



**CENTERCREDIT**

Annual report 2008

*Batyr*

*Bronze  
40x10x10  
1994*

*Nurlan Dalbay*



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## Bakhytbek Baiseitov

### Chairman of the Board of Directors

Dear shareholders,

The policy of developing in a consistent and balanced manner Bank CenterCredit has been continuously following for a number of years allows us to continue taking better positions on the bank service market. That is happening despite the fact that the country's economy is slowing down and despite the challenges being faced due to the global financial and economic crisis that occurred in 2007 and 2008.

The last year was marked by a crucial event in the Bank's history: a strategic partner represented by South Korea's largest bank - Kookmin Bank - became the shareholder of Bank CenterCredit. Last August 23% of the shares were acquired. At the end of the year further investment made by Kookmin Bank Holding Company in the Bank reached around \$140 million, with the share of the large foreign holder reaching 30.5%. As a result, the capital of the Bank grew 29.7% rising from 73 to 94.6 billion Tenge. The increase in the capital of the Bank allowed to make it more liquid, more competitive and less vulnerable to external events.

The international status gives the bank new opportunities in expanding its trade finance business, including export and import transactions, and investment project co-financing. It also allows the bank to take better positions on capital markets.

The bank managed to achieve the balanced structure of liabilities. In 2008, international debts worth \$611 million were repaid timely and fully. To date the Bank's international loans have fallen to 33% due to active internal funding. As to the securities market, over 90% of all transactions are made with the Kazakh government securities that makes the bank more liquid.

In 2008, the bank made efforts to keep the quality of the loan portfolio at an adequate level; the ratio of the reserves to the loan portfolio rose from 4.6% to 7.2% that was equivalent to 46.4 billion Tenge in real terms. As at 1st April 2009 the reserves rose to 10.6%, or 73 billion Tenge, respectively.

Big actions were taken in order to optimise the organisation, and operating costs were reduced considerably.

At the end of 2008 the assets of the Bank reached 940.5 billion Tenge, which was 6.6% more than the 2007 figure, with the respective market share of the Bank rising from 7.5% to 7.9%. In 2008, total liabilities of the Bank grew rose from 809.1 billion Tenge to 845.9 billion Tenge, or 4.5%. With the individual checking accounts balance reducing in 2008 at the majority of banks we managed to have them grow by 46.3%. The Bank's market share

rose from 9.36% to 13.22%. In 2008, corporate deposits rose from 170.9 billion Tenge to 219.6 billion Tenge, with the market share growing 0.2% and reaching 6.8%.

In 2008, the bank continued making efforts to expand the business of Bank CenterCredit' financial group; its subsidiary bank BCC-Moscow started operating and its office opened in Bishkek. The bank is planning to expand in phases its business in the neighbouring markets.

This year the Bank intends to focus on keeping the high level of liquidity, improving the quality of its loan portfolio and in association with its strategic partner Kookmin Bank to consistently build the bank's technical capacity for the future steady growth.

Bakhytbek Baiseitov



Chairman of the Board of Directors  
Bank CenterCredit



## Board of Directors

**Bakhytbek R. Baiseitov**

The Chairman of the Board of Directors

**Galina N. Shalgymbayeva**

The Member of the Board of Directors, Independent Director

**Yang, Cheon Sik**

The Member of the Board of Directors, Independent Director

**Vladislav S. Lee**

The Member of the Board of Directors

**Jumageldy R. Amankulov**

The Member of the Board of Directors

**Choe, Dong Soo**

The Member of the Board of Directors



## Management Board

**Vladislav S. Lee**

The Chairman of the Management Board

**Lee, Woo Shick**

Deputy Chairman of the Management Board

**Maksat K. Alzhanov**

Deputy Chairman of the Management Board

**Jung, Yoon Sik**

Deputy Chairman of the Management Board

**Bulan A. Adilkhanov**

Deputy Chairman of the Management Board

**Medet I. Rakhimbayev**

Deputy Chairman of the Management Board



## Departments

**Murat M. Abishev**  
Finance Department

**Lidiya B. Bendyuk**  
HR Department

**Galina D. Von**  
Business Processes Department

**Asset R. Dautbayev**  
Corporate Finance Department

**Yerlan A. Yermakhanov**  
SME Department

**Timur Zh. Ishmuratov**  
International Department

**Galiya K. Kainarbekova**  
Accounting and Reporting Department

**Marat T. Kenzhekhanov**  
Retail Business Department

**Anatoliy Y. Lim**  
Treasury Department

**Azamat B. Mukhametzhano**  
Strategic Planning and Marketing Department

**Murat M. Nurgazin**  
Business Support and Development Department

**Vladimir A. Savchenko**  
Legal Department

**Bakhytzhan B. Tastanbekov**  
Security Department

**Harm Yeong Tak**  
Bank Cards Department

**Kulyash I. Shayakhmetova**  
Administrative Department

**Yoon Chan Ho**  
IT Department

# Shareholders and Capital

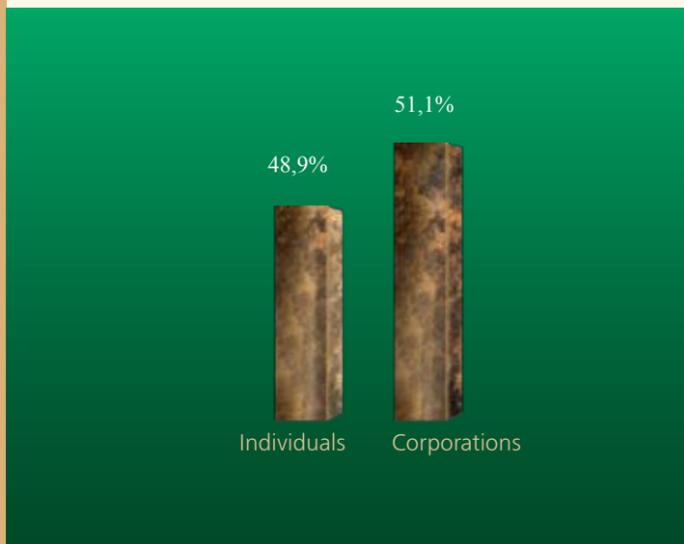
On 14th March 2008, an agreement was reached between Kookmin Bank of Korea and a number of shareholders of Bank CenterCredit, including its major shareholder Bakhytbek Baiseitov, on sale before the end of 2008 of a 30-percent stake in the Bank and on future acquisition by the Korean bank of the controlling interest.

