

**NATIONAL BANK
OF THE REPUBLIC OF
KAZAKHSTAN**

Consolidated Financial Statements
for the year ended 31 December 2008

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

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NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing

the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of the National Bank of the Republic of Kazakhstan (the "NBK") and its subsidiaries (the NBK and its subsidiaries together – the "National Bank").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the National Bank as at 31 December 2008, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with the Principles of preparation of the consolidated financial statements disclosed in Note 2 (the "Principles of preparation of the consolidated financial statements").

In preparing the consolidated financial statements, management is responsible for:

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Following requirements of the Principles of preparation of the consolidated financial statements; and
- Preparing the consolidated financial statements on a going concern basis.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the National Bank;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the National Bank, and which enable them to ensure that the consolidated financial statements of the National Bank comply with the requirements of the Principles of preparation of the consolidated financial statements;
- Maintaining accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the National Bank; and
- Detecting and preventing fraud, errors and other irregularities.

The consolidated financial statements for the year ended 31 December 2008 were authorized for issue on

11 March 2009 by the Management.

On behalf of the Management of the National Bank:

Marchenko G.A.
Chairman

11 March 2009
Almaty, Kazakhstan

Shalgimbaeva N.T.
Chief Accountant

11 March 2009
Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Management Board of the National Bank of the Republic of Kazakhstan

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the National Bank of the Republic of Kazakhstan and its subsidiaries (together - the “National Bank”), which comprise the consolidated balance sheet as at 31 December 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The consolidated financial statements of the National Bank for the year ended 31 December 2007 were audited by other auditors whose report, dated 14 March 2008, expressed an unqualified opinion on those consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the basis of preparation as described in Note 2 to the consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the financial position of the National Bank as at 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with the basis of preparation as described in Note 2 to the consolidated financial statements.

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

Nurlan Bekenov
Engagement Partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate #0082
General Director
Deloitte, LLP

11 March 2009
Almaty, Republic of Kazakhstan

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2008

(in thousands of Kazakhstani tenge)

	Note	31 December 2008	31 December 2007
ASSETS:			
Cash in foreign currencies	5	11,206,351	20,435,781
Gold	6	241,751,221	215,923,786
Placements and balances with banks and other institutions	7	882,127,067	828,289,600
Financial assets at fair value through profit or loss	8	9,737,704	94,048
Amounts receivable under reverse repurchase agreements	9	396,002,190	171,937,337
Available-for-sale assets	10	1,177,628,144	973,283,773
Held-to-maturity assets	11	921,272	-
Investments in associates	12	1,332,448	1,330,318
Property and equipment	13	26,589,859	24,178,608
Intangible assets	14	1,551,418	964,905
Deferred tax assets	15	59,814	53,918
Other assets	16	6,152,049	4,957,225
TOTAL ASSETS		2,755,059,537	2,241,449,299
LIABILITIES AND EQUITY			
LIABILITIES:			
Currency in circulation	17	987,069,891	859,989,151
Deposits and balances from banks and other institutions	18	975,134,135	615,491,788
Financial liabilities at fair value through profit or loss	8	3,357,245	-
Due to the National Fund of the Republic of Kazakhstan	19	4,311,137	221,127,646
Due to the Ministry of Finance of the Republic of Kazakhstan	20	46,357,745	71,514,981
Reserves of guarantee funds	21	18,662,389	9,378,750
Customer accounts	22	162,186,309	1,500,776
Debt securities issued	23	295,964,826	221,263,582
Deferred tax liabilities	15	786,699	450,917
Other liabilities	24	2,122,435	2,600,954
TOTAL LIABILITIES		2,495,952,811	2,003,318,545
EQUITY:			
Share capital	25	20,000,000	20,000,000
Capital reserve	25	86,384,133	48,774,701
Reserve for general banking risks	25	6,320,981	6,318,703
Revaluation reserve for available-for-sale assets		25,538,712	8,149,461
Revaluation reserve for foreign currency and precious metals		60,619,605	91,704,290
Revaluation reserve for property and equipment		15,376,637	14,797,693
Retained earnings		41,411,118	45,252,865
TOTAL EQUITY BEFORE MINORITY INTEREST		255,651,186	234,997,713
Minority interest		3,455,540	3,133,041
TOTAL EQUITY		259,106,726	238,130,754
TOTAL LIABILITIES AND EQUITY		2,755,059,537	2,241,449,299

On behalf of the Management of the National Bank:

Marchenko G.A.
Chairman

11 March 2009
Almaty, Kazakhstan

Shalgimbaeva N.T.
Chief Accountant

11 March 2009
Almaty, Kazakhstan

The notes on pages 107-155 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008 (in thousands of Kazakhstani tenge)

	Note	Year ended 31 December 2008	Year ended 31 December 2007
Interest income	26	57,436,096	95,962,294
Interest expense	26	(26,334,924)	(40,370,542)
NET INTEREST INCOME		31,101,172	55,591,752
Fee and commission income	27	5,078,890	4,370,461
Fee and commission expense	27	(628,488)	(320,337)
NET FEE AND COMMISSION INCOME		4,450,402	4,050,124
Net realized gain on available-for-sale assets, foreign currency and gold	28	6,551,022	190,581
Gain/(loss) on operations with financial assets at fair value through profit or loss	29	10,010,543	(1,335,936)
Income from associates		2,130	96,403
Other income	30	2,366,276	1,622,894
NON-INTEREST INCOME		23,380,373	4,624,066
OPERATING INCOME		54,481,545	60,215,818
Banknotes and coins production expenses	31	(3,484,146)	(4,528,817)
Funding of third parties	32	(2,792,844)	(2,146,520)
Payroll and related payments to employees	33	(8,229,984)	(6,863,659)
Administrative expenses	34	(3,140,581)	(2,885,186)
Depreciation and amortization	13	(1,889,787)	(1,210,915)
(Impairment losses)/ provision recovery	35	(15,248)	2,502
Loss from disposal of subsidiary	36	(24,582)	(447,532)
OPERATING EXPENSES		(19,577,172)	(18,080,127)
INCOME BEFORE TAXATION		34,904,373	42,135,691
Income tax expense	37	(819,767)	(1,263,646)
NET INCOME		34,084,606	40,872,045
Attributable to minority interest		(325,650)	(582,725)
NET INCOME AFTER MINORITY INTEREST		33,758,956	40,289,320

On behalf of the Management of the National Bank:

Marchenko G.A.
Chairman

11 March 2009
Almaty, Kazakhstan

Shalgimbaeva N.T.
Chief Accountant

11 March 2009
Almaty, Kazakhstan

The notes on pages 107-155 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

(in thousands of Kazakhstani tenge)

	Share capital	Capital reserve	Reserve for general banking risks	Revaluation reserve for available-for-sale assets	Revaluation reserve for foreign currency and precious metals	Revaluation reserve for property and equipment	Retained earnings	Total equity before minority interest	Minority interest	Total equity
31 December 2006	20,000,000	11,325,781	2,475,856	(5,005,421)	72,151,710	2,798,868	46,232,917	149,979,711	2,247,830	152,227,541
Net unrealized gain on available-for-sale assets	-	-	-	19,698,876	-	-	-	19,698,876	3,119	19,701,995
Net unrealized gains on revaluation of foreign currency and precious metals	-	-	-	-	12,818,005	-	-	12,818,005	-	12,818,005
Revaluation of property and equipment	-	-	-	-	-	12,021,220	-	12,021,220	-	12,021,220
Net income recognized directly in equity	-	-	-	19,698,876	12,818,005	12,021,220	-	44,538,101	3,119	44,541,220
Transfers:										
Net realized gains on available-for-sale assets transferred to the income statement on disposal	-	-	-	(6,543,994)	-	-	-	(6,543,994)	-	(6,543,994)
Net realized losses on foreign currency and precious metals transferred to the income statement on disposal	-	-	-	-	6,734,575	-	-	6,734,575	-	6,734,575
Reserve for revaluation of property and equipment	-	-	-	-	-	(22,395)	22,395	-	-	-
Net income for the year	-	-	-	-	-	-	40,289,320	40,289,320	582,725	40,872,045
Total realized income and expense	-	-	-	13,154,882	19,552,580	11,998,825	40,311,715	85,018,002	585,844	85,603,846
Addition to reserve capital	-	37,448,920	3,842,847	-	-	-	(41,291,767)	-	-	-
Changes in minority interest due to disposals of subsidiaries	-	-	-	-	-	-	-	-	(213,404)	(213,404)
Shares issue of subsidiaries	-	-	-	-	-	-	-	-	512,771	512,771
31 December 2007	20,000,000	48,774,701	6,318,703	8,149,461	91,704,290	14,797,693	45,252,865	234,997,713	3,133,041	238,130,754

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2008

(in thousands of Kazakhstani tenge)

	Share capital	Capital reserve	Reserve for general banking risks	Revaluation reserve for available-for-sale assets	Revaluation reserve for foreign currency and precious metals	Revaluation reserve for property and equipment	Retained earnings	Total equity before minority interest	Minority interest	Total equity
31 December 2007	20,000,000	48,774,701	6,318,703	8,149,461	91,704,290	14,797,693	45,252,865	234,997,713	3,133,041	238,130,754
Net unrealized gain on available-for-sale assets	-	-	-	11,597,901	-	-	-	11,597,901	(3,151)	11,594,750
Net unrealized loss on revaluation of foreign currency and precious metals	-	-	-	-	(31,844,357)	-	-	(31,844,357)	-	(31,844,357)
Revaluation of property and equipment	-	-	-	-	-	589,951	-	589,951	-	589,951
Net income recognized directly in equity	-	-	-	11,597,901	(31,844,357)	589,951	-	(19,656,505)	(3,151)	(19,659,656)
Transfers:										
Net realized losses on available-for-sale assets transferred to the income statement on disposal	-	-	-	5,791,350	-	-	-	5,791,350	-	5,791,350
Net realized losses on foreign currency and precious metals transferred to the income statement on disposal	-	-	-	-	759,672	-	-	759,672	-	759,672
Reserve of revaluation of property and equipment	-	-	-	-	-	(11,007)	11,007	-	-	-
Net income for the year	-	-	-	-	-	-	33,758,956	33,758,956	325,650	34,084,606
Total realized income and expense	-	-	-	17,389,251	(31,084,685)	578,944	33,769,963	20,653,473	322,499	20,975,972
Addition to reserve capital	-	37,609,432	2,278	-	-	-	(37,611,710)	-	-	-
31 December 2008	<u>20,000,000</u>	<u>86,384,133</u>	<u>6,320,981</u>	<u>25,538,712</u>	<u>60,619,605</u>	<u>15,376,637</u>	<u>41,411,118</u>	<u>255,651,186</u>	<u>3,455,540</u>	<u>259,106,726</u>

On behalf of the Management of the National Bank:

Marchenko G.A.
Chairman

11 March 2009
Almaty, Kazakhstan

Shalgimbaeva N.T.
Chief Accountant

11 March 2009
Almaty, Kazakhstan

The notes on pages 107-155 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2008

(in thousands of Kazakhstani tenge)

	Note	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before taxation		34,904,373	42,135,691
Adjustments for:			
Depreciation and amortization		2,513,305	1,819,842
Impairment losses/ (provision recovery)		15,248	(2,502)
Loss on disposal of property and equipment		1,489	39,188
Amortization of discount on debt securities issued		18,242,705	33,995,353
Amortization of discount on available-for-sale assets		(1,761,712)	(1,852,946)
Undistributed net income of the associates		(2,130)	(96,403)
Loss from disposal of subsidiary		24,582	447,532
Cash flow from operating activities before changes in operating assets and liabilities		53,937,860	76,485,755
(Increase)/decrease in operating assets			
Gold		(15,278,880)	(1,359,261)
Placements and balances with banks and other institutions		20,409,441	(51,015,192)
Financial assets at fair value through profit and loss		(9,643,656)	-
Amounts receivable under reverse repurchase agreements		(224,064,853)	(132,627,787)
Available-for-sale assets		(185,930,212)	484,488,549
Held-to-maturity assets		(921,272)	-
Other assets		(1,325,746)	(675,765)
Increase/(decrease) in operating liabilities			
Currency in circulation		127,080,740	172,638,415
Deposits and balances from banks and other institutions		359,642,348	(203,790,997)
Financial assets at fair value through profit and loss		3,357,245	-
Due to the National Fund of the Republic of Kazakhstan		(216,816,509)	156,209,874
Due to the Ministry of Finance of the Republic of Kazakhstan		(25,157,237)	(141,913,474)
Reserves of guarantee funds		9,995,907	(1,860,592)
Customer accounts		160,685,534	1,127,706
Other liabilities		(469,236)	393,480
Net cash provided from operating activities before taxes paid		55,501,474	358,100,711
Income taxes paid		(489,881)	(1,323,157)
Net cash inflow from operating activities		55,011,593	356,777,554

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

(in thousands of Kazakhstani tenge)

	Note	Year ended 31 December 2008	Year ended 31 December 2007
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, equipment and intangible assets		(5,054,134)	(1,784,340)
Proceeds from sale of property and equipment		129,889	3,771
Cash outflow from disposal of subsidiary		104,833	(4,775)
Investments in associates		-	(1,000,000)
Net cash outflow from investing activities		<u>(4,819,412)</u>	<u>(2,785,344)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Debt securities issued		2,937,053,514	4,252,056,064
Debt securities repaid		<u>(2,880,594,976)</u>	<u>(4,588,887,358)</u>
Net cash inflow/(outflow) from financing activities		<u>56,458,538</u>	<u>(336,831,294)</u>
Net increase in cash and cash equivalents		106,650,719	17,160,916
Effect of changes in exchange rates on cash and cash equivalents		(41,633,240)	(20,223,196)
CASH AND CASH EQUIVALENTS at the beginning of the year		<u>746,769,411</u>	<u>749,831,691</u>
CASH AND CASH EQUIVALENTS at the end of the year	5	<u><u>811,786,890</u></u>	<u><u>746,769,411</u></u>

Interest paid and received during the year ended 31 December 2008 amounted to KZT 28,934,389 thousand and KZT 60,860,023 thousand, respectively.

