Trade	**617,519**	**17.5%**	441,082	12.1%
Oil and gas	**580,591**	**16.4%**	488,876	13.4%
Construction	**407,823**	**11.6%**	141,984	3.9%
Education	**320,000**	**9.1%**	–	0.0%
Transportation and communication	**70,908**	**2.0%**	54,829	1.5%
Held as security against guarantees	**–**	**0.0%**	49,737	1.4%
Other	**172,703**	**4.9%**	35,975	1.0%
	3,530,059	**100.0%**	3,651,036	100.0%

14. Equity

As at 31 December 2008 and 2007, the Bank had 2,273 authorised and issued common shares, and 2,259 fully paid common shares. Each common share is entitled to one vote and is not entitled to any dividends. All shares are Tenge denominated and have a nominal value of KZT 627,440 each, totalling to KZT 1,417,387 thousand. As at 31 December 2008 and 2007 no dividends were declared and distributed.

15. Commitments and contingencies

Financial commitments and contingencies

As at 31 December 2008, the Bank did not have financial commitments and contingencies. Guarantee liabilities as at 31 December 2007, amounted to KZT 49,629 thousand.

Political and economic environment

Whilst there have been certain improvements in the Kazakhstani economy, such as an increase in the gross domestic product, the Republic of Kazakhstan continues to implement economic reforms and improve development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The international financial crisis and significant decrease in oil, gas and metal prices heavily and negatively affected the construction, mortgage, mining, oil and gas, and banking sectors of the Kazakhstan economy. As a result, many businesses ceased or reduced their projects; the banks discontinued or reduced financing of such companies, and securities prices have decreased during 2008. These events have affected the Kazakhstani bank funding and lending strategies, and overall financial situation.

Legal actions and claims

The Bank assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated. No provision has been made in these financial statements for any of the contingent liabilities mentioned above.