On 27th August 2008, Kookmin Bank bought from the shareholders of the Bank 29 972 840 common shares worth 59.9 billion Tenge, thus having a 23-percent stake in the share capital of the Bank.

Before that Kookmin Bank gained all required approvals from the Kazakh regulators, including permits from the Kazakh Agency for Protecting Competition and the Kazakh Agency for Regulating and Supervising Financial Market and Financial Institutions.

At the extraordinary general meeting of shareholders, held

*Shares of the Shareholders in the Share Capital, %*



*In compliance with the prudential standards the Bank's equity amounted to 144 516 million Tenge.*

27th August 2008, the shareholders decided to increase the number of stated common shares of the Bank so that they reached 300 million shares.

In December of 2008 the placement of further issued shares of the Bank was complete. That placement was another step on the road towards fulfilling earlier agreements between Kookmin Bank and the Bank; investment by the strategic partner - Kookmin Bank – in the share capital of the Bank reached around 16.3 billion Tenge.

As at 1st January 2009 placed shares reached 144 480 531 shares, and the paid-in capital reached 52 583.5 million Tenge.

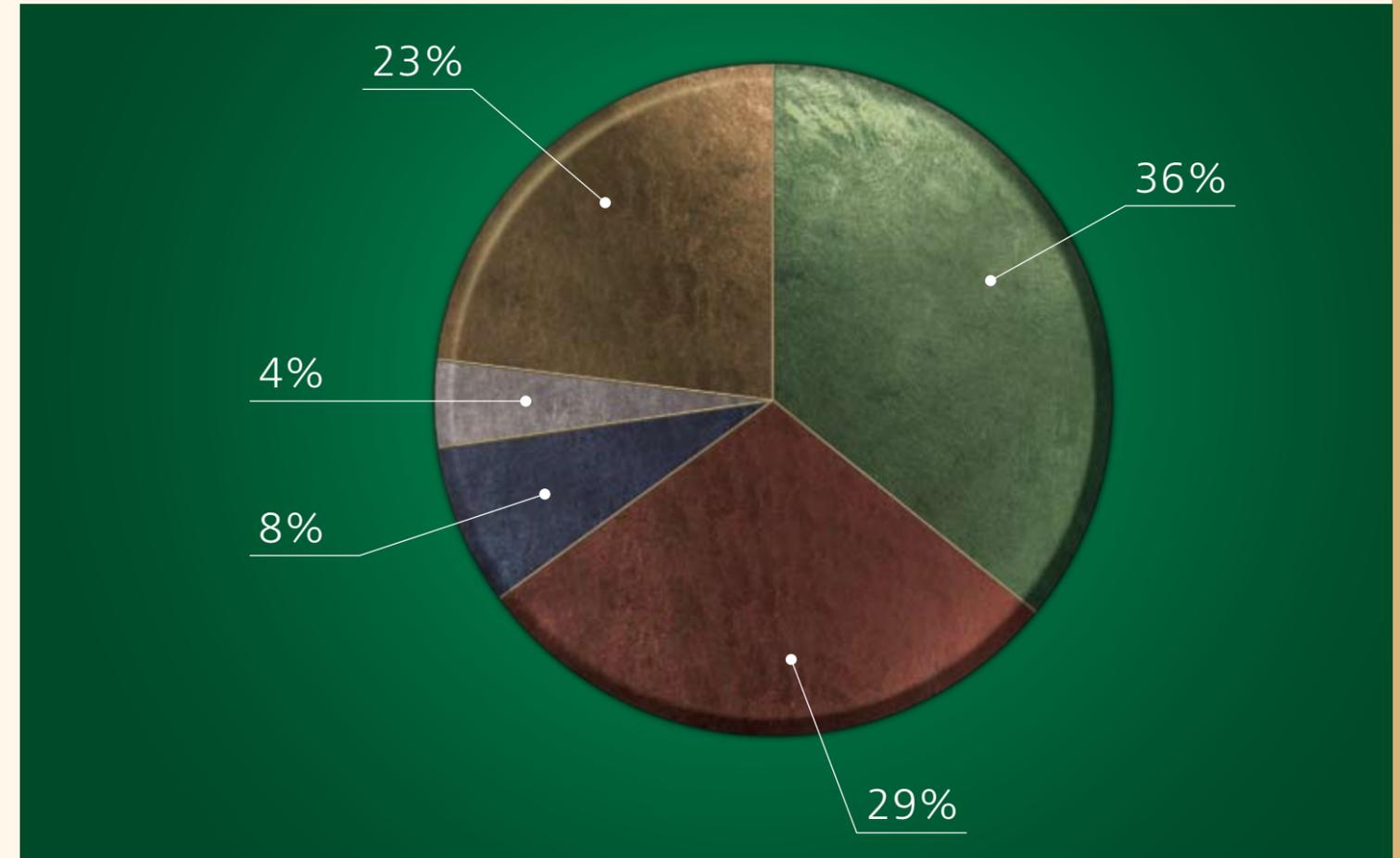
As at 1st January 2009 the shareholders, owning 5 or more percent of the placed shares of the bank, were as follows:

Bakhytbek Baiseitov	36.39%
Kookmin Bank Co Ltd.	30.55%

*Equity m Tenge*

	2006	2007	2008
Total banking sector	1 168 600	1 780 181	1 947 847
Bank CenterCredit	68 846	107 691	144 516
Share of Bank CenterCredit, %	5,9	6,05	7,4

*In compliance with the prudential standards the equity is broken down as follows, mn Tenge:*



share capital	52 584
subordinated debt	40 876
perpetual eurobonds	11 948
2008 net income	5 855
Historical reserves and revenues	33 253

## Corporate Governance

After Kookmin Bank of South Korea joined the bank as a strategic investor, new directors, including two non-executive ones, were elected at the general meeting of shareholders, held 27th August 2008.

During the period-in-question the Board of Directors held 25 meetings, of which 7 were held by the new directors. They passed 376 resolutions to approve bylaws and procedures, financing, dividend and accounting policies; they decided about issues of bonds and other securities, about amendments required to open corporate branches and resident offices and about other issues related to the general governance of the Bank, under current Kazakh laws and in accordance with the Bank's articles of association and Corporate Governance Code.

There are 4 committees of the Board of Directors: Asset and Liabilities Management Committee, Credit Committee, Audit Committee and Remunerations and Nominations Committee.