Interest paid and received during the year ended 31 December 2007 amounted to KZT 38,980,000 thousand and KZT 94,604,670 thousand, respectively.

On behalf of the Management of the National Bank:

Marchenko G.A.
Chairman

11 March 2009
Almaty, Kazakhstan

Shalgimbaeva N.T.
Chief Accountant

11 March 2009
Almaty, Kazakhstan

The notes on pages 107-155 form an integral part of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

(in thousands of Kazakhstani tenge unless otherwise indicated)

1. ORGANISATION

The National Bank of the Republic of Kazakhstan (the “NBK”) was established in accordance with the Resolution of the Supreme Council of the Republic of Kazakhstan № 2134-XII dated 13 April 1993. Pursuant to this Resolution the State Bank of Kazakh SSR was renamed as the National Bank of the Republic of Kazakhstan.

The primary role of the NBK is ensuring of the price stability in the Republic of Kazakhstan. The main functions of the NBK are the following: determine and carry out monetary policy, carry out the functioning of payment system, exercise foreign currency regulations and supervision, secure financial system stability. NBK implements monetary and credit policies by management of the monetary base and reserves and performs its functions as a bank, financial consultant and agent of the Government of the Republic of Kazakhstan and other state governance bodies.

The address of the NBK’s registered office as at 31 December 2008 and 2007 was 21, micro district Koktem-3, Almaty, 050090. The NBK has 17 branches and 7 subsidiaries located in the Republic of Kazakhstan as of 31 December 2008 and 2007.

The subsidiaries as of 31 December 2008 and 2007 (hereinafter the NBK and its subsidiaries jointly referred to as the “National Bank”) comprised of the following enterprises, which are consolidated into NBK’s consolidated financial statements:

Name	Year of establishment	Main operations	Ownership interest	
			2008 %	2007 %
RSE Kazakhstan Mint of the National Bank of the Republic of Kazakhstan	1994	Coin manufacture	100.00	100.00
RSE Kazakhstan Centre of Inter-banking Settlements of the National Bank of the Republic of Kazakhstan	1996	Electronic payments	100.00	100.00
RSE Banking Service Bureau of the National Bank of the Republic of Kazakhstan	1996	Software services	100.00	100.00
JSC Kazakhstan Fund of Deposits Guarantee	1999	Individual deposit guarantee	100.00	100.00
RSE Banknote Factory of National Bank of the Republic of Kazakhstan	2004	Banknote manufacture	100.00	100.00
JSC Reserve Centre of the National Bank of the Republic of Kazakhstan “Q-BRO”	2007	Provision of IT security for the NBK	100.00	100.00
JSC Accumulation Pension Fund “GNPF”	1997	Collection of pension payments and their investment	71.86	57.60
JSC Guarantee Fund of Insurance Payments	2003	Insurance of policyholders’ benefits	-	100.00
JSC Kazakhstan Actuarial Centre	2002	Development of actuarial activities in the Republic of Kazakhstan	-	100.00

In October 2008 JSC Accumulated Pension Fund “GNPF” increased its share capital for KZT 3,125 thousand, shares of which for the amount of KZT 3,600,399 thousand were purchased by the National Bank of Republic of Kazakhstan.

In July 2008 Management of the National Bank in order to realize Law of Republic of Kazakhstan dated 7 May 2007 “About alteration in some legislation acts of the Republic of Kazakhstan on obligatory types of insurance” made the decision to sell shares of JSC “Guarantee Fund of Insurance payments” belonging to the National Bank of the Republic of Kazakhstan to insurance companies – participants of the Fund. In October 2008 all shares of JSC “Guarantee Fund of Insurance payments” belonging to National Bank were sold to insurance companies – participants of the Fund.

In July 2008 the activity of JSC “Kazakhstan Actuary Centre” ceased; state registration certificate was abrogated by the Justice Department in accordance with Civil Code of the Republic of Kazakhstan and Law of the Republic of Kazakhstan “About Joint Stock Companies”.

Average number of employees of the National Bank for the period ended 31 December 2008 and 2007 is 2,489 and 3,405 people, respectively, and the total number of employees as at 31 December 2008 and 2007 was 2,542 and 3,429 people, respectively.

Kazakhstan business environment

The economic environment of Kazakhstan was assessed by the international rating agencies.

In November 2008 Moody’s Investors Service published sovereign rating of Kazakhstan as Baa2, which reflects average level of the country in respects to economic flexibility factor. The forecast of rating stays stable.

In November 2008 Fitch Rating’s Ltd decreased long-term ratings of Kazakhstan in foreign currency and local currencies from “BBB”/“BBB+” to “BBB-”/“BBB” with negative forecast.

Rating agency Standard & Poor’s confirmed long-term sovereign credit ratings of Republic of Kazakhstan: rating on liabilities in foreign currency – “BBB-”, rating on liabilities in national currency – “BBB”. At the same time, short-term sovereign credit ratings of the Republic of Kazakhstan on liabilities in foreign and national currencies were confirmed on the level “A-3”. The forecast for ratings is still “negative”. According to the opinion of Standard & Poor’s the Government of the Republic of Kazakhstan undertook a number of full-scale steps for recapitalization of banking sector and supporting economic growth.

Standard & Poor’s believes that the forecast can be reconsidered to “Stable”, if the impact of banking sector problems and economic recession as a whole will be restrained, avoiding substantial deterioration of payment balance, and if the increase of country economy in long-term prospects would be noticed.

The activity of NBK is subject to economic, political and social risks, inherent in running business in Kazakhstan. Such risks includes the matters arising from government policies, economic conditions, changes in tax and legal spheres, exchange rates fluctuations and contract rights feasibility.

The accompanying consolidated financial statements reflect management’s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the National Bank. The future business environment may differ from management’s assessment.

Specific volatility in global financial markets and financial markets of the Republic of Kazakhstan

In recent months a number of major economies around the world have experienced volatile capital and credit markets. A number of major global financial institutions have been placed into bankruptcy, taken over by other financial institutions and/or supported by government funding. As a consequence of the recent market turmoil in capital and credit markets both globally and in the Republic of Kazakhstan, notwithstanding any potential economic stabilization measures that may be put into place by the Government of the Republic of Kazakhstan, there exists economic uncertainties surrounding the continual availability, and cost, of credit for the counterparties of the National Bank, the potential for economic uncertainties to continue in the foreseeable future and, as a consequence, the potential that assets may not be recovered at their carrying amount in the regular course of business, and a corresponding impact on the National Bank’s profitability.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Accounting basis

In accordance with the law of the Republic of Kazakhstan #2155 dated 30 March 1995 “On National Bank of the Republic of Kazakhstan” the National Bank determines policies and methods of accounting for itself which should be based on International Financial Reporting Standards (“IFRS”).

These consolidated financial statements have been prepared in accordance with Accounting policy of the National Bank which was approved by the Board of Directors of the National bank on 26 December 2006. The accounting policy of the National Bank is based on IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) with some modifications described below:

Gold is carried at market value. When the total net unrealized result from the mark to market of gold and foreign currency assets and liabilities is a gain, the net unrealized gain is recognized directly in equity. When the total net unrealized result from the mark to market of gold and foreign currency assets and liabilities is a loss, the net unrealized loss is recognized in consolidated income statement except to the extent that it reverses a previous net unrealized gain, in which case it is recognized directly in equity.

(b) Basis of presentation

These consolidated financial statements are prepared on an accrual basis under the historical cost convention except that gold, available-for-sale investments and financial assets and liabilities at fair value through profit or loss are measured at fair value and property and equipment are revalued periodically.

(c) Functional and presentation currency

The national currency of Kazakhstan is the Tenge (“KZT”). Management has determined the National Bank’s functional currency to be the KZT as it reflects the economic substance of the underlying events and circumstances of the National Bank. The KZT is also the Bank’s presentation currency for the purposes of these consolidated financial statements.

These consolidated financial statements are presented in thousands of KZT (“KZT thousand”) unless otherwise indicated.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the National Bank. Control exists when the National Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Associates

An associate is an entity over which the National Bank is in a position to exercise significant influence, but is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

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

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

Where a National Bank company transacts with an associate of the National Bank, profits and losses are eliminated to the extent of the National Bank interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

(iii) *Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the National Bank's interest in the enterprise. Unrealized gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

(iv) *Minority interest*

Minority interest is that part of the profit or loss and net assets of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the NBK.

Minority interest is presented in the consolidated balance sheet within equity, separately from the equity before minority interest. Minority interest in the profit or loss of the National Bank is separately disclosed in the consolidated income statement, as well as in the consolidated statement of changes in equity.

(b) *Gold and foreign currency*

(i) *Gold*

Refined gold in the consolidated financial statement is recorded at market price at the balance sheet date. Market price is determined by reference to the London Bullion Market Association ("LBMA") AM fixings.

(ii) *Foreign currency*

In preparing the financial statements of the individual entities, monetary assets and liabilities denominated in currencies other than the National Bank's functional currency (foreign currencies) are translated at the appropriate spot rates of exchange rates prevailing at the balance sheet date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

(iii) *Gains and losses on gold and foreign currency*

Realized gains and losses on gold and foreign currencies are recorded in the consolidated income statement. When the total net unrealized result from the mark to market of gold and foreign currency assets and liabilities is a gain, the net unrealized gain is recognized directly in equity. When the total net unrealized result from the mark to market of gold and foreign currency assets and liabilities is a loss, the net unrealized loss is recognized in consolidated income statement except to the extent that it reverses a previous net unrealized gain, in which case it is recognized directly in equity

The exchange rates and prices for gold at year-end used by the National Bank in the preparation of the consolidated financial statements are as follows:

	31 December 2008	31 December 2007
KZT/USD	120.79	120.30
KZT/Euro	170.24	177.17
KZT/GBP	174.64	240.14
KZT/Japanese Yen	1.34	1.07
USD/Gold (1 troy ounce)	865.00	828.50
KZT/Special Drawing Rights (SDR)	186.96	189.89

(c) Financial assets and liabilities

(i) Classification of financial instruments

Financial assets and liabilities at fair value through profit or loss represent financial assets and liabilities which are derivative financial instruments.

All derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated balance sheet. Gains and losses resulting from these instruments are included in Net gain/loss from financial assets and liabilities at fair value through profit or loss in the consolidated income statement.

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 National Bank intends to sell immediately or in the near term;
- the National Bank upon initial recognition designates as available-for-sale; or
- the National Bank may not recover substantially all of its initial investment, other than because of impairment, which should be classified as assets held for sale.

Available-for-sale assets are those non-derivative 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.

(ii) Recognition of financial instruments in the consolidated financial statements

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

(iii) Measurement of financial instruments

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 instruments, including derivatives, 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 amortized cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortized 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 amortized using effective interest rate method.

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 recognized immediately in the consolidated income statement. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognized over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

(iv) Fair value measurement principles

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

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

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

(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 recognized as follows:

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

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in the consolidated income statement when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vi) Derecognition

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

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

(vii) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the National Bank does not offset the transferred asset and the associated liability.

(viii) Repurchase and reverse repurchase agreements

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

(x) Currency in circulation

Banknotes and coins in circulation are recorded in the consolidated balance sheet at their nominal value.

The banknotes and coins in circulation are recorded as a liability when cash is issued by the NBK to second tier banks. Cash in national currency held in the vaults and cash offices is not included in currency in circulation.

Expenses on banknotes and coins in circulation include expenses for security, transportation, insurance and other expenses. Expenses on banknotes and coins in circulation are recognized upon delivery to the vaults and recorded as a separate item in the consolidated income statement.

(xi) Reserves of guarantee funds

Reserves of guarantee funds represent the mandatory deposits by second tier banks and insurance companies, which are members of the guarantee systems.

(d) Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any impairment losses, except for buildings and constructions which are carried at re-valued amounts less accumulated depreciation and any impairment losses.

(i) Revaluation

Property and equipment of the National Bank are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the property and equipment being revalued. A revaluation increase on an item of property and equipment is recognized directly in equity except to the extent that it reverses a previous revaluation decrease recognized in the consolidated income statement, in which case it is recognized in the consolidated income statement. A revaluation decrease on an item of property and equipment is recognized in the consolidated income statement except to the extent that it reverses a previous revaluation increase recognized directly in equity, in which case it is recognized directly in equity.

(ii) Depreciation

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation of property and equipment used in the production of banknotes and coins are included in expenses on production of banknotes and coins. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings and constructions	7 to 40 years;
Furniture and equipment	3 to 10 years;
Computer equipment	5 to 25 years;
Vehicles	5 to 10 years;
Intangible assets	1 to 3 years.

(e) Impairment of assets

(i) Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of placements and balances with banks and other institutions, amounts receivable under reverse repurchase agreements, investments held-to-maturity and other assets. The National Bank reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan or accounts receivable that can be reliably estimated.

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

The National Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the National Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized 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 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 National Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in the consolidated 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 recognized.

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

(ii) *Financial assets carried at cost*

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

All impairment losses in respect of these investments are recognized in the consolidated income statement and cannot be reversed.

(iii) *Non financial assets*

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value as at assessment date 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 recognized 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 recognized in the consolidated 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 amortization, if no impairment loss had been recognized in consolidated financial statement.

(f) *Taxation*

In accordance with legislation of the Republic of Kazakhstan, the NBK is exempt from corporate income tax and value-added tax.

Subsidiaries and associate organizations of the National Bank are subject to all taxes.

(g) Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest rate method. Interest income and expenses include amortization of discount or premium, or other differences between initially recognized value of financial instrument and its value on maturity date calculated using the effective interest rate method. Commissions and other income/expenses are recognized in the consolidated income statement when the related transactions are completed.

(h) Retirement and other benefit obligations

The National Bank does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan. The National Bank transfers employees' pension contributions to pension funds in accordance with legislation. Once the contributions have been paid, the National Bank has no further payment obligation. Upon retirement, all pension payments are administered by the pension funds directly.