The members of the Board of Directors have been heavily involved in the Committees. They also attend the meetings of the Managing Board and of other committees of the Bank's Managing Board (Tariff Committee, Information Technology Committee and Investment Committee).

In 2008, the members of the Asset and Liabilities Management Committee ("ALMC") of the Board of Directors met 23 times. At those meetings 142 issues have been addressed. The issues addressed at the 2008 meetings included mainly: macroeconomic overviews, overviews of competing peers, monthly balance sheet projections, cash flow, internal limits of the Bank, issues of how to manage resources, interest rates, currencies and the respective terms, issues related to market risks, portfolio risks of financial institutions, and stress tests following different scenarios.

The members of the Credit Committee met 76 times. At those meetings 940 issues have been addressed. The issues addressed at the 2008 meetings included mainly: lending money and changing the terms for lending money to corporations and individuals, reviewing reports to monitor

companies, and setting limits on exposure "per borrower" of the Bank's branches.

In 2008, the members of the Audit Committee met 7 times. The Committee's priorities included improving the efficiency of internal controls and internal auditors of the Bank. The Audit Committee reviewed quarterly reports on internal investigations, analysis of breaches on the part of branches, the findings of audits of the Bank's departments and subsidiaries, the monitoring to make sure that corrective actions following audits have been taken and the operational risks assessed using RSA method, and reports on operational risks databases etc. have been presented.

The Nominations Committee of the Bank's Board of Directors was established in order to decide about employment of the best professionals to be appointed members of executive boards of the bank and of the group in general and about the size of annual performance-based pays.

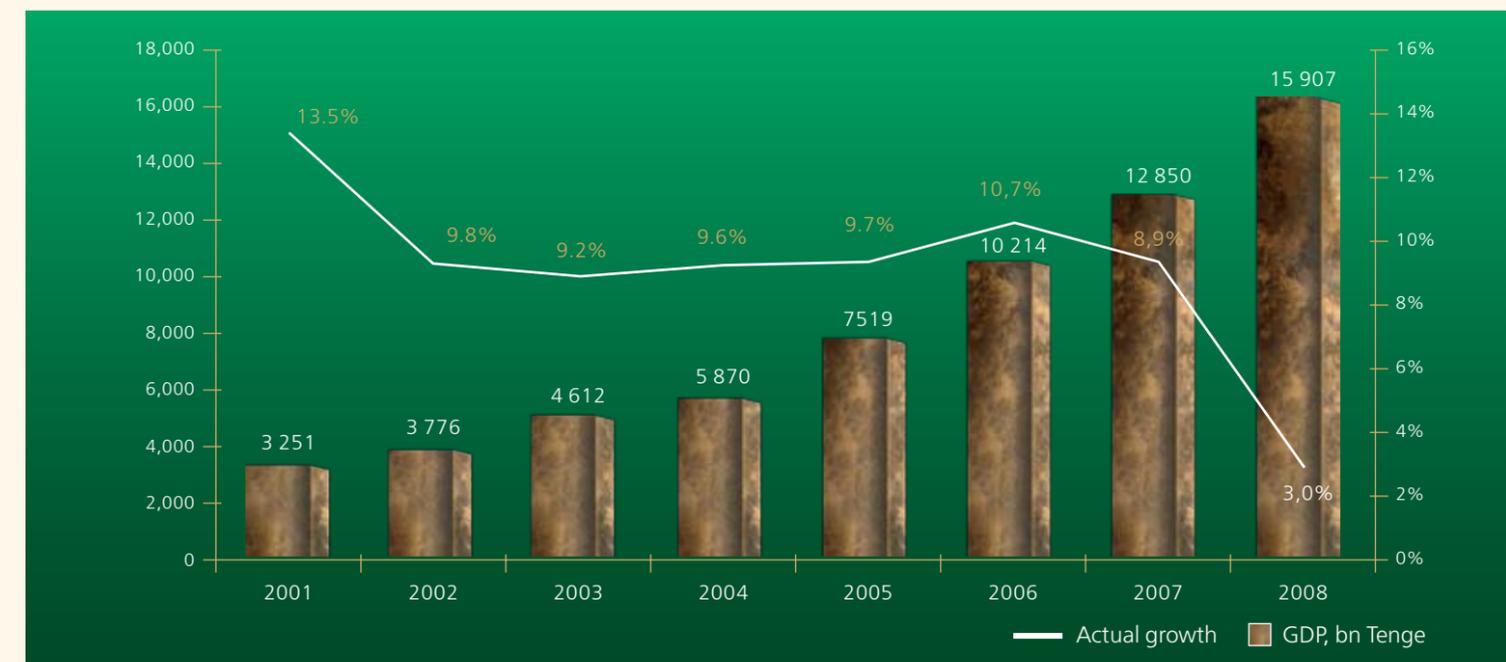
During the period-in-question the Committee looked at change in the Bank's organisation that resulted in the reform of the existing departments, the establishment of new ones and the appointment of seven executives.

## Overview of the Kazakh Economy and of the Banking Sector in 2008

### MACROECONOMIC OVERVIEW:

The data from the Kazakh Statistics Agency show that the gross domestic product ("GDP"), generated in Kazakhstan in 2008, reached 15 907 billion Tenge, with actual growth, reaching 3% (8.9% in 2007). Inflation reached 9.5% in 2008 (December versus December), while in 2007 it reached 18.8%.

### Kazakhstan GDP



The growth of GDP in 2008 was driven by the growth in such sectors as mining, generation and distribution of electricity, gas and water, and telecoms.

The economic slowdown in 2008 was driven by the slowdown in financial sector, agriculture, as well as in manufacturing.

The output in mining grew 5.3%, that in generation and distribution of electricity, gas and water grew 6.4%, and that in manufacturing dropped by 2.6% in 2008 versus relative period of 2007.

In 2008, the gross output in agriculture reached 1 316.4 billion Tenge in current prices that was 5.6% lower than the 2007 levels.

Goods produced and services provided reached 45.0% and 52.5% of the 2008 GDP, respectively. The prevalence of services provided in Kazakhstan GDP was first noted in 2002. That trend is typical of the global GDP production and consumption.

The retail sales (excluding public catering) reached 2 508.5 billion Tenge in 2008, growing 3.6% versus 2007 levels. That figure describing the public paying capacity and consumption trends is evidence of the fact that in 2008 the global crisis did not fully hit the Kazakh economy.