(i) Cash and cash equivalents

For the purposes of the preparation of the consolidated statement of cash flows, cash and cash equivalents include Nostro accounts, demand and term deposits maturing within three months, and cash on hand.

(j) Fiduciary activities

The National Bank provides trustee services to its customers. The National Bank also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the National Bank's consolidated financial statements. The National Bank accepts the operational risk on these activities, but the National Bank's customers bear the credit and market risks associated with such operations.

(k) Areas of significant management judgment and sources of estimation uncertainty

The preparation of the National Bank's consolidated financial statement requires management to make estimates and judgments that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amount of income and expenses during the period ended. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

(l) Adoption of new and revised standards

In the current year, the National Bank has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods ending on 31 December 2008. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the National Bank's accounting policies that have affected the amounts reported for the current or prior years.

Amendments to IAS 1 "Capital Disclosures" ("IAS 1") – On 18 August 2005, the IASB issued an amendment to IAS 1 which requires certain disclosures to be made regarding the entity's objectives, policies and processes for managing capital. Additional information was disclosed in the consolidated financial statements for the current and comparative reporting periods as required by amended IAS 1.

Amendments to IAS 39, “Financial Instruments: Recognition and Measurement”, and IFRS 7, “Financial Instruments: Disclosures”, titled “Reclassification of Financial Assets” – On 13 October 2008 IASB issued amendments to IAS 39 and IFRS 7 which permits certain reclassifications of non-derivative financial assets (other than those designated as at fair value through profit or loss at initial recognition under the fair value option) out of the fair value through profit or loss category and also allow reclassification of financial assets from the available for sale category to the loans and receivables category in particular circumstances. The amendments to IFRS 7 introduce additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendments to IAS 39. The amendments are effective as of 13 October 2008 and in certain circumstances can be applied retrospectively from 1 July 2008. The National Bank has elected not to apply the amendments to IAS 39 and IFRS 7 retrospectively.

(m) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2008, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the National Bank’s operations. The National Bank plans to adopt this pronouncement when it becomes effective.

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 consolidated financial statements, and introduces certain other requirements in respect of presentation of information in the consolidated financial statements.

International Financial Reporting Standard IAS 27 “Consolidated and separate financial statements” (revised), which is effective for annual periods beginning on or after 1 January 2009, excludes notion of accounting at cost for investment in subsidiaries, joint ventures and associates in separate financial statements and determines conditions related to the changes.

IFRS 3 “Business Combinations” – On 10 January 2008, the IASB issued an amendment to IAS 3 “Business Combinations” which clarifies and changes certain elements of accounting for a business combination, including measurement of contingent consideration, step acquisition and intangible assets and also widens the scope of this standard. The amendment to IFRS 3 is effective for periods beginning on or after 1 January 2009.

4. RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements as at 31 December 2007 and for the year then ended to conform to the presentation as at 31 December 2008 and for the year then ended. Presentation of the current period provides better presentation of financial position of the National Bank.

These reclassifications include reclassification of intangible assets. These reclassifications are not significant by their substance and do not have an impact on financial results of the National Bank.

	Balance sheet line as per the previous report 31 December 2007	Balance sheet as per current report 31 December 2007
Reclassification of intangible assets		
Property, equipment and intangible assets	25,143,513	-
Property and equipment	-	24,178,608
Intangible assets	-	964,905

5. CASH AND CASH EQUIVALENTS

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

	31 December 2008	31 December 2007
Nostro accounts in other foreign banks	765,189,490	639,804,246
Deposits in foreign banks with the maturity of not less than three months	19,296,041	83,274,960
Cash in foreign currency in vault	11,206,351	20,435,781
Nostro account in Kazakhstan banks	284,383	2,445,177
Deposits in Kazakhstan banks with the maturity of not less than three months	<u>15,810,625</u>	<u>809,247</u>
	<u><u>811,786,890</u></u>	<u><u>746,769,411</u></u>

6. GOLD

	31 December 2008	31 December 2007
Gold deposits with foreign banks	172,404,122	149,762,144
Gold bullion in NBK depository	<u>69,347,099</u>	<u>66,161,642</u>
	<u><u>241,751,221</u></u>	<u><u>215,923,786</u></u>

7. PLACEMENTS AND BALANCES WITH BANKS AND OTHER INSTITUTIONS

	31 December 2008	31 December 2007
Total placements and balances with foreign banks and other institutions		
Nostro accounts		
OECD bank	764,628,208	639,293,563
Other foreign banks	561,282	510,683
Due from external asset management		
OECD banks	-	23,275,082
Deposits		
OECD banks	19,296,041	83,274,960
Receivables on operations in foreign currency		
OECD banks	960,934	1,893,059
Current accounts with the International Monetary Fund	<u>68,539,304</u>	<u>165,664</u>
Total placements and balances with foreign banks and other institutions	<u><u>853,985,769</u></u>	<u><u>748,413,011</u></u>
Placements and balances with local banks and other institutions		
Nostro accounts		
Largest 10 Kazakhstan banks	98,877	2,349,160
Other Kazakhstan banks	185,505	96,017
Deposits		
Largest 10 Kazakhstan banks	15,810,625	705,671
Other Kazakhstan banks	-	103,576
Loans		
Largest 10 Kazakhstan banks	9,594,671	72,787,538
Receivables from the Ministry of Finance of the Republic of Kazakhstan	1,561,882	2,672,143
Receivables from local banks and insurance organizations	<u>889,738</u>	<u>1,162,484</u>
Total placements and balances with local banks and other institutions	<u><u>28,141,298</u></u>	<u><u>79,876,589</u></u>
	<u><u>882,127,067</u></u>	<u><u>828,289,600</u></u>

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

As at 31 December 2008 and 2007 the National Bank had one and two banks and financial institutions, respectively, whose balances exceeded 10% of total placements and balances with banks and other institutions. The gross value of these balances as of 31 December 2008 and 2007 were KZT 653,956,879 thousand and KZT 616,712,738 thousand, respectively.

(b) Analysis of movements in the impairment allowance

	31 December 2008	31 December 2007
Beginning of the year	-	-
Reversal of provision written off in previous years	-	5,648
Net recovery for the year	-	(5,648)
End of the year	<u>-</u>	<u>-</u>

8. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Derivative financial instruments

The fair values of derivative instruments held as at 31 December 2008 and 2007 are set out in the following table:

	Contract/ notional amount	31 December 2008		Contract/ notional amount	31 December 2007	
		Fair values Assets	Fair values Liabilities		Fair values Assets	Fair values Liabilities
<i>Foreign exchange derivative contracts</i>						
- swap operations	331,246,597	9,635,926	(3,180,152)	56,788,576	94,048	-
- forwards operations	156,544,286	548	(75,863)	-	-	-
- futures operations	183,175	101,230	(101,230)	-	-	-
	<u>487,974,058</u>	<u>9,737,704</u>	<u>(3,357,245)</u>	<u>56,788,576</u>	<u>94,048</u>	<u>-</u>

The tables below summarize, by major currencies, the contractual amounts of the National Bank's forward exchange contracts and swap operations outstanding at 31 December 2008 and 2007 with details of the contracted weighted average exchange rates and remaining periods to maturity.

	Contract/ notional amount	Weighted average contracted exchange rates	31 December 2008	
			Assets	Fair values Liabilities
Swap operations				
Buy KZT sell Japanese yens				
For the period less than three months	17,004,889	1.344	-	-
Buy KZT sell USD				
For the period less than three months	110,761,050	121.023	-	(47,436)
Buy KZT sell Euro				
For the period less than three months	507,878	169.293	-	(4,080)
Buy Euro sell USD				
For the period less than three months	12,819,072	1.425	-	(142,289)
Buy USD sell Euro				
For the period less than three months	12,960,327	1.425	142,302	-
Buy USD sell Japanese yens				
For the period less than three months	97,291,851	90.386	-	(260,903)
Buy KZT sell South Korean wons				
For the period more than three months	76,234,091	10.211	9,215,340	(2,700,350)
Buy GBP sell Euro				
For the period less than three months	3,667,440	0.968	-	(24,639)
Accrued interest on swaps			278,284	(455)
			<u>9,635,926</u>	<u>(3,180,152)</u>
“FORWARD” operations				
Buy USD sell GBP				
For the period less than three months	2,095,803	1.446	548	
Buy KZT sell USD				
For the period more than three months	57,712,000	144.280	-	-
Buy KZT sell USD				
For the period more than three months	48,316,000	144.280	-	-
Buy KZT sell USD				
For the period more than three months	48,316,000	167.110	-	(72,496)
Buy USD sell Gold				
For the period less than three months	104,483	837.500	-	(3,367)
			<u>548</u>	<u>(75,863)</u>
“FUTURES” operations				
Purchase of securities expressed in Euro				
For the period more than three months	183,175	107.120	101,230	(101,230)
			<u>101,230</u>	<u>(101,230)</u>
			<u>9,737,704</u>	<u>(3,357,245)</u>

		31 December 2007	Fair values	
	Contract/ notional amount	Weighted average contracted exchange rates	Assets	Liabilities
Swap operation				
Buy KZT sell USD				
For the period less than three months	56,788,576	120.910	94,048	-
			<u>94,048</u>	<u>-</u>

9. AMOUNT RECEIVABLE UNDER REVERSE REPURCHASE AGREEMENTS

	31 December 2008	31 December 2007
OECD banks	276,299,545	167,933,720
Kazakhstani banks	119,702,645	4,003,617
	<u>396,002,190</u>	<u>171,937,337</u>

Collateral

As at 31 December 2008 and 2007, amounts receivable under reverse repurchase agreements were collateralized by the following securities:

	31 December 2008 Fair value	31 December 2007 Fair value
OECD banks		
US Government Treasury bills	272,059,191	168,165,084
Japanese Government Treasury bills	4,099,240	-
	<u>276,158,431</u>	<u>168,165,084</u>
Other Kazakhstan banks		
Notes of NBK	44,056,472	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	41,823,599	4,206,037
Corporate securities of other banks	13,483,758	-
	<u>99,363,829</u>	<u>4,206,037</u>
	<u>375,522,260</u>	<u>172,371,121</u>

10. AVAILABLE-FOR-SALE ASSETS

	31 December 2008	31 December 2007
Debt instruments – Quoted		
Foreign investments		
US Government Treasury bills	431,935,140	347,969,052
French Government bonds	124,957,049	-
Debt securities of international governmental and non-governmental financial institutions	90,162,687	223,865,276
Japanese Government Treasury bills	80,694,473	66,076,051
British Government Treasury bills	60,619,761	58,798,608
German Government Treasury bills	59,517,700	40,652,239
Korean Government Treasury bills	51,399,163	-
French Government Treasury bills	34,435,003	20,731,400
Italian Government Treasury bills	32,393,067	33,673,808
Australian Government Treasury bills	30,306,422	22,927,892
Netherlands Treasury bills	13,648,175	16,236,162
Spanish Government Treasury bills	10,361,956	13,792,942
Belgian Government Treasury bills	9,308,844	9,386,600
Greek Government Treasury bills	8,649,745	25,545,458
Portuguese Government Treasury bills	2,794,135	8,997,836
Other	39,621,459	60,330,530
Total foreign investments available-for-sale	<u>1,080,804,779</u>	<u>948,983,854</u>
Kazakhstan investments		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	95,354,352	22,692,375
Debts securities of JSC Kazakhstan Mortgage Company	966,813	1,085,541
Total Kazakhstan investments available-for-sale	<u>96,321,165</u>	<u>23,777,916</u>
Equity instruments – Unquoted		
JSC Kazakhstan Guarantee Fund of Mortgage Loans	500,000	500,000
JSC Kazakhstan Stock Exchange	2,200	22,003
Total unquoted equity instruments	<u>502,200</u>	<u>522,003</u>
	<u>1,177,628,144</u>	<u>973,283,773</u>

As at 31 December 2008 debt securities of international governmental and non-governmental financial institutions included securities issued by state agencies of France, Italy and Credit organization of Development. (31 December 2007: European Investment Bank, International Bank of Reconstruction and Development, Federal National Mortgage Association, Federal Home Mortgage Corporations, Federal Home Loan Bank and also State Agencies of Germany, France, Australia, and Italy).

As at 31 December 2008 other foreign investments included corporate debt securities and issued by companies resident in France (31 December 2007: Germany, Netherlands, Australia, and Japan).

As at 31 December 2008 and 2007 ordinary shares of JSC Kazakhstan Guarantee Fund of Mortgage Loans and JSC Kazakhstan Stock Exchange are unquoted and carried at cost. In June 2008 ordinary shares of “KASE” were sold by NBK for the amount of KZT 19,803 thousand.

11. INVESTMENTS HELD-TO-MATURITY

	31 December 2008	31 December 2007
Investments of Kazakhstan issuers		
Bonds of the Ministry of Finance of the Republic of Kazakhstan	921,272	-
	<u>921,272</u>	<u>-</u>

JSC Accumulated Pension Fund “GNPF” had investments held-to-maturity as of 31 December 2008, which are MEKKAM-12 for the amount KZT 291,811 thousand, MEOKAM-24 for the amount KZT 229,461 thousand and MEOKAM-48 for the amount KZT 400,000 thousand with maturity dates in 2009 and 2010.

12. INVESTMENTS IN ASSOCIATES

As at 31 December 2008 and 2007 the National Bank had the following investments in associates accounted for using the equity method of accounting:

Name	Country of incorporation	Main activity	Share controlled %		31 December 2008	31 December 2007
			31 December 2008	31 December 2008	Carrying value	Carrying value
JSC Central Securities Depository	Republic of Kazakhstan	Operations with securities	49.79%	49.79%	402,024	341,231
JSC National Analytical Centre under the Government and the National Bank of the Republic of Kazakhstan	Republic of Kazakhstan	Scientific research and consulting services	37.74%	50.00%	930,424	989,087
					<u>1,332,448</u>	<u>1,330,318</u>

In September 2007, following the Decree of the Government of the Republic of Kazakhstan dated 3 September 2007 №762 “On Establishment of “National Analytical Centre under the Government and the National Bank of the Republic of Kazakhstan” the NBK established and contributed KZT 1,000,000 thousand to the charter capital of the JSC National Analytical Centre under the Government and the National Bank of the Republic of Kazakhstan.

The following is the summarized financial information in respect of the associates:

	31 December 2008			31 December 2007		
	JSC Central Securities Depository	JSC National Analytical Centre under the Government and the National Bank of the Republic of Kazakhstan	Total	JSC Central Securities Depository	JSC National Analytical Centre under the Government and the National Bank of the Republic of Kazakhstan	Total
Assets	<u>828,376</u>	<u>2,526,014</u>	<u>3,354,390</u>	<u>698,450</u>	<u>979,932</u>	<u>1,678,382</u>
Liabilities	<u>21,004</u>	<u>60,390</u>	<u>81,394</u>	<u>13,167</u>	<u>1,758</u>	<u>14,925</u>
Total equity	<u>807,372</u>	<u>2,465,624</u>	<u>3,272,996</u>	<u>685,283</u>	<u>978,174</u>	<u>1,663,457</u>
Revenue	299,507	143,350	442,857	353,171	-	353,171
Retained earnings at 1 January	604,053	(21,890)	582,163	388,336	-	388,336
Net profit for the year	<u>124,719</u>	<u>(116,153)</u>	<u>8,566</u>	<u>218,348</u>	<u>(21,825)</u>	<u>196,523</u>
Retained earnings at 31 December	<u>728,772</u>	<u>(138,043)</u>	<u>590,729</u>	<u>606,684</u>	<u>(21,825)</u>	<u>584,859</u>

13. PROPERTY AND EQUIPMENT

	Land, buildings and constructions	Furniture and equipment	Computer equipment	Vehicles	Construction in progress/equipment not yet installed	Total
Cost/revalued amount						
1 January 2008	19,171,501	7,720,472	2,120,044	736,027	312,505	30,060,549
Additions	199,389	2,316,855	696,863	12,964	724,480	3,950,551
Revaluation	746,053	77,651	755	7,167	-	831,626
Disposals	(156,638)	(378,066)	(268,251)	(177)	(20,832)	(823,964)
Transfers	2,651	178,780	53,207	254,616	(489,254)	-
31 December 2008	19,962,956	9,915,692	2,602,618	1,010,597	526,899	34,018,762
Depreciation						
1 January 2008	401,345	3,529,489	1,480,688	470,419	-	5,881,941
Charge	1,042,633	770,590	219,704	98,121	-	2,131,048
Revaluation	115,794	(6,630)	(556)	1,661	-	110,269
Disposals	(150,470)	(278,477)	(265,231)	(177)	-	(694,355)
31 December 2008	1,409,302	4,014,972	1,434,605	570,024	-	7,428,903
Net carrying value						
31 December 2008	18,553,654	5,900,720	1,168,013	440,573	526,899	26,589,859
31 December 2007	18,770,156	4,190,983	639,356	265,608	312,505	24,178,608
	Land, buildings and constructions	Furniture and equipment	Computer equipment	Vehicles	Construction in progress/equipment not yet installed	Total
Cost/revalued amount						
1 January 2007	8,775,494	7,177,163	2,062,837	731,675	89,744	18,836,913
Additions	176,630	810,102	181,410	9,106	493,168	1,670,416
Revaluation	11,978,958	-	-	-	-	11,978,958
Disposals	(1,759,581)	(273,732)	(210,644)	(4,754)	(177,027)	(2,425,738)
Transfers	-	6,939	86,441	-	(93,380)	-
31 December 2007	19,171,501	7,720,472	2,120,044	736,027	312,505	30,060,549
Depreciation						
1 January 2007	1,790,884	2,972,330	1,362,101	358,654	-	6,483,969
Charge	359,485	714,706	261,619	115,256	-	1,451,066
Disposals	(1,749,024)	(157,547)	(143,032)	(3,491)	-	(2,053,094)
31 December 2007	401,345	3,529,489	1,480,688	470,419	-	5,881,941
Net carrying value						
31 December 2007	18,770,156	4,190,983	639,356	265,608	312,505	24,178,608
31 December 2006	6,984,610	4,204,833	700,736	373,021	89,744	12,352,944

Revalued assets

At 31 December 2007 buildings and constructions were revalued based on the results of an independent appraisal performed by LLP Company KBS Advisory.

The basis used for the appraisal was the market approach. The cost approach was used to assess the reasonableness of the results of the market approach. The market approach was based upon an analysis of the results of comparable sales of similar buildings and constructions.

The carrying value of buildings as of 31 December 2007, if the buildings had been revalued, would be KZT 4,621,000 thousand.

14. INTANGIBLE ASSETS

	2008	2007
Cost		
Beginning of the year	2,247,964	2,241,006
Additions	972,178	466,486
Disposals	<u>(211,406)</u>	<u>(459,528)</u>
End of the year	<u>3,008,736</u>	<u>2,247,964</u>
Amortization		
Beginning of the year	1,283,059	1,292,558
Amortization charge	382,257	368,776
Disposals	<u>(207,998)</u>	<u>(378,275)</u>
End of the year	<u>1,457,318</u>	<u>1,283,059</u>
Book value at the end of the year	<u><u>1,551,418</u></u>	<u><u>964,905</u></u>

Intangible assets consist mainly of software.

15. DEFERRED TAX ASSETS AND LIABILITIES

In accordance with Kazakhstan legislation, the NBK is exempt from income tax; however all of the NBK's subsidiaries are subject to income tax.

Temporary differences between the carrying amounts of assets and liabilities of the NBK's subsidiaries for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as of 31 December 2008 and 2007. The deferred tax assets and liabilities have been recognized in these consolidated financial statements. The future tax benefits have not been recognized due to uncertainties concerning their realization.

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

	Assets		Liabilities	
	31 December 2008	31 December 2007	31 December 2008	31 December 2007
Property and equipment	-	-	786,699	450,917
Intangible assets	(17,508)	(21,014)	-	-
Other liabilities	<u>(42,306)</u>	<u>(32,904)</u>	<u>-</u>	<u>-</u>
Total deferred tax (assets)/liabilities	<u><u>(59,814)</u></u>	<u><u>(53,918)</u></u>	<u><u>786,699</u></u>	<u><u>450,917</u></u>

The tax rate used for the 2008 and 2007 reconciliations above is the corporate tax rate of 30% payable by the subsidiaries of NBRK in the Republic of Kazakhstan on taxable profits under tax law. From 1 January 2009, the Government enacted the change in the national tax rate from 30 % in 2008 to 20% in 2009, and 17.5% for the periods starting on or after 1 January 2010.

The above temporary differences do not expire under current tax legislation.

Movement in temporary differences:

	31 December 2007	Recognized in expenses	31 December 2008
Property and equipment	450,917	335,782	786,699
Intangible assets	(21,014)	3,506	(17,508)
Other liabilities	(32,904)	(9,402)	(42,306)
	<u>396,999</u>	<u>329,886</u>	<u>726,885</u>
	31 December 2006	Recognized in expenses	31 December 2007
Property and equipment	318,967	131,950	450,917
Intangible assets	9,320	(30,334)	(21,014)
Other liabilities	(15,484)	(17,420)	(32,904)
	<u>312,803</u>	<u>84,196</u>	<u>396,999</u>

16. OTHER ASSETS

	31 December 2008	31 December 2007
Other financial assets accounted as loans or accounts receivable in accordance with IFRS 39:		
Other debtors from banking activity	1,597,845	1,376,537
Loans	394,656	387,501
Accrued other commission income	293,040	5,668
Other debtors from non-banking activity	102,028	452,034
Payments related to financing Financial monitoring and supervision agency	96,644	62,726
Other	138,396	151,442
	<u>2,622,609</u>	<u>2,435,908</u>
Less: Impairment allowance	(3,867)	(18,668)
	<u>2,618,742</u>	<u>2,417,240</u>
Other non-financial assets:		
Inventories	3,304,524	2,478,132
Prepayments for property and equipment	36,451	7,567
Refined silver, platinum, non-refined precious metals	188,549	49,141
Other	3,783	5,145
	<u>6,152,049</u>	<u>4,957,225</u>

Analysis of movements in the impairment allowance

	31 December 2008	31 December 2007
Beginning of the year	18,668	22,059
Net charge for the year	27,521	3,146
Recovery of impairment loss	(12,272)	-
Write-offs	(30,050)	(6,537)
	<u>3,867</u>	<u>18,668</u>
End of the year	<u><u>3,867</u></u>	<u><u>18,668</u></u>

17. CURRENCY IN CIRCULATION

	31 December 2008	31 December 2007
Banknotes and coins in circulation	987,848,823	860,927,452
Less banknotes and coins in vaults	(778,932)	(938,301)
	<u>987,069,891</u>	<u>859,989,151</u>
	<u><u>987,069,891</u></u>	<u><u>859,989,151</u></u>

18. DEPOSITS AND BALANCES FROM BANKS AND OTHER INSTITUTIONS

	31 December 2008	31 December 2007
<i>Deposits and balances from foreign banks and other institutions</i>		
Commissions payable		
OECD banks	965,362	2,198,516
Loans		
Other foreign banks	229,829	228,897
Accounts of international financial organizations	68,559,119	87,048
Total deposits and balances from foreign banks and other institutions	<u>69,754,310</u>	<u>2,514,461</u>
<i>Deposits and balances from Kazakhstan banks and other institutions</i>		
Loro accounts		
Largest 10 Kazakhstan banks	164,113,051	450,889,917
Other Kazakhstan banks	92,808,570	134,698,602
Term deposits		
Largest 10 Kazakhstan banks	10,004,375	-
Other Kazakhstan banks	638,453,829	27,388,808
Total deposits and balances from Kazakhstan banks and other institutions	<u>905,379,825</u>	<u>612,977,327</u>
	<u><u>975,134,135</u></u>	<u><u>615,491,788</u></u>

Concentration of deposits and balances from banks and other institutions

As at 31 December 2008 and 2007 the National Bank had one and two banks and institutions, respectively, whose balances exceeded 10% of total deposits and balances from banks and other institutions. The gross value of these balances as of 31 December 2008 and 2007 was KZT 592,193,474 thousand and KZT 243,359,138, respectively.

19. DUE TO THE NATIONAL FUND OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2008	31 December 2007
In foreign currency	4,310,026	12,388,237
In national currency	1,111	208,739,409
	<u>4,311,137</u>	<u>221,127,646</u>

In years 2008 and 2007 the National Bank conducted trust management activities over the assets of the National Fund of the Republic of Kazakhstan. Assets and liabilities of the National Fund are not included in these consolidated financial statements, except for deposits of the National Fund of the Republic of Kazakhstan in NBK.

20. DUE TO THE MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2008	31 December 2007
In national currency	46,328,386	71,514,981
In foreign currency	29,359	-
	<u>46,357,745</u>	<u>71,514,981</u>

21. RESERVES OF GUARANTEE FUNDS

	31 December 2008	31 December 2007
Guarantee reserves on deposits	18,662,389	8,937,750
Guarantee reserves on insurance claims	-	441,000
	<u>18,662,389</u>	<u>9,378,750</u>

22. CUSTOMER ACCOUNTS

	31 December 2008	31 December 2007
In national currency	138,406,748	1,416,542
In foreign currency	23,779,561	84,234
	<u>162,186,309</u>	<u>1,500,776</u>

In years 2008 and 2007 the National Bank maintained customer accounts in foreign and national currency. NBK clients' industry is state management, and NBK subsidiaries clients' industries are financial agency, insurance and liquidation of banks.

23. DEBT SECURITIES ISSUED

	31 December 2008	31 December 2007
NBK notes	295,964,826	221,263,582
	<u>295,964,826</u>	<u>221,263,582</u>

As at 31 December 2008 debt securities issued comprise the following issues:

Emissions	Carrying amount	Issue date	Maturity date	Effective rate
KZW1KM061490	67,320,902	22.08.2008	20.02.2009	7.11
KZW1KY011534	45,975,452	19.09.2008	18.09.2009	7.50
KZW1KD911587	83,705,423	24.10.2008	23.01.2009	6.29
KZW1KM061623	2,431,886	21.11.2008	22.05.2009	7.11
KZW1KD281650	15,074,324	12.12.2008	09.01.2009	5.92
KZW1KD911660	<u>116,496</u>	19.12.2008	20.03.2009	6.29
KZW1KD281676	<u>36,832,316</u>	26.12.2008	23.01.2009	5.92
KZW1KD311689	<u>44,508,027</u>	30.12.2008	30.01.2009	5.96
Total	<u>295,964,826</u>			

As at 31 December 2007 debt securities issued comprise the following issues:

Emissions	Carrying amount '000 KZT	Issue date	Maturity date	Effective rate
KZW1KM120825	77,541,746	11.05.2007	08.05.2008	6.50
KZW1KM120957	10,211,096	10.08.2007	08.08.2008	7.77
KZW1KD281122	12,875,451	07.12.2007	04.01.2008	5.64
KZW1KD281130	15,458,680	14.12.2007	11.01.2008	5.64
KZW1KD281148	62,889,704	21.12.2007	18.01.2008	5.64
KZW1KD281155	<u>42,286,905</u>	28.12.2007	25.01.2008	5.64
Total	<u>221,263,582</u>			

24. OTHER LIABILITIES

	31 December 2008	31 December 2007
Other financial liabilities:		
Other creditors of non-banking activity	579,129	821,451
General and administrative expenses to pay	45,022	36,054
Others creditors of banking activity	17,706	49,897
Other	<u>21,282</u>	<u>10,641</u>
	663,139	918,043
Other non-financial liabilities:		
Salaries payable	1,098,658	1,101,434
Tax payable (except CIT)	139,101	265,659
Other prepayments received	209,396	297,104
Current tax payables on IT	12,141	2,542
Payables on purchase fixed assets	<u>-</u>	<u>16,172</u>
	<u>2,122,435</u>	<u>2,600,954</u>

25. SHARE CAPITAL AND RESERVES

The share capital of the National Bank is regulated by the Decree of the President of the Republic of Kazakhstan dated 30 March 1995 with subsequent amendments and alterations. In accordance with the amendments to the Decree dated 18 December 2000 the share capital shall comprise KZT 20,000,000 thousand formed by appropriations of the net income as well as funding from the republican budget. As at 31 December 2008 and 2007 the share capital of the National Bank amounted to KZT 20,000,000 thousand.