The data from the Kazakh Ministry of Finance show that as at 1st January 2009 the public revenues reached 4 034.4 billion Tenge.

The performance in terms of expenditure reached 3 394.1 billion Tenge. In 2008, the budget revenues grew faster than the budget expenditures – the revenues grew 39.7%, and the expenditures grew 26.7%. At the same time, the operating balance of the central budget worth 640.3 billion Tenge was not sufficient to provide required amounts of budget financing and financial assets transactions. As a result, the budget deficit reached 333.2 billion Tenge, or 2.1% of GDP.

In April of 2008 Standard&Poor's reviewed the outlook for Kazakhstan rating so that it became "negative". According to the analysis the growing risk of deterioration in the quality of assets in the banking sector alongside difficulties in getting financing might result in worse budget performance and foreign trade balance.

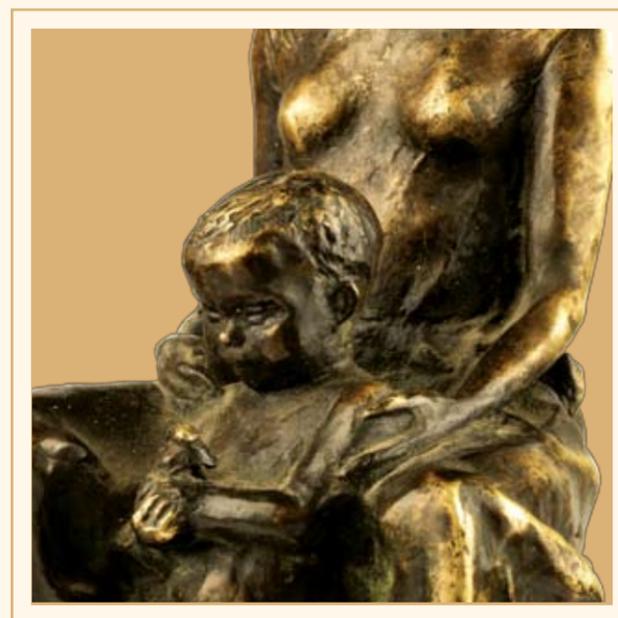
The downgraded rating might have an adverse impact on capital and finance account transactions of the balance of payments primarily on the flow of portfolio investment and short-term capital. In 2008, that negative expectations were not fully met.

In 2008, the outflow of the portfolio investment and other short-term capital rose, reaching US\$10.6 billion, and in 2007 it reached US\$4.6 billion while direct investment in the Kazakh economy grew 34.6%, rising from US\$7.97 billion in 2007 to US\$10.73 billion in 2008. That was evidence of a positive investor view of the country's long-term economic outlook.

Such a ratio as investment in capital assets, determining the economic potential, is important to the long-term outlook. Investment in capital assets in 2008 reached 3 836.1 billion Tenge that was 4.6% more than the 2007 figure, with the majority of investment in capital assets – 53.3% - made by private Kazakh companies. Foreign investment reached 26.1%. Investment by the public sector reached 20.6%.

The country's "operating activities", reflected by the current account of the balance of payments, are important, too. The 2008 data from the National Bank of Kazakhstan show that the current account of the balance of payments was positive, reaching US\$6 978.1 million (in 2007, it was negative, reaching US\$- 8 226.4 million).

The general expectations of the Kazakh economy driven by acceptable growth in 2008, positive changes in the balance of payments and stabilisation actions taken by the government, are positive. According to the International Monetary Fund the global economic growth will reach 0.5 to 1%, and the Kazakh gross domestic product is expected to grow 1% in 2009.



## Banking Sector

The rate of growth of assets in Kazakhstan banking sector that has grown fast in the past few years largely due to international loans was the lowest in the country's history. The total assets of the country's banking sector grew just 1.8%, reaching 11,889.6 billion Tenge at the end of 2008.

The banking activity has been the lowest in the past three years: the ratio of the total assets to GDP reached 74.7%, and economic financing, including households, hardly exceeded 58% of GDP in 2008.

Description	2001	2002	2003	2004	2005	2006	2007	2008
GDP, bn Tenge	3250.6	3747.2	4612	5870	7453	10139.5	12849.8	15907
Assets to GDP, %	25.1	30.6	36.3	45.8	60.6	87.5	90.9	74.7
Loans to GDP, %	15.9	19.1	23.6	30.9	41.1	59.1	69.0	58.1
Capital to GDP, %	3.8	4.3	5.1	5.9	7.9	11.5	15.2	12.3
Deposits to GDP, %	15	18.6	21.1	27.4	33.9	46.5	53.5	43.2

Source: *The Kazakh Agency for Regulating and Supervising Financial Market and Financial Institutions*

As at 1st January 2009 the loan portfolio of banks, including interbank loans, reached 9 244.5 billion Tenge (4.2-percent growth in 2008). In 2008, loans to the economy (excluding retail loans) rose by 496.8 billion Tenge, or 7.6%, reaching 7 160 billion Tenge.

The growth occurred in the following sectors: transport (2.5%), industry (2.4%), non-manufacturing sector (2.3%), trade (2.2%), construction (2.0%), and agriculture (1.1%).

In 2008, the loan portfolio changed in terms of its quality: standard loans rose from 39.7% to 43.0% (+3.3%), and substandard loans reached 52.6% of the total loan portfolio.

At the same time, negative changes occurred in the "bad loans" profile: hopeless loans in 2008 tripled, rising from 1.5% to 4.4%. Doubtful loans of the 5th category and hopeless ones (including provisions for fungible loans) reached 655.4 billion Tenge, or 7.1% of the total loan portfolio.

The amount of reserves to absorb potential losses must increase as the quality of the loan portfolio deteriorates. As at 1st January 2009 provisions for loans reached 1 025.6 billion Tenge, or 11.1% of the loan portfolio (96.6-percent growth since the beginning of the year).

During the period-in-question the total estimated equity grew 9.4%, reaching 1 947.8 billion Tenge. The banking sector capital adequacy ratios, generally supporting the stability of banks, exceeded ratios required under current banking laws. As at 1st January 2009 the capital adequacy ratios were as follows: 0.12 (k1), and 0.15 (k2) (as at the beginning of 2008: 0.11 (k1) and 0.14 (k2)).

Confidence in banks is indirectly expressed through dynamics of new retail and corporate deposits. As at 1st January 2009 total deposits taken by the banks from individuals and corporations (excluding banks and international financial institutions) reached 6 873.1 billion Tenge, growing 7% in 2008, including retail deposits, reaching 1 500.3 billion Tenge (3.6-percent growth in 2008), and corporate deposits, reaching 5 372.8 billion Tenge (8-percent growth, respectively).