In accordance with the Law of the Republic of Kazakhstan “On the National Bank of the Republic of Kazakhstan”, the NBK should establish a capital reserve in the amount of not less than its share capital. At

31 December 2008 and 2007, the capital reserve amounted to KZT 86,384,133 thousand and KZT 48,774,701 thousand, respectively. In addition, the reserve for general banking risks is formed by an annual transfer from retained earnings in the amount of 0.5% of the value of certain assets. These reserves are non-distributable.

26. NET INTEREST INCOME

	Year ended 31 December 2008	Year ended 31 December 2007
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on unimpaired assets	23,576,689	23,975,059
Interest income on available for sale assets	<u>33,859,407</u>	<u>71,987,235</u>
Total interest income	<u>57,436,096</u>	<u>95,962,294</u>
Interest income on financial assets recorded at amortized cost:		
Placements and balances with banks and other institutions	19,455,123	19,200,340
Amounts receivable under reverse repurchase agreements	4,104,901	4,758,448
Others	<u>16,665</u>	<u>16,271</u>
Total interest income on financial assets recorded at amortized cost	<u>23,576,689</u>	<u>23,975,059</u>
Interest income on available for sale assets	<u>33,859,407</u>	<u>71,987,235</u>
Total interest income	<u>57,436,096</u>	<u>95,962,294</u>
Interest expense comprises:		
Debt securities issued	(18,242,705)	(33,995,353)
Deposits and balances from banks and other institutions	(7,564,322)	(4,117,964)
Due to the Ministry of Finance of the Republic of Kazakhstan	(191,263)	(293,197)
Amounts payable under repurchase agreements	<u>(336,634)</u>	<u>(1,964,028)</u>
Total interest expense on financial liabilities recorded at amortized cost	<u>(26,334,924)</u>	<u>(40,370,542)</u>
Net interest income	<u>31,101,172</u>	<u>55,591,752</u>

27. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2008	Year ended 31 December 2007
Fee and commission income		
Income from pension asset management	2,767,970	3,095,222
Income from custody and trust operations	1,992,752	928,327
Income from transfer operations	318,168	346,912
	<u>5,078,890</u>	<u>4,370,461</u>
Fee and commission expense		
Commission expenses from trust management services	(458,715)	(31,643)
Commission expenses from operations with foreign currencies, securities, stock exchange	(101,210)	(138,845)
Commission expenses from custody services	(67,827)	(149,189)
Other commissions	(736)	(660)
	<u>(628,488)</u>	<u>(320,337)</u>
	<u>4,450,402</u>	<u>4,050,124</u>

Fee and commission income on pension asset management consists of commission income of JSC Accumulation Pension Fund “GNPF” (herein – “NPF”).

Fee and commission income on custody and trust operations consists of income for trust management services provided to the National Fund of the Republic of Kazakhstan, JSC State Export Credits and Investments Guarantee Corporation, JSC Kazakhstan Mortgage Company, JSC Social Insurance State Fund and other institutions. The NBK renders asset management services to these organizations, or invests funds received in various financial instruments in accordance with customers’ instructions.

Income on transfer operations consists of commission income from inter-banking, money transfers and clearing operations of RSE Kazakhstan Centre of Inter-banking Settlements.

28. NET REALISED GAIN ON AVAILABLE-FOR-SALE ASSETS, FOREIGN CURRENCY AND GOLD

	Year ended 31 December 2008	Year ended 31 December 2007
Operations with available-for-sale assets	5,791,350	(6,543,994)
Foreign currency operations	880,251	6,982,291
Unaffiliated precious metals operations	(120,579)	(247,716)
	<u>6,551,022</u>	<u>190,581</u>

29. NET GAIN/ (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2008	Year ended 31 December 2007
Net gain/(loss) on financial assets held-for-trading	10,010,543	(1,335,936)
Total net gain/(loss) on financial assets at fair value through profit or loss	<u>10,010,543</u>	<u>(1,335,936)</u>
Net gain/(loss) on operations with financial assets held-for-trading comprise:		
Net gain on operations with derivative financial instruments in foreign currency	9,225,425	1,269,317
Net gain/(loss) on operations with derivative financial instruments on investments available-for-sale	<u>785,118</u>	<u>(2,605,253)</u>
Total net gain/(loss) on operations with financial assets held-for-trading	<u>10,010,543</u>	<u>(1,335,936)</u>

30. OTHER INCOME

	Year ended 31 December 2008	Year ended 31 December 2007
Income from the sale of coins for collection	982,905	300,933
Income from the sale of printed products	888,064	792,922
Income from lease of property and equipment	119,396	107,470
Income from transportation services	98,981	100,026
Income from the sale of medals, gems and jewellery	92,938	133,517
Income from penalties and fines	20,163	14,121
Income from collection services	8,692	19,235
Income from processing liquid gold to granules	-	34,429
Income from actuarial services	-	14,828
Other	<u>155,137</u>	<u>105,413</u>
	<u>2,366,276</u>	<u>1,622,894</u>

31. BANKNOTES AND COINS PRODUCTION EXPENSES

	Year ended 31 December 2008	Year ended 31 December 2007
Banknote production expenses	2,619,451	2,937,372
Coin production expenses	809,139	1,522,128
Other	<u>55,556</u>	<u>69,317</u>
	<u>3,484,146</u>	<u>4,528,817</u>

32. FUNDING OF THIRD PARTIES

	Year ended 31 December 2008	Year ended 31 December 2007
Funding of the Financial monitoring and supervision agency	2,747,587	2,080,540
Funding of the Master's Degree at Kazakh Economic University in the name of Ryskulov T.	45,257	65,980
	<u>2,792,844</u>	<u>2,146,520</u>

In accordance with the Law of the Republic of Kazakhstan, dated 4 July 2003 № 474 "On State Regulation and Supervision of the Financial Market and Financial Organizations", and the Decree of the President of the Republic of Kazakhstan dated 31 December 2003 № 1270 "On Further Improvement of the System of State Management of the Republic of Kazakhstan" the Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations (the "AFN") is funded from the budget of the NBK.

33. PAYROLL AND RELATED PAYMENTS TO EMPLOYEES

	Year ended 31 December 2008	Year ended 31 December 2007
Payroll	4,493,674	3,456,562
Bonuses	2,876,751	2,525,365
Social tax	554,361	668,608
Insurance	160,310	91,525
Training	111,427	90,528
Other	33,461	31,071
	<u>8,229,984</u>	<u>6,863,659</u>

34. ADMINISTRATIVE EXPENSES

	Year ended 31 December 2008	Year ended 31 December 2007
Taxes other than income tax	613,381	581,853
Information and other services	442,575	477,620
Materials	372,903	339,469
Communication	337,748	350,451
Security	192,468	182,091
Repair and maintenance of property and equipment	164,057	216,899
Business trips	135,015	108,465
Transport	123,748	12,878
Rent	110,721	68,519
Utilities	109,062	83,629
Representation	106,868	58,682
Advertising expenses, announcements and presentations in mass media	122,466	95,684
Gratuitous assignment of property	41,240	38,277
Insurance of property and equipment	12,456	4,816
Other	255,873	265,853
	<u>3,140,581</u>	<u>2,885,186</u>

35. (IMPAIRMENT LOSSES)/PROVISION RECOVERY

	Year ended 31 December 2008	Year ended 31 December 2007
Impairment losses		
Other assets	(27,521)	(3,146)
Reversals of impairment losses		
Placements and balances with banks and other institutions	-	5,648
Other	12,273	-
	<u>(15,248)</u>	<u>2,502</u>

36. LOSS FROM DISPOSAL OF SUBSIDIARY

In July 2008 Management of National Bank made the decision to sell its shares of JSC Guarantee Fund of Insurance Payments (“FGSV”) to insurance companies – participants of FGSV, in order to realize Law of Republic of Kazakhstan dated 7 May 2007 “About alteration in some legislation acts of the Republic of Kazakhstan on obligatory insurance types”. In October 2008 all National Bank’s shares of FGSV were sold to insurance companies- participants of FGSV.

In July 2008 activity of “Kazakhstan Actuary Centre” ceased, and the state registration certificate was cancelled by the Justice Department in accordance with Civil Code of the Republic of Kazakhstan and Law of the Republic of Kazakhstan “About Joint Stock Companies”.

The loss from disposal of subsidiaries amounted to KZT 24,582 thousand.

The disposal of subsidiaries had the following effect on the National Bank’s assets and liabilities at the date of disposal:

	Carrying amount of FGSV at the date of disposal	Carrying amount of KAC at the date of disposal
Assets		
Cash	429,849	12,610
Available-for-sale assets	733,654	-
Property and equipment	1,602	37
Other assets	115,673	-
Liabilities		
Reserves of guarantee insurance payments of Guarantee Fund of Insurance Payments	(712,268)	-
Other liabilities	(8,988)	(295)
Net identifiable assets	<u>559,522</u>	<u>12,352</u>
Cash received on disposal	534,682	-
Disposed cash	(429,849)	-
Net cash inflow	<u>104,833</u>	<u>-</u>

In October 2007 the National Bank transferred the block of shares of “National Processing Centre” (“NPC”) of 66.9% of its share capital to republic property represented by the Committee of state property and privatization of the Ministry of Finance of the Republic of Kazakhstan. Net loss of subsidiary for the year was KZT 52,785 thousand. The loss from disposal was KZT 447,532 thousand.

Disposal of subsidiary had the following effect on the National Bank's assets and liabilities at the date of disposal:

	Book value at the date of disposal
Assets	
Cash	4,775
Payments and balances from banks and other institutions	150,000
Available for sale assets	334,127
Fixed assets and intangible assets	116,795
Prepaid income tax	107
Other assets	61,252
Liabilities	
Deferred tax liability	(2,081)
Other liabilities	(14,545)
	<hr/>
Net identifiable assets	650,430
	<hr/>
Disposed cash	(4,775)
	<hr/>
Net cash outflow	(4,775)
	<hr/> <hr/>

37. INCOME TAX EXPENSE

	Year ended 31 December 2008	Year ended 31 December 2007
Current tax expense		
Current year	637,005	1,164,674
Payable/(prepaid) in prior years	(147,124)	14,776
	<hr/>	<hr/>
	489,881	1,179,450
Deferred tax expense		
Net increase of deferred tax liabilities	329,886	84,196
	<hr/>	<hr/>
	819,767	1,263,646
	<hr/> <hr/>	<hr/> <hr/>

The NBK's subsidiaries applicable tax rate for current tax is 30% (2007: 30%).

Reconciliation of effective tax rate:

	Year end 31 December 2008	%	Year end 31 December 2007	%
Income of subsidiaries before tax	<u>3,117,293</u>	<u>100%</u>	<u>4,605,218</u>	<u>100%</u>
Income tax at the applicable tax rate	935,188	30.00%	1,381,565	30.00%
Non-deductible costs/(non-taxable income)	31,703	1.02%	(132,695)	(2.88%)
Under/(over) provided in prior years	<u>(147,124)</u>	<u>(4.72%)</u>	<u>14,776</u>	<u>0.32%</u>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	819,767	26.30%	1,263,646	27.44%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

38. RELATED PARTY TRANSACTIONS

The outstanding balances and the results of transactions with companies and organizations that are related parties of the National Bank for the years ended 31 December 2008 and 2007 are as follows.

	Associates	31 December 2008 State companies and organizations	Total category per financial statements captions
Consolidated balance sheet			
Assets			
Placements and balances with banks and other institutions	-	762,878	882,127,067 1,177,628,14
Available-for-sale assets	-	84,229,692	4
Held-to-maturity	-	921,272	921,272
Investments in associates	1,332,448	-	1,332,448
Other assets	-	1,972,300	6,152,049
Liabilities			
Deposits and balances from banks and other institutions	8,474,076	656,255,712	975,134,135
Due to the National Fund of the Republic of Kazakhstan	-	4,311,137	4,311,137
Due to the Ministry of Finance of the Republic of Kazakhstan	-	46,357,745	46,357,745
Customer accounts	2,882	69,588,949	162,186,309
Other liabilities	9,726	1,195,290	2,122,435
Consolidated Income Statement			
Interest income	-	3,561,853	57,436,096
Interest expense	-	(19,198,729)	(26,334,924)
Fee and commission income	440,767	2,407,192	5,078,890
Fee and commission expense	(83,707)	(474,072)	(628,488)
Income from investments to associated companies	2,130	-	2,130
Other income	131,445	397,439	2,366,276
Banknotes and coins issuance expenses	-	(21,931)	(3,484,146)
Funding of third parties	-	(2,792,844)	(2,792,844)
Payroll and related payments to employees	-	(88,922)	(8,229,984)
Administrative expenses	(4,278)	(1,880,420)	(3,140,581)

	Associates	31 December 2007 State companies and organizations	Total category per financial statements captions
Consolidated balance sheet			
Assets			
Placements and balances with banks and other institutions	-	2,672,143	828,289,600
Available-for-sale assets	-	24,299,919	973,283,773
Investments in associated companies	1,330,318	-	1,330,318
Other assets	827	467,591	4,957,225
Liabilities			
Deposits and balances from banks and other institutions	7,192,974	38,197,734	615,491,788
Due to the National Fund of the Republic of Kazakhstan	-	221,127,646	221,127,646
Due to the Ministry of Finance of the Republic of Kazakhstan	-	71,514,981	71,514,981
Customer accounts	16,857	1,241,077	1,500,776
Other liabilities	3,179	564,868	2,600,954
Consolidated Income Statement			
Interest income	-	1,586,979	95,962,294
Interest expense	-	(310,442)	(40,370,542)
Fee and commission income	25,609	1,326,170	4,370,461
Fee and commission expense	(43,748)	(36,752)	(320,337)
Net realized (loss)/gain on available-for-sale assets, foreign currency and gold	2,579,440	(544,786)	190,581
Income from associates	96,403	-	96,403
Other income	24,201	330,849	1,622,894
Banknotes and coins issuance expenses	-	(42,503)	(4,528,817)
Funding of third parties	-	(2,146,520)	(2,146,520)
Payroll and related payments to employees	-	(673,462)	(6,863,659)
Administrative expenses	4,597	(805,060)	(2,885,186)
Loss from disposal of subsidiary	-	(447,532)	(447,532)

The remuneration to members of National Bank's Board of Directors and Management Board for the years ended 31 December 2008 and 2007 comprised KZT 331,676 thousand and KZT 260,127 thousand, respectively. The remuneration consists of salary and bonuses.

39. RISK MANAGEMENT POLICY

Risk management is fundamental to the National Bank's activities and is an essential element of the National Bank operations. The major risks faced by the National Bank are those related to market risk, which includes interest rate, currency and other price risks, as well as credit risk and liquidity risk, which the National Bank faces during its operations.

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

The Investment Committee of the NBK 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 Board of Directors, committees, commissions and related working groups review regularly matters related to the monetary, investing and currency policies of the National Bank and set up limits on the scope of transactions, as well as requirements for the assessment of the NBK's counterparties.

In accordance with Investment Strategy on Gold and Foreign Currency Assets Management of the NBK ("the Investment Strategy") approved by the Board on 27 October 2006, the main goals of risk management are maintenance of liquidity and safety of the NBK's assets, its purchasing power, and profitability growth.

In accordance with these goals, gold and foreign currency assets of the NBK are separated into the following portfolios: liquidity portfolio, foreign currency assets investment portfolio, absolute profitability portfolio and gold portfolio.

The operations of the NBK's subsidiaries are also exposed to a number of risks, the most significant are those related to market risks. Risk management procedures of subsidiaries are regulated by their internal instructions and their execution is monitored by various bodies, including the subsidiaries' Boards of Directors and internal control departments.

(a) Market risk

Market risk is the risk in changes of profit of National Bank or cost of its portfolio movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices. 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.

The National Bank manages its market risk by conducting regular assessment of all open positions. In addition, the National Bank sets open position limits in relation to financial instruments, interest rate, maturity and currency positions and stop-loss limits which are monitored on a regular basis.

The National Bank utilizes Tracking Error methodology. Tracking Error indicator reflects how actual performance of current portfolio differs from the performance of the benchmark portfolio. In accordance with Investment Strategy, Tracking Error limit is 2% for the years ended 31 December 2008 and 2007.

Tracking Error can be used only when investor manages portfolio against the benchmark portfolio on comparative basis.

As at 31 December 2008 and 2007 the bench mark portfolio for investment portfolio of gold and foreign currency assets is a composite index of:

- Merrill Lynch United States Treasuries 1-3 years – 45%;
- Merrill Lynch European Economic and Monetary Union Direct Governments 1-5 years – 30%;
- Merrill Lynch United Kingdom Gilts 1-5 years – 10%;
- Merrill Lynch Japanese Treasuries 1-5 years – 10%;
- Merrill Lynch Australian Treasuries 1-5 years – 5%.

(i) Interest rate risk

Interest rate risk is the risk of change in the National Bank profit amount or its financial instruments portfolios due to change in interest rates.

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

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

The tables below summarize the National Bank's interest bearing assets and liabilities as at 31 December 2008 and 2007 and their corresponding average effective interest rates as at those dates. These interest rates are an approximation of the yields to maturity of these interest bearing assets and liabilities.

	2008 Book Value	Average Effective Interest Rate, %	2007 Book Value	Average Effective Interest Rate, %
Interest Bearing Assets				
Gold	241,751,221	0.82	215,923,786	0.14
Placements and balances with banks and other institutions				
<i>Nostro accounts</i>				
- KZT	284,383	1.50	2,445,177	5.40
- USD	500,817,486	1.57	290,773,161	4.09
- Japanese yen	161,449,541	0.37	284,715,610	0.23
- EUR	33,153,774	2.93	28,491,483	3.50
- GBP	48,646,644	4.08	9,879,220	2.71
- other foreign currency	21,022,784	2.85	25,944,772	1.48
<i>Due from external assets managers</i>				
- USD	-	-	23,275,082	5.50
<i>Deposits</i>				
- KZT	15,810,625	11.06	809,247	9.95
- USD	19,296,042	0.00	67,811,891	4.73
- GBP	-	-	9,924,303	6.00
- other foreign currency	-	-	5,538,766	6.00
<i>Loans</i>				
- KZT	9,594,671	1.52	67,259,314	9.15
- USD	-	-	5,528,224	3.75
Amounts receivable under reverse repurchase agreements				
- KZT	119,702,645	10.50	4,003,617	9.00
- USD	272,200,341	0.01	167,933,720	5.12
- Japanese yens	4,099,204	0.08	-	-
Available-for-sale assets				
- KZT	96,823,365	5.67	24,299,919	5.08
- USD	467,871,431	3.69	510,004,477	4.29
- EUR	386,731,177	2.44	264,733,268	4.08
- GBP	60,619,761	5.62	76,811,575	5.52
- Japanese yen	80,694,473	1.34	66,076,051	1.02
- other foreign currency	84,887,937	5.60	31,358,483	6.37
Held-to-maturity assets				
-KZT	921,272	7.25	-	-
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
<i>Term deposits</i>				
- KZT	648,395,451	4.52	27,072,574	5.50
- USD	2,082	0.75	316,233	0.60
Due to Ministry of Finance of the Republic of Kazakhstan				
- KZT	46,328,386	-	71,514,981	-
- GBR	26,208	-	-	-
- other foreign currencies	3,151	-	-	-
Debt securities issued				
- KZT	295,964,826	6.51	221,263,582	6.03

Management of the National Bank believes that given the current economic conditions in Kazakhstan that a 300 basis point (bp) increase is a realistic movement in the interest rates. This is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. The sensitivity analysis includes only outstanding financial assets and liabilities. An analysis of sensitivity of the National Bank's projected net income for the year and equity to changes in the market interest rate based on a simplified scenario of a 300 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2008 and 100 basis point (bp) as at 31 December 2007 is as follows:

	31 December 2008		31 December 2007	
	Net income	Equity	Net income	Equity
Bp parallel increase	(16,368,390)	(16,368,390)	(5,413,921)	(5,413,921)
Bp parallel decrease	16,368,390	16,368,390	5,413,921	5,413,921

An analysis of the sensitivity of the equity as a result of changes in the fair value of financial assets available for sale due to changes in interest rate based on positions existing as at 31 December 2008 and a simplified scenario of a 300 basis point (bp) and as at 31 December 2007 of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	31 December 2008	31 December 2007
Bp parallel increase	(70,895,761)	(22,124,797)
Bp parallel decrease	48,874,669	30,109,443

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the National Bank's assets and liabilities are actively managed. Additionally, the financial position of the National Bank may vary at the time that any actual market movement occurs. For example, the National Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the National Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

(ii) Currency risk

The National Bank assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. The Investment Committee sets up limits on the level of exposure by currencies on overnight and daily positions and monitors them.

The National Bank's exposure to foreign currency exchange rate risk by currencies as of 31 December 2008 and 2007 is presented in the table below:

	KZT	Gold 1 troy ounce= 104,483.35KZT	USD 1 USD = 120.79 KZT	EURO 1 EURO = 170.24 KZT	Japanese yen 1 yens = 1.34 KZT	SDR 1 SFR = 186.96 KZT	GBP 1 pound = 174.64 KZT	Other	31 December 2008 Total
Assets									
Cash in foreign currencies	-	-	11,035,369	110,108	-	-	-	60,874	11,206,351
Gold	-	241,751,221	-	-	-	-	-	-	241,751,221
Placements and balances with banks and other institutions									
<i>Foreign</i>	-	-	520,365,939	33,678,380	161,449,541	68,539,304	48,646,644	21,305,961	853,985,769
<i>Local</i>	28,141,298	-	-	-	-	-	-	-	28,141,298
Financial assets at fair value through P&L	9,636,474	-	-	101,230	-	-	-	-	9,737,704
Amounts receivable under reverse repurchase agreements	119,702,645	-	272,200,341	-	4,099,204	-	-	-	396,002,190
Available-for-sale assets									
<i>Foreign</i>	-	-	467,871,431	386,731,177	80,694,473	-	60,619,761	84,887,937	1,080,804,779
<i>Local</i>	96,823,365	-	-	-	-	-	-	-	96,823,365
Held-to maturity assets (Local)	921,272	-	-	-	-	-	-	-	921,272
Investments in associates	1,332,448	-	-	-	-	-	-	-	1,332,448
Fixed assets	26,589,859	-	-	-	-	-	-	-	26,589,859
Intangible assets	1,551,418	-	-	-	-	-	-	-	1,551,418
Deferred tax assets	59,814	-	-	-	-	-	-	-	59,814
Other assets	6,148,755	-	1,820	-	106	-	47	1,321	6,152,049
Total assets	290,907,348	241,751,221	1,271,474,900	420,620,895	246,243,324	68,539,304	109,266,452	106,256,093	2,755,059,537
Liabilities									
Currency in circulation	987,069,891	-	-	-	-	-	-	-	987,069,891
Deposits and balances from banks and other institutions									
<i>Foreign</i>	965,363	-	232,481	-	-	68,556,466	-	-	69,754,310
<i>Local</i>	766,910,585	-	91,477,548	1,686,648	45,305,044	-	-	-	905,379,825
Financial assets at fair value through P&L	3,256,015	-	-	101,230	-	-	-	-	3,357,245
Due to the National Fund of the Republic of Kazakhstan	1,111	-	1,820	547,442	-	-	1,211,655	2,549,109	4,311,137
Due to the Ministry of Finance of the Republic of Kazakhstan	46,328,386	-	-	-	-	-	26,208	3,151	46,357,745
Guarantee Funds	18,662,389	-	-	-	-	-	-	-	18,662,389
Customer accounts	138,406,702	-	23,711,261	8,427	-	-	3,578	56,341	162,186,309
Debt securities issued	295,964,826	-	-	-	-	-	-	-	295,964,826
Deferred tax liability	786,699	-	-	-	-	-	-	-	786,699
Other liabilities	2,097,139	-	1,322	7,149	-	-	9,628	7,197	2,122,435
Total liabilities	2,260,449,106	-	115,424,432	2,350,896	45,305,044	68,556,466	1,251,069	2,615,798	2,495,952,811
Net on balance sheet position	(1,969,541,758)	241,751,221	1,156,050,468	418,269,999	200,938,280	(17,162)	108,015,383	103,640,295	259,106,726
Net off balance sheet position	204,507,908	-	(110,761,050)	(507,878)	(17,004,889)	-	-	(76,234,091)	-
Net on and off balance sheet positions	(1,765,033,850)	241,751,221	1,045,289,418	417,762,121	183,933,391	(17,162)	108,015,383	27,406,204	259,106,726

	KZT	Gold 1 troy ounce= 99,668.5 KZT	USD 1 USD = 120.30 KZT	EURO 1 EURO = 177.17 KZT	Japanese yen 10 yens = 10,71 KZT	SDR 1 SFR = 189.89 KZT	GBP 1 pound = 240.14 KZT	Other	31 December 2007 Total
Assets									
Cash in foreign currencies	-	-	20,237,980	149,240	-	-	-	48,561	20,435,781
Gold	-	215,923,786	-	-	-	-	-	-	215,923,786
Placements and balances with banks and other institutions									
<i>Foreign</i>	-	-	382,193,255	28,492,833	284,715,610	165,664	19,803,523	33,042,126	748,413,011
<i>Local</i>	74,348,365	-	5,528,224	-	-	-	-	-	79,876,589
Financial assets at fair value through P&L	94,048	-	-	-	-	-	-	-	94,048
Amounts receivable under reverse repurchase agreements	4,003,617	-	167,933,720	-	-	-	-	-	171,937,337
Available-for-sale assets									
<i>Foreign</i>	-	-	510,004,477	264,733,268	66,076,051	-	76,811,575	31,358,483	948,983,854
<i>Local</i>	24,299,919	-	-	-	-	-	-	-	24,299,919
Investments in associates	1,330,318	-	-	-	-	-	-	-	1,330,318
Fixed assets	24,178,608	-	-	-	-	-	-	-	24,178,608
Intangible assets	964,905	-	-	-	-	-	-	-	964,905
Deferred tax assets	53,918	-	-	-	-	-	-	-	53,918
Other assets	4,946,282	5,012	5,181	-	-	-	750	-	4,957,225
			1,085,902,8						
Total assets	134,219,980	215,928,798	37	293,375,341	350,791,661	165,664	96,615,848	64,449,170	2,241,449,299
Liabilities									
Currency in circulation	859,989,151	-	-	-	-	-	-	-	859,989,151
Deposits and balances from banks and other institutions									
<i>Foreign</i>	2,284,510	-	229,951	-	-	-	-	-	2,514,461
<i>Local</i>	182,636,608	-	180,284,755	10,187,478	239,868,298	-	-	188	612,977,327
Due to the National Fund of the Republic of Kazakhstan	208,739,409	-	2,725	449,153	2,892,075	-	2,949,994	6,094,290	221,127,646
Due to the Ministry of Finance of the Republic of Kazakhstan	71,514,981	-	-	-	-	-	-	-	71,514,981
Guarantee Funds	9,378,750	-	-	-	-	-	-	-	9,378,750
Customer accounts	1,416,543	-	71,692	5,170	-	-	-	7,371	1,500,776
Debt securities issued	221,263,582	-	-	-	-	-	-	-	221,263,582
Deferred tax liability	450,917	-	-	-	-	-	-	-	450,917
Other liabilities	2,543,398	-	55,721	494	83	-	375	883	2,600,954
	1,560,217,84								
	9								
Total liabilities	(1,425,997,869)	-	180,644,844	10,642,295	242,760,456	-	2,950,369	6,102,732	2,003,318,545
Net position)	215,928,798	905,257,993	282,733,046	108,031,205	165,664	93,665,479	58,346,438	238,130,754
Net off balance sheet position	56,788,576	-	(56,788,576)	-	-	-	-	-	-
	(1,369,209,293								
Net on and off balance sheet positions)	215,928,798	848,469,417	282,733,046	108,031,205	165,664	93,665,479	58,346,438	238,130,754