As at 1st January 2009 total liabilities of commercial banks reached 10 437 billion Tenge (10 259.5 billion Tenge as at 1st January 2008), of which liabilities to non-residents reached 4 689.5 billion Tenge, or 44.9% of total liabilities (5 463.8 billion Tenge, or 53.3%, respectively as at 1st January 2008).

Liabilities of the Kazakhstan Commercial Banks (bn Tenge)



Source: The Kazakh Agency for Regulating and Supervising Financial Market and Financial Institutions

Lower activity of the commercial banks along deterioration in the quality of assets in 2008 and required increase in provisions led to a lower net income of the commercial banks after income tax – 10.7 billion Tenge – that was less than the prior year level by 95.1%.

Madonna

Bronze  
22x7x10  
1992

Nurlan Dalbay



## Overview of Bank CenterCredit Operations in 2008

As seen from the 2008 consolidated audited accounts of the bank and market research the bank is sixth largest in terms of total assets and the fifth largest in terms of equity.

In 2008, the assets of Bank CenterCredit grew 6.6% (average growth in the industry – 1.8%), rising from 882 billion Tenge as at the beginning of the year to 940.5 billion Tenge as at the end of 2008. Bank CenterCredit has been pursuing a well-balanced banking policy: it avoids risky investment including venture and foreign ones, and takes a conservative approach to selecting financing technology.

Therefore the bank has a significant intangible asset, which is the customer confidence. For instance, in 2008 the balance of individual accounts with the Kazakh banks grew 3.6%, the balance of individual accounts with Bank CenterCredit grew 46.3% during that period, and the market share rose from 9.36% to 13.22%.

And the conservative policy the bank has been pursuing consistently is expressed in the stability of revenues. In the hard times of 2008 the bank's net income reached 5.8 billion Tenge.

The bank has been the leader in Kazakhstan in terms of small and medium-sized business financing. Small and medium-sized businesses reached over 40% of the bank's loan portfolio. It is not planned to shift the focus, and the bank intends to increase its SME loan portfolio in 2009.

The portion of big corporate customers in the loan portfolio is also high (around 18%), with the financing of construction naturally falling and with the bank being still active in such

sectors as manufacturing, services and trade given current economic realities.

Card products are developing fast. Modern high-tech developments of Kookmin Bank are being actively modified and introduced both in terms of functionalities of products and supporting information technology.

In 2008, cards issued by Bank CenterCredit reached 51.1%. The bank broadened the range of products and associated services: new card products such as pension card and credit revolving card, debit card with the credit limit in Euros, the project for IAPA application was implemented, credit limit with various repayment schedules for debit and credit cards, foreign exchange ATM, and mobile banking.

The strategy of the bank provides for a full range of financial services: offering the broadest range of financial services, which apart from classical bank products include pension contributions, insurance, leasing, as well as investment bank products.

The range of financial services offered by both Bank CenterCredit and its subsidiaries such as Pension Fund Capital, BCC Invest, Center Leasing, subsidiary Bank BCC-Moscow is broadening and is focused on international standards on financial services. Improving information technology in banking is a specific nature and continuous requirement for business processes, driven by the need to ensure proper use of absolutely all bank products and services. Therefore IT technology development and modernisation are the bank's short-term and mid-term priorities.

Harmonisation of largely different business models used by Bank CenterCredit and Kookmin Bank is a separate and significant joint project. The implementation of this new project now referred to as Technology Transfer Plan started in 2008.

The implementation of the project is scheduled to be complete in 2012. It includes over 30 subprojects covering all businesses of the bank. Such objectives of the Technology Transfer Plan as introduction of relationship management (RM project), corporate customer finance management (Cash Management System), Private Banking technology, scoring systems for retail loans etc. might be referred to as innovations.

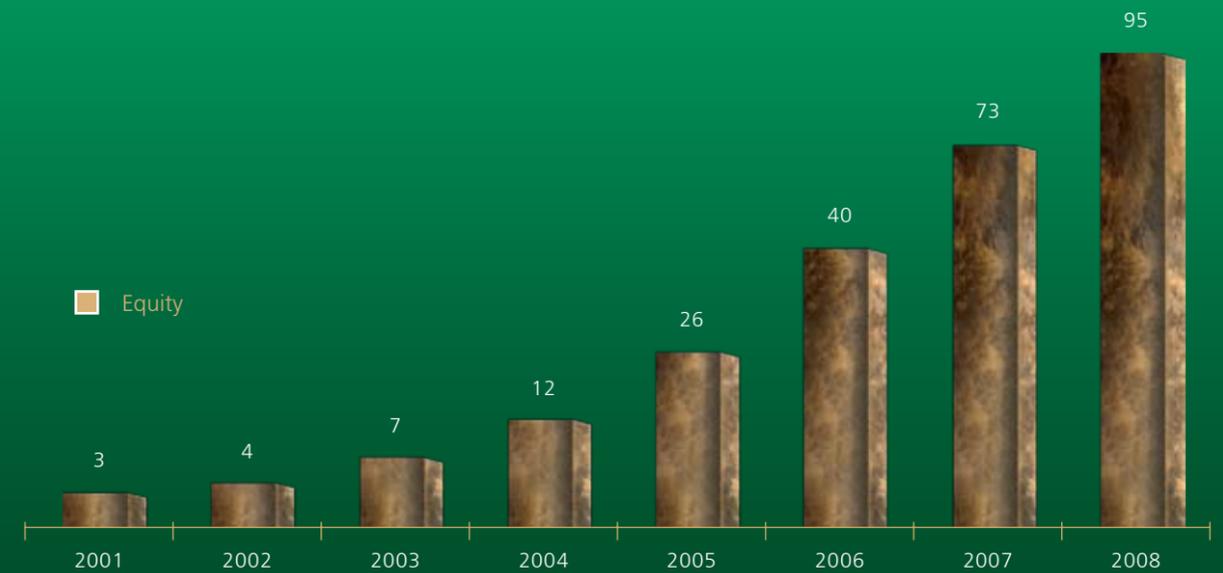
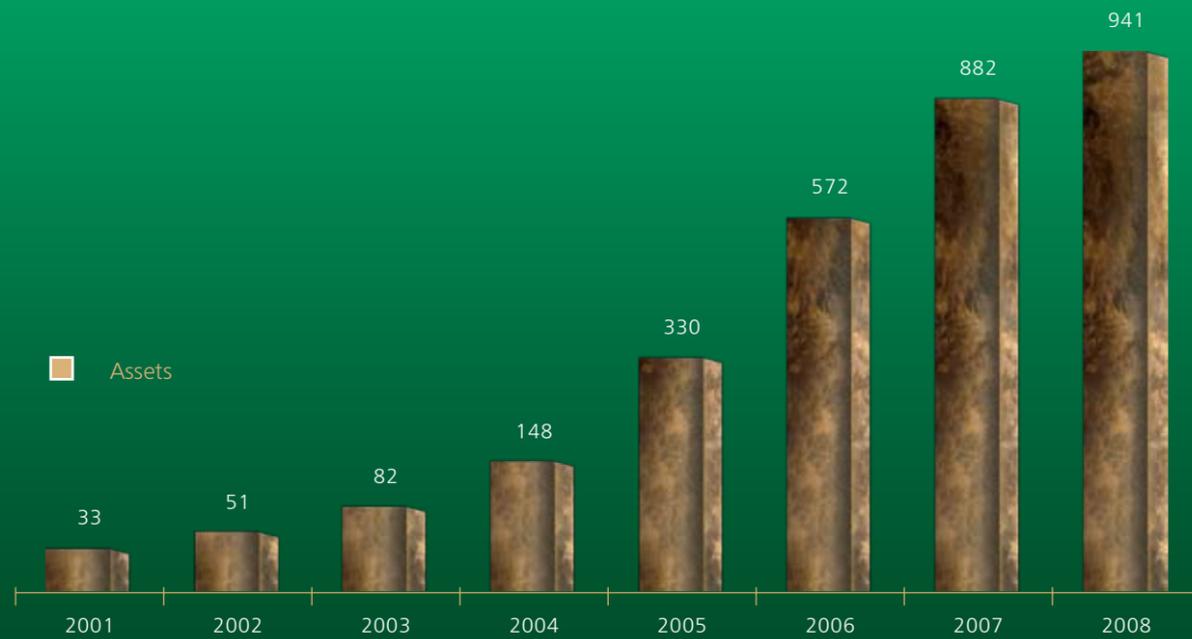
In 2008, certain changes occurred in the organisation of Bank CenterCredit driven by both the need to actively involve the strategic partner - Kookmin Bank – in the operations of Bank CenterCredit and as a response to the financial system's external environment that changed in 2008.