Management of the National Bank believes that given the current economic conditions in Kazakhstan that a 25% decrease is a realistic movement in Tenge exchange rates against US Dollar. This is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 25% and 5% change in currency rates as at 31 December 2008 and 2007, respectively. Sensitivity analysis of the capital of the National Bank to the changes in foreign currencies rates (which was performed base on positions existing as at 31 December 2008 and 2007 and simplified scenario of decrease and increase of rates of gold, USD, EUR, Japanese yen, SDR, GBP, and other foreign currencies to Kazakhstan tenge by 25% in 2008 and 5% in 2007) caould be presented as follows:

	31 December 2008	31 December 2007
Appreciation of Troy ounce against KZT	60,437,805	10,796,440
Depreciation of Troy ounce against KZT	(60,437,805)	(10,796,440)
Appreciation of USD against KZT	261,322,354	42,423,471
Depreciation of USD against KZT	(261,322,354)	(42,423,471)
Appreciation of EUR against KZT	104,440,530	14,136,652
Depreciation of EUR against KZT	(104,440,530)	(14,136,652)
Appreciation of Japanese yen against KZT	45,983,348	5,401,560
Depreciation of Japanese yen against KZT	(45,983,348)	(5,401,560)
Appreciation of SDR against KZT	(4,291)	8,283
Depreciation of SDR against KZT	4,291	(8,283)
Appreciation of GBP against KZT	27,003,846	4,683,274
Depreciation of GBP against KZT	(27,003,846)	(4,683,274)
Appreciation of Other currencies against KZT	6,851,551	2,917,322
Depreciation of Other currencies against KZT	(6,851,551)	(2,917,322)

The analysis is prepared on the assumption that the National Bank is in a net unrealized foreign currency exchange and gold position at each period end thus there is no income statement effect. The effect on the income statement will depend on whether the National Bank ends the year in an overall net unrealized gain or loss position.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the National Bank's assets and liabilities are actively managed. Additionally, the financial position of the National Bank may vary at the time that any actual market movement occurs. For example, the National Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the National Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the National Bank takes a long or short position in a financial instrument.

The National Bank manages price risk by establishment of limits on deviation of the National Bank's portfolio performance from benchmark. The main indicator of such deviation is value of Tracking error that is monitored on regular basis and approved by the Board in accordance with Investment Strategy.

As at 31 December 2008 and 2007 the National Bank had no significant exposure to equity price risk.

(b) 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 National Bank. The National Bank has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and establishment of an Investment Committee, which is responsible for monitoring of credit risks. The National Bank's credit policy is reviewed and approved by the Board.

The Bank's credit policy establishes:

- Methodology for credit assessment calculation and determination of maximum limit on the National Bank's counterparties;
- Procedures for ongoing monitoring and review of the limit of the National Bank's counterparties.

Requests for inclusion in the list of counterparties are received by the National Bank's analysts. Analysts' report on potential counterparty is based on a financial performance and financial position ratios analysis with use of international rating agencies' data. On the basis of this report Investment Committee approves counterparty.

The National Bank analysts conduct daily monitoring of compliance with limits imposed on each individual counterparty. Apart to individual counterpart analysis, the National Bank performs valuation of portfolios in relation to concentration of credit risks.

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

Maximum Exposure

The National Banks maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets, the maximum exposure to credit risk is the maximum amount the National Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. Collateral amount is stated at fair value, limited to the amount of loan of each borrower.

As at 31 December 2008:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash in foreign currency	11,206,351	-	11,206,351	-	11,206,351
Gold	241,751,221	-	241,751,221	-	241,751,221
Placement and balances with banks and other institutions	882,127,067	-	882,127,067	-	882,127,067
Financial assets at fair value through profit or loss	9,737,704	-	9,737,704	-	9,737,704
Amounts receivable on reverse repurchase agreement transactions	396,002,190	-	396,002,190	375,522,260	20,479,930
Available-for-sale assets	1,177,628,144	-	1,177,628,144	-	1,177,628,144
Held to maturity assets	921,272	-	921,272	-	921,272
Investments in associates	1,332,448	-	1,332,448	-	1,332,448
Other financial assets	2,618,742	-	2,618,742	274	2,618,468

As at 31 December 2007:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash in foreign currency	20,435,781	-	20,435,781	-	20,435,781
Gold	215,923,786	-	215,923,786	-	215,923,786
Placement and balances with banks and other institutions	828,289,600	-	828,289,600	-	828,289,600
Financial assets at fair value through profit or loss	94,048	-	94,048	-	94,048
Amounts receivable on reverse repurchase agreement transactions	171,937,337	-	171,937,337	172,371,121	-
Available-for-sale assets	973,283,773	-	973,283,773	-	973,283,773
Held to maturity assets	-	-	-	-	-
Investments in associates	1,330,318	-	1,330,318	-	1,330,318
Other financial assets	2,417,240	-	2,417,240	510	2,416,730

The following table details the carrying value of assets that are impaired and those that are past due but not impaired:

	Non matured and non impaired	Matured but not impaired	Impaired	31 December 2008 Total
Cash in foreign currency	11,206,351	-	-	11,206,351
Gold	241,751,221	-	-	241,751,221
Placement and balances with banks and other institutions	882,127,067	-	-	882,127,067
Financial assets at fair value through profit or loss	9,737,704	-	-	9,737,704
Amounts receivable on reverse repurchase agreement transactions	396,002,190	-	-	396,002,190
Available-for-sale assets	1,177,628,144	-	-	1,177,628,144
Held to maturity assets	921,272	-	-	921,272
Investments in associates	1,332,448	-	-	1,332,448
Other financial assets	2,615,063	3,679	-	2,618,742
	Non matured and non impaired	Matured but not impaired	Impaired	31 December 2007 Total
Cash in foreign currency	20,435,781	-	-	20,435,781
Gold	215,923,786	-	-	215,923,786
Placement and balances with banks and other institutions	828,289,600	-	-	828,289,600
Financial assets at fair value through profit or loss	94,048	-	-	94,048
Amounts receivable on reverse repurchase agreement transactions	171,937,337	-	-	171,937,337
Available-for-sale assets	973,283,773	-	-	973,283,773
Investments in associates	1,330,318	-	-	1,330,318
Other financial assets	2,412,955	4,285	-	2,417,240

Financial assets of the National Bank counterparties' are classified by the lowest out ratings assigned to the National Bank'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 on them are classified in accordance with the lowest long-term rating of the Republic of Kazakhstan. Rating AAA+ is the rating used for identification of highly reliable international financial institutions such as International Monetary Fund.

Below is the National Bank assets and liabilities credit rating as at 31 December 2008 and 2007:

		31 December 2008			31 December 2007	
	Rating	Amount	Share in financial assets, %	Rating	Amount	Share in financial assets, %
Financial assets						
Gold	AA+	28,202,868	1.07	AA+	18,864,948	0.89
	AA-	71,619,168	2.71	AA	13,457,569	0.63
	A+	47,496,284	1.80	AA-	56,106,892	2.64
	A	19,856,266	0.75	A+	13,643,008	0.64
	w/o rating	5,229,536	0.20	A	47,689,726	2.25
Placements and balances with banks and other institutions	AAA	701,423,953	26.58	AAA+	165,664	0.01
	AA+	2,267,496	0.09	AAA	594,024,514	27.98
	AA-	24,929,766	0.94	AA+	103,002	-
	A+	36,555,347	1.38	AA	17,654,734	0.83
	A	19,973,845	0.76	AA-	77,094,526	3.63
	BBB+	560,776	0.02	A+	33,515,583	1.58
	BBB-	19,545,980	0.74	A	8,704,941	0.41
	B+	15,030,625	0.57	BBB	2,537,752	0.12
	WR	281	0.00	BB+	67,282,300	3.17
	w/o rating	61,838,998	2.34	BB	2,344,790	0.11
				B	629,944	0.03
				B-	61,091	-
				w/o rating	24,170,759	1.14
Financial assets at fair value through profit or loss	AA	565	0.00	AA	-	0.00
	A+	101,230	0.00	A+	-	0.00
	A	9,489,376	0.36	A	-	0.00
	BB	95,838	0.00	B+	68,054	0.00
	B+	50,695	0.00	w/o rating	25,994	0.00
Amounts receivable under reverse repurchase agreements	AAA	276,299,545	10.47	AAA	167,933,720	7.91
	B+	119,702,645	4.54	BBB	4,003,617	0.19
Available-for-sale assets	AAA	770,242,374	29.18	AAA	716,422,929	33.74
	AA+	9,308,844	0.35	AA+	9,386,600	0.44
	AA	80,694,473	3.06	AA	66,076,051	3.11
	AA-	2,794,135	0.11	AA-	25,533,508	1.20
	A+	58,211,145	2.21	A+	46,714,553	2.20
	A	3,213,774	0.12	A	29,084,849	1.37
	A-	8,649,745	0.33	BBB	22,664,797	1.07
	A-1+	82,642,951	3.13	w/o rating	57,400,486	2.71
	A2	51,399,163	1.95			
	BBB	67,671,898	2.56			
	BBB-	7,703,992	0.29			
	w/o rating	35,095,650	1.33			
Held to maturity assets	BBB-	921,272	0.03			
Other financial assets	BBB-	955,804	0.04	AA-	3,188	-
				BBB	5,012	-
				w/o rating	8,411	-
Total financial assets		2,639,776,303	100		2,123,383,512	100

(c) Liquidity risk

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

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

The National Bank seeks to actively support a diversified and stable funding base in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Since the National Bank carries out the issue of national currency - Tenge, the default risk on fulfillment its obligations in national currency is minimal, and the liquidity risk is any applicable for obligations denominated in foreign currency.

The liquidity management policy of the National Bank requires:

- projecting cash flows by major foreign currencies and calculation related to the cash flows of the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any time differences of cash flows;
- maintaining liquidity and required level of funding contingency plans; and
- monitoring balance sheet liquidity ratios against regulatory requirements.

The Department of monetary operations obtains information from Accounting Division of monetary operations related to the liquidity of assets and liabilities and performs analysis of the liquidity position. After this the Department of monetary operations maintains the liquidity level by purchasing highly liquid assets. For National Bank to meet necessary level of liquidity, the liquidity portfolio is invested to assets that can be sold with the shortest period of time.

According to current NBK's Investment Strategy the liquidity portfolio consists of highly liquid financial assets such as:

- cash in foreign currencies;
- foreign government treasury bills, debt securities of international governments and non-governmental financial institutions with short-term credit rating A and above and long-term credit rating BBB and above;
- foreign currency and gold deposits with counterparties that have credit ratings A and above;
- Repo and reverse Repo operations with counterparties that have credit rating A- and above and collateral fair value not less than 100% of the reverse Repo amount; and
- shares included to the indexes S&P500, DJ STOXX 50€, Nikkei 225, FTSE 100, S&P/ASX, etc.

The volume of the liquidity portfolio should not fall below equivalent of USD 1 billion.

The following table shows assets and liabilities of the National Bank by remaining contractual maturity dates as at 31 December 2008:

	On demand and up to 1 month	1 month to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Assets							
Cash in foreign currencies	11,206,351	-	-	-	-	-	11,206,351
Gold	236,521,684	5,229,537	-	-	-	-	241,751,221
Placements and balances with banks and other institutions							
<i>Foreign</i>	853,985,769	-	-	-	-	-	853,985,769
<i>Local</i>	28,141,298	-	-	-	-	-	28,141,298
Financial assets at fair value through P&L	9,737,704	-	-	-	-	-	9,737,704
Amounts receivable under reverse repurchase agreements	396,002,190	-	-	-	-	-	396,002,190
Available-for-sale assets							
<i>Foreign</i>	105,314,469	125,294,939	170,975,929	622,860,158	56,359,284	-	1,080,804,779
<i>Local</i>	22,113,949	15,677,730	53,653,037	4,878,649	-	500,000	96,823,365
Held-to-maturity assets	921,272	-	-	-	-	-	921,272
Investments in associates	-	-	-	-	-	1,332,448	1,332,448
Fixed assets	-	-	-	-	-	26,589,859	26,589,859
Intangible Assets	-	-	-	-	-	1,551,418	1,551,418
Deferred tax (assets)	-	-	-	59,814	-	-	59,814
Other assets	2,847,525	-	3,304,524	-	-	-	6,152,049
Total assets	1,666,792,211	146,202,206	227,933,490	627,798,621	56,359,284	29,973,725	2,755,059,537
Liabilities							
Currency in circulation	987,069,891	-	-	-	-	-	987,069,891
Placement and balances with banks and other institutions:							
<i>Foreign</i>	69,754,310	-	-	-	-	-	69,754,310
<i>Local</i>	905,379,825	-	-	-	-	-	905,379,825
Financial assets at fair value through P&L	3,357,245	-	-	-	-	-	3,357,245
Due to the National Fund of the Republic of Kazakhstan	4,311,137	-	-	-	-	-	4,311,137
Due to the Ministry of Finance of the Republic of Kazakhstan	46,357,745	-	-	-	-	-	46,357,745
Guarantee Funds	-	-	-	-	-	18,662,389	18,662,389
Customer accounts	162,186,309	-	-	-	-	-	162,186,309
Debt securities issued	180,019,894	69,969,480	45,975,452	-	-	-	295,964,826
Deferred tax liability	-	-	-	786,699	-	-	786,699
Other liabilities	2,122,435	-	-	-	-	-	2,122,435
Total liabilities	2,360,558,791	69,969,480	45,975,452	786,699	-	18,662,389	2,495,952,811
Net position	(693,766,580)	76,232,726	181,958,038	627,011,922	56,359,284	11,311,336	259,106,726
Accumulated gap	(693,766,580)	(617,533,854)	(435,575,816)	191,436,106	247,795,390	259,106,726	