## Assets

In 2008, the assets of the bank grew 6.6%, reaching 940.5 billion Tenge. The share of the assets of Bank CenterCredit in total assets of the Kazakh banking sector as compared to a prior year grew 0.4%, reaching 7.9%.

## Capital

In 2008, the capital of the bank grew 29.7%, reaching as at 1st January 2009 94.6 billion Tenge. Under the bank recapitalisation plan further issued shares of Bank CenterCredit were offered in 2008. Extra investment by the strategic partner - Kookmin Bank of South Korea – in the capital of Bank CenterCredit reached US\$ 140 million. In 2008, the share of the major foreign holder in the capital of the bank rose from 23% to 30.5%.



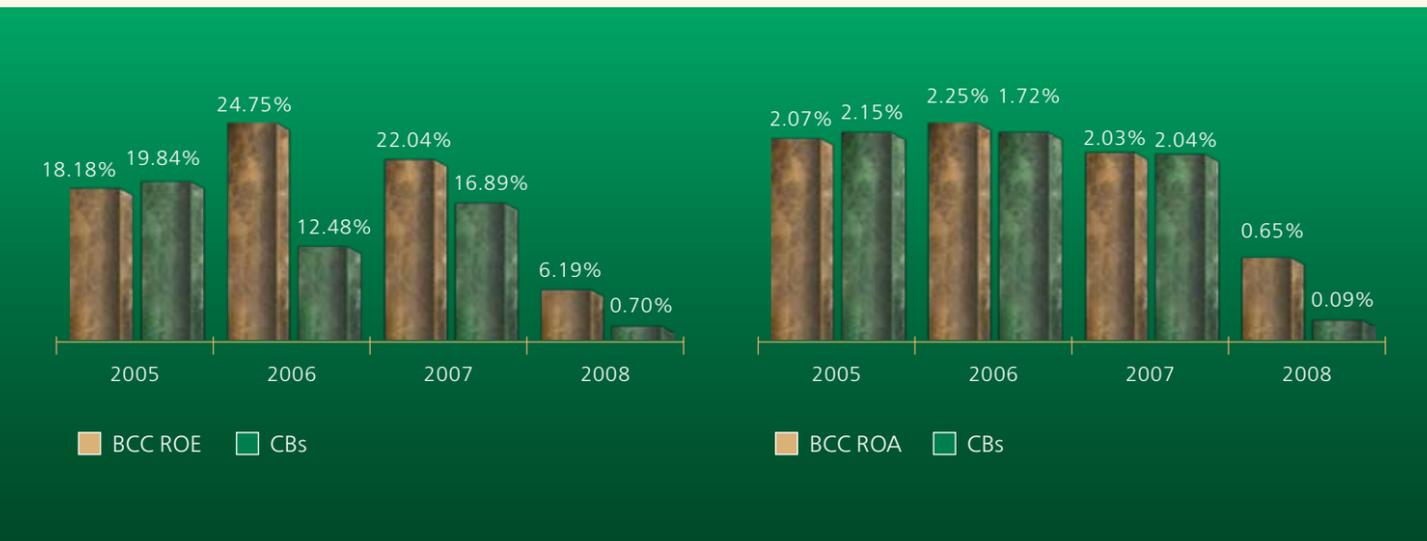
## Profitability

The increase in the reserves of the Kazakh banks due to deteriorating quality of the loan portfolio alongside the considerably lower credit activity of the banks resulted in lower profits, with pressure being put on the capitalisation of the banking sector.

In 2008, the profitability of Bank CenterCredit was as follows: 0.65% (ROA), and 6.19% (ROE), with average ratios in the

banking sector 0.09% and 0.7%, respectively (according to the data from the FSA).

The reduction in the returns of the bank in 2008 by 63.6% was driven mostly by creation of extra provisions for the loan portfolio. In 2008, the bank's net income reached 5.8 billion Tenge.



Estimates by Strategic Planning and Marketing Department based on the data from the Kazakh Agency for Regulating and Supervising Financial Market and Financial Institutions

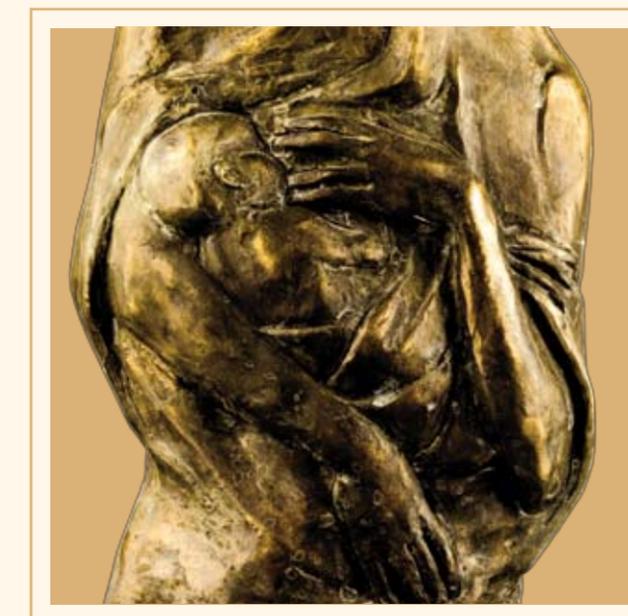
## Business Processes

Better business processes and efficient administration of each process using the tool to continuously improve the operations of the Bank, on which satisfaction of the Bank customers depends directly, are one of the Bank's strategic goals.

Following the strategy in 2008 all the processes of the Bank were determined: core, support, management and development processes. During that period one managed to develop adequate methodologies, required to efficiently manage the processes: a regulatory framework for the core business processes has been

standardised and optimised, certain support and management processes described, and efforts to regulate the Bank's non-formalised processes made.

Efforts to develop information technology and implement big projects were made: under BTMP project (introduction of Kookmin Bank technology), move of the Bank's ABIS to Oracle 10g, move of the payment system to a new code page using the state language characters, check of payments and customers for terrorist activities, use of a market exchange rate while revaluing balances of assets and liabilities accounts etc.



## Customers

As at 01/01/2009 the bank had:

- 66 653 corporate customers
- 956 808 individual customers

# Loans

As at 31st December 2008 the loan portfolio of the Bank reached 647 625 million Tenge, reducing from the beginning of the year by 8 241 million Tenge.

Given the current situation in international capital markets, as well as the economic situation in Kazakhstan the Bank's financing policy has been moderately conservative, with the income on the loan portfolio rising inconsiderably from 15% to 15.6% per annum that was driven by the general trend towards higher interest rates in the Kazakh credit market.

Along with trade and project financing the bank gave guarantees and letters of credit to its customers. Documentary financing reached 209 598 million Tenge in 2008.

While financing various industries the Bank was focused on diversification, which main aim was to limit the negative impact of the sector risk on the bank's operations.

As to sector financing, trade, industrial construction, food industry, residential construction, manufacturing and agriculture have the biggest shares: they reached 47% of the total loan portfolio. Individuals reached 39% of the loan portfolio.

The bank has been taking an active part in the government programmes for supporting small and medium-sized businesses, which are being implemented through Business Development Fund Damu, National Welfare Fund Samrouk-Kazyna and municipalities, as well as in the budget-funded programme of the Kazakh Ministry of Agriculture Subsidised Interest Rates On Loans to Be Made by Commercial Banks to Agribusinesses to Meet Their Working Capital Requirements.

The bank has been involved in international programmes to finance small and medium-sized businesses being implemented by the German Development Bank ("DEG"), the Asian Development Bank, the International Finance Corporation ("IFC"), the European Bank for Reconstruction and Development

("EBRD") and the German Government Programme ("GTZ"). The active cooperation with the Eurasian Development Bank and the Development Bank of Kazakhstan allows customers to get the long-term investment or short-term pre-export financing.

The bank continued to actively cooperate with the Public Food Corporation under projects for financing domestic agricultural producers.

The bank continued making retail mortgage loans both under its own programme and under Kazakhstan Mortgage Company's programme.

*No considerably changes have occurred in the breakdown of the loan portfolio by time of financing.*



## Retail Financing

The retail loan portfolio comprises 92 698 loans.

Given difficult situation in the market the Bank was focused on keeping the pace of sales in that line of business. Despite that the decrease in the market shares was inconsiderable. As at 01/01/2009 the Bank's retail loan market share reached

10.53% that was lower than the respective figure reached as at 01/01/2008 by 0.27%.

The individual loan portfolio under all 2008 financing programmes as compared to a prior year fell by 9.4%, reaching 255 228 million Tenge. For reference: at the end of 2007 it reached 281 727 million Tenge.

Changes in the Retail Loan Portfolio (mn Tenge)



In 2008, 6 647 retail loans worth 14 269.9 million Tenge were made. These included 1 467 mortgage loans worth 8 928.9 million Tenge and 5 180 consumer loans worth 5 341 million Tenge.

Despite expected reduction in sales in 2008 the Bank made big efforts to improve its retail loan business process and control and monitoring systems.

During the period-in-question the customers were offered a new product: credit (revolving) plastic card. The project was launched in November of 2008, and the cards became popular with the customers. As at 01/01/2009 there were issued cards with the total credit limit reaching 49 million Tenge. At present this is one of the most high-tech products, whose underwriting process was implemented as part of the Bank's own IT development.

## Retail Deposits

At the end of the year the balances of individual bank accounts reached 198 313 million Tenge. The growth as compared to 2007 reached 62 730 million Tenge, or 46.3%.

The number of term accounts increased by 5 790, reaching 98 567.

The Bank's market share at the end of 2008 reached 13.22%.

Retail deposit portfolio



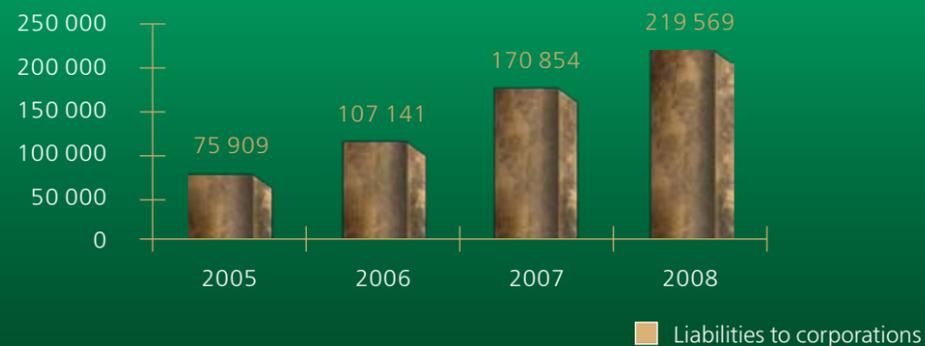
To best satisfy the needs of customers and to keep the services offered competitive, in 2008 some terms of the existing deposits were reviewed, and the interest rates increased.