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2007:

	On demand and up to 1 month	1 month to 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	No maturity	Total
Assets							
Cash in foreign currencies	20,435,781	-	-	-	-	-	20,435,781
Gold	186,407,463	29,516,323	-	-	-	-	215,923,786
Placements and balances with banks and other institutions							
<i>Foreign</i>	748,413,011	-	-	-	-	-	748,413,011
<i>Local</i>	79,876,589	-	-	-	-	-	79,876,589
Financial assets at fair value through P&L	94,048	-	-	-	-	-	94,048
Amounts receivable under reverse repurchase agreements	171,937,337	-	-	-	-	-	171,937,337
Available-for-sale assets							
<i>Foreign</i>	116,761,509	37,494,198	44,596,319	671,285,660	78,846,168	-	948,983,854
<i>Local</i>	6,664,765	-	1,206,700	6,626,104	9,280,347	522,003	24,299,919
Investments in associates	-	-	-	-	-	1,330,318	1,330,318
Fixed assets	-	-	-	-	-	24,178,608	24,178,608
Intangible assets	-	-	-	-	-	964,905	964,905
Deferred tax(asset)	-	-	-	53,918	-	-	53,918
Other assets	2,479,093	-	2,478,132	-	-	-	4,957,225
Total assets	1,333,069,596	67,010,521	48,281,151	677,965,682	88,126,515	26,995,834	2,241,449,299
Liabilities							
Currency in circulation	859,989,151	-	-	-	-	-	859,989,151
Deposits and balances from banks and other institutions							
<i>Foreign</i>	2,514,461	-	-	-	-	-	2,514,461
<i>Local</i>	612,666,989	310,338	-	-	-	-	612,977,327
Due to the National Fund of the Republic of Kazakhstan	221,127,646	-	-	-	-	-	221,127,646
Due to the Ministry of Finance of the Republic of Kazakhstan	71,514,981	-	-	-	-	-	71,514,981
Guarantee Funds	-	-	-	-	-	9,378,750	9,378,750
Customer accounts	1,500,776	-	-	-	-	-	1,500,776
Debt securities issued	133,205,278	-	88,058,304	-	-	-	221,263,582
Deferred tax liability	-	-	-	450,917	-	-	450,917
Other liabilities	2,600,954	-	-	-	-	-	2,600,954
Total liabilities	1,905,120,236	310,338	88,058,304	450,917	-	9,378,750	2,003,318,545
Net position	(572,050,640)	66,700,183	(39,777,153)	677,514,765	88,126,515	17,617,084	238,130,754
Accumulated gap	(572,050,640)	(505,350,457)	(545,127,610)	132,387,155	220,513,670	238,130,754	

The following table shows the undiscounted cash flows on the National Bank's financial liabilities. The gross nominal (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment. The National Bank's expected cash flows on these financial liabilities and unrecognized loan commitments may vary significantly from this analysis.

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

	On demand and up to 1 month	1 month to 6 months	6 months to 1 year	1 year to 5 years	Total gross nominal outflow /(inflow)	Carrying amount
FINANCIAL LIABILITIES						
Currency in circulation	987,069,891	-	-	-	987,069,891	987,069,891
Deposits and balances from banks and other institutions						
Accounts and deposits	851,816,122	-	-	-	851,816,122	905,567,672
Commission payable	69,336,634	-	-	-	69,336,634	69,336,634
Loans	229,829	-	-	-	229,829	229,829
Derivatives						
<i>Outflow</i>	129,065,539	-	-	-	129,065,539	
<i>Inflow</i>	(128,834,493)	-	-	-	(128,834,493)	3,357,245
Due to the National Fund of the Republic of Kazakhstan	4,311,137	-	-	-	4,311,137	4,311,137
Due to the Ministry of Finance of the Republic of Kazakhstan	46,357,745	-	-	-	46,357,745	46,357,745
Reserves of guarantee funds	18,662,389	-	-	-	18,662,389	18,662,389
Customer accounts	162,186,309	-	-	-	162,186,309	162,186,309
Debt securities issued	200,833,161	70,666,613	48,380,662	-	319,880,436	295,964,826
Other financial liabilities	663,139	-	-	-	663,139	663,139
Total financial liabilities	2,341,697,402	70,666,613	48,380,662	-	2,460,744,677	2,493,706,816

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

	On demand and up to 1 month	1 month to 6 months	6 months to 1 year	1 year to 5 years	Total gross nominal outflow/ (inflow)	Carrying amount
FINANCIAL LIABILITIES						
Currency in circulation	859,989,151	-	-	-	859,989,151	859,989,151
Deposits and balances from banks and other institutions						
Accounts and deposits	612,764,534	310,467	-	-	613,075,001	613,064,375
Commission payable	2,198,516	-	-	-	2,198,516	2,198,516
Loans	228,897	-	-	-	228,897	228,897
Derivatives						
<i>Outflow</i>	56,711,150	-	-	-	56,711,150	-
<i>Inflow</i>	(56,788,576)	-	-	-	(56,788,576)	(94,048)
Due to the National Fund of the Republic of Kazakhstan	221,127,646	-	-	-	221,127,646	221,127,646
Due to the Ministry of Finance of the Republic of Kazakhstan	71,514,981	-	-	-	71,514,981	71,514,981
Reserves of guarantee funds	9,378,750	-	-	-	9,378,750	9,378,750
Customer accounts	1,500,776	-	-	-	1,500,776	1,500,776
Debt securities issued	133,530,653	-	90,214,874	-	223,745,527	221,263,582
Other liabilities	918,043	-	-	-	918,043	918,043
Total financial liabilities	1,913,074,521	310,467	90,214,874	-	2,003,599,862	2,001,090,669

(d) Operational risk

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, or systems failure. Operational risk includes legal risk.

The National Bank's objective is to manage operational risk through implementing preventive and detective control procedures. The primary responsibility for the control implementation is assigned to management within each operational department. This responsibility is supported by the development of standards and procedures for the management of operational risk and which cover the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced;
- the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the National Bank's standards and procedures is supported by a program of periodic reviews undertaken by internal audit department. The results of internal audit reviews are discussed with the management of operational departments to which they relate and presented to the Chairman of the Management Board.

(e) **Geographical risk**

The geographical analysis of assets and liabilities of the National Bank as of 31 December 2008 is given below:

	Kazakhstan	OECD countries	Other countries	Total
Assets				
Cash in foreign currencies	11,206,351	-	-	11,206,351
Gold	69,347,099	172,404,122	-	241,751,221
Placements and balances with banks and other institutions				
<i>Foreign</i>	-	785,053,215	68,932,554	853,985,769
<i>Kazakhstani</i>	28,141,298	-	-	28,141,298
Financial assets at fair value through profit or loss	101,230	9,636,474	-	9,737,704
Amounts receivable under reverse repurchase agreements	119,702,645	276,299,545	-	396,002,190
Available-for-sale assets				
<i>Foreign</i>	-	1,080,804,779	-	1,080,804,779
<i>Kazakhstani</i>	96,823,365	-	-	96,823,365
Held-to maturity assets	921,272	-	-	921,272
Investments in associates	1,332,448	-	-	1,332,448
Fixed assets	26,589,859	-	-	26,589,859
Intangible assets	1,551,418	-	-	1,551,418
Deferred tax assets	59,814	-	-	59,814
Other assets	6,004,989	112,474	34,586	6,152,049
Total assets	361,781,788	2,324,310,609	68,967,140	2,755,059,537
Liabilities				
Currency in circulation	987,069,891	-	-	987,069,891
Deposits and balances from banks and other institutions				
<i>Foreign</i>	185,194	965,363	68,603,753	69,754,310
<i>Kazakhstani</i>	905,379,825	-	-	905,379,825
Financial assets at fair value through profit or loss	3,357,245	-	-	3,357,245
Due to the National Fund of the Republic of Kazakhstan	4,311,137	-	-	4,311,137
Due to the Ministry of Finance of the Republic of Kazakhstan	46,357,745	-	-	46,357,745
Reserves of Guarantee Funds	18,662,389	-	-	18,662,389
Customer accounts	162,186,309	-	-	162,186,309
Debt securities issued	295,964,826	-	-	295,964,826
Deferred tax liability	786,699	-	-	786,699
Other liabilities	1,939,830	176,440	6,165	2,122,435
Total liabilities	2,426,201,090	1,141,803	68,609,918	2,495,952,811
Net position	(2,064,419,302)	2,323,168,806	357,222	259,106,726

The geographical analysis of assets and liabilities of the National Bank as of 31 December 2007 is given below:

	Kazakhstan	OECD countries	Other countries	Total
Assets				
Cash in foreign currencies	20,435,781	-	-	20,435,781
Gold	66,161,642	149,762,144	-	215,923,786
Placements and balances with banks and other institutions				
<i>Foreign</i>	2,632,613	745,269,715	510,683	748,413,011
<i>Kazakhstani</i>	79,876,589	-	-	79,876,589
Financial assets at fair value through profit or loss	94,048	-	-	94,048
Amounts receivable under reverse repurchase agreements	4,003,617	167,933,720	-	171,937,337
Available-for-sale assets				
<i>Foreign</i>	-	948,983,854	-	948,983,854
<i>Kazakhstani</i>	24,299,919	-	-	24,299,919
Investments in associates	1,330,318	-	-	1,330,318
Fixed assets	24,178,608	-	-	24,178,608
Intangible assets	964,905	-	-	964,905
Deferred tax asset	53,918	-	-	53,918
Other assets	4,196,391	739,727	21,107	4,957,225
Total assets	228,228,349	2,012,689,160	531,790	2,241,449,299
Liabilities				
Currency in circulation	859,989,151	-	-	859,989,151
Deposits and balances from banks and other institutions				
<i>Foreign</i>	-	2,284,510	229,951	2,514,461
<i>Kazakhstani</i>	612,977,327	-	-	612,977,327
Due to the National Fund of the Republic of Kazakhstan	221,127,646	-	-	221,127,646
Due to the Ministry of Finance of the Republic of Kazakhstan	71,514,981	-	-	71,514,981
Guarantee Funds	9,378,750	-	-	9,378,750
Customer accounts	1,500,776	-	-	1,500,776
Debt securities issued	221,263,582	-	-	221,263,582
Deferred tax liability	450,917	-	-	450,917
Other liabilities	2,007,316	593,638	-	2,600,954
Total liabilities	2,000,210,446	2,878,148	229,951	2,003,318,545
Net position	(1,771,982,097)	2,009,811,012	301,839	238,130,754

40. SUBSEQUENT EVENTS

During 2008 and 2007 the NBK supported the exchange rate of the Kazakhstan tenge to the US Dollar within a range of 117 KZT to 1 US Dollar to 123 KZT to 1 US Dollar. On 4 February 2009, the NBK announced about the change in the support level of the exchange rate to 150 KZT to 1 US Dollar +/- 3%.

Management of the National Bank assessed the possible effect of changes in exchange rates in their exchange rate sensitivity analysis which is presented in Note 39.

41. COMMITMENTS AND CONTINGENT

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

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

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized in the consolidated financial statements if counterparties of National Bank failed completely to perform as contracted.

	31 December 2008	31 December 2007
Contracted amount		
Undrawn loan commitments	98,448	98,755
Guarantees and letters of credit	<u>3,758</u>	<u>37,758</u>
	<u>102,206</u>	<u>136,513</u>

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

(a) Insurance

The insurance industry in 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 National Bank has partial insurance coverage for its property and equipment. The insurance covers property damage, caused by fire, thunderbolt, gas explosion, natural disaster, water damage, etc. according to the insurance contract.

The National Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on the National Bank's property or relating to the National Bank's operations. Until the National Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the National Bank's operations and financial position.

(b) Litigation

From time to time and in the normal course of business, claims against the National Bank are received from customers and counterparties. Based on their estimate and also on recommendations by internal and external professional advisors, the management of the National Bank is of the opinion that no material non-accrued losses will occur and accordingly no provision for litigation has been made in these consolidated financial statement. In 2008 no claims are issued against the National Bank.

(c) Taxation contingencies

The taxation system in the Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which can be unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges.

A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the 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 Kazakhstan that are substantially more significant than in other countries. Management of the National Bank 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 National Bank's financial position, if the authorities were successful in enforcing their interpretations, could be significant.

42. FAIR VALUE OF FINANCIAL INSTRUMENTS

The National Bank made estimate of fair value of financial instruments in accordance with the requirements of IFRS 7 "Financial Instruments: Disclosures".

The estimated fair values of quoted available-for-sale assets 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 is calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for a similar instruments at the balance sheet date. As disclosed in Note 10 the fair value of unquoted equity securities with a carrying value of KZT 502,200 thousand (2007: KZT 522,003 thousand) could not be determined.

Management of the National Bank believes that fair value of financial instruments, except for unquoted equity instruments, does not differ significantly from their carrying value.

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

43. TRUST AND CUSTODY ACTIVITIES

(a) Trust activities

The National Bank provides trust services to trusts, pension funds and other institutions, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The National Bank receives fee income for providing these services. Trust assets are not assets of the National Bank and are not recognized in the consolidated balance sheet. The National Bank is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

As at 31 December 2008 the total assets held by the National Bank on behalf of customers were KZT 479,481,302 thousand (31 December 2007: KZT 362,718,322 thousand).

(b) Custody activities

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