The customers of our bank had another chance to make the assured profit by placing free money on a deposit called Short-Term Deposit for 7 to 30 days.

The deposits called Champion and Simple Solution now can be taken in the Russian roubles.

# Corporate Deposits

In 2008 as compared to 2007, the bank's corporate deposit portfolio grew by 48 715 million Tenge, or 28.5%, reaching as at 1st January 2009 219 569 million Tenge.



In 2008, a new term deposit called Accumulating Elite was developed and approved for business customers. The Accumulating Elite deposit makes it possible for the depositors to increase their savings during short period of time since that deposit is taken for 1 to 12 months, providing for further contributions without limitation. The interest is accrued and the accrued interest is capitalised every month paying the interest at the end of the deposit term. The terms for early cancellation of the deposit agreement are also quite flexible, making it possible for depositors to gain interest for the actual period of the deposit.



*Mother and child*

40x18x17  
Bronze  
1999  
Nurlan Dalbay



# International Relations

The bank sees itself as a bank, developing steadily and confidently, that allows from year to year to take better positions in international capital markets. The strategy to increase international cooperation aims at increasing cooperation with foreign financial institutions and to broaden the range of trade finance, international debt and other services and products.

Despite much more restricted access to international capital markets in 2008, the Bank entered into agreements, under which it raised US\$580 million. The money was gained mostly from international financial institutions under bilateral deals and trade finance transactions. Since 2003 such international financial institutions as the European Bank for Reconstruction and Development ("EBRD"), the Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. ("FMO"), the Deutsche Investitions- und Entwicklungsgesellschaft mbH ("DEG"), the International Finance Corporation ("IFC"), the Asian Development Bank ("ADB") and the Eurasian Development Bank ("EADB") have made loans worth over US\$400 million to the Bank.

In 2008, the Bank signed two loan agreements with the EBRD: US\$10 million under Energy Efficiency Improvement Project and US\$50 million under Micro, Small and Medium-Sized Business Financing Programme.

The bank was involved in small and medium-sized business programmes of DEG and EADB worth US\$40 million and US\$70 million, respectively.

Also, the Bank got a subordinated loan worth US\$25 million from FMO. The 7-year loan was accounted for as part of the Bank's Tier 2 capital.

Since 2005 the Bank has issued and placed the five issues of Eurobonds worth approximately US\$1.3 billion, of which US\$200 million were repaid in 2008. Since 2006 the bonds have been issued through its subsidiary CenterCredit International B.V. against the guarantee of the Bank.

In July of 2008 the Bank repaid Tranches A and B worth US\$372 million and part of Tranche C worth US\$39 million of a syndicated loan worth US\$450 million, which was taken up in July of 2007.

The Bank continued cooperating actively with international financial institutions and public agencies. In December of 2008, it signed a US\$40 million loan agreement for 10 years, partly guaranteed by the public U.S. Government Agency OPIC (Overseas Private Investment Corporation). Citibank acted as an organiser, lender and agent for the deal.

The loan proceeds will be spent to develop the Bank's mortgage loan business.

The Bank got the financing in two tranches: US\$30 million for 10 years against OPIC guarantee and US\$10 million for 3 years directly financed by Citibank.

Bearing in mind the fact that the retail business development has always been the Bank's priority, the loan to finance the mortgage loan portfolio will help the Bank take better position

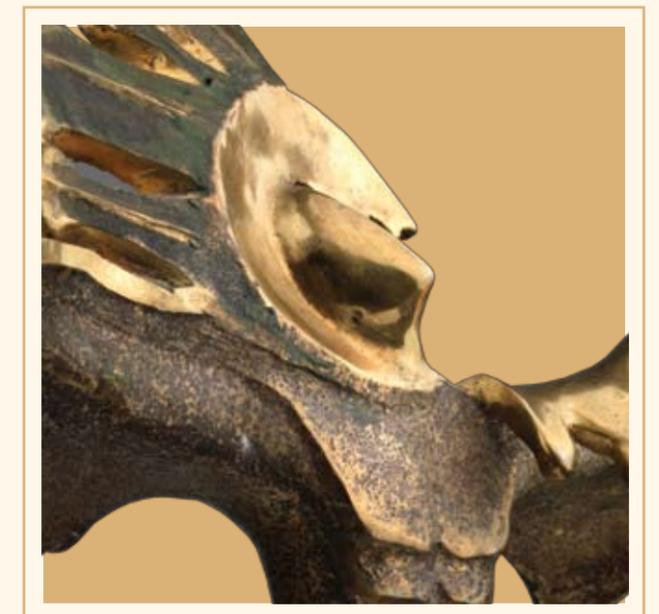
in the market and considerably expand its presence in that service sector.

Correspondent relations with financial institutions in CIS countries, in Kazakhstan and abroad are improving. From year to year the Bank increases the number of correspondents so that in 2008 it increased it by another 6 banks. At present the Bank provides clearing services to over 30 correspondents.

In 2008, the rating by the international rating agency Moody's Investors Service – Ba1 (negative outlook) – remained unchanged. Fitch Ratings changed the outlook from negative to evolving in March of 2008 and later in November the rating and the outlook were confirmed at BB- (evolving).

Amount	Year of Issue	Maturity Date	Coupon Rate	Type	Lead Manager
US\$500 mn	2007	30/01/2014	8.625%	Senior	ING, JP Morgan
KZT25 bn	2006	30/09/2011	8.25%	Senior	Morgan Stanley
US\$100 mn	2006	03/03/2016	9.125%	Subordinated	ING
US\$300 mn	2006	02/02/2011	8%	Senior	ING, Citigroup
US\$200 mn	2005	14/02/2008	8%	Senior	Citigroup

*Eurobonds issued as at 1st January 2009*



## Documentary Business and Trade Finance

In 2008, the Bank continued to develop its documentary business and trade finance as one of its international priorities, allowing to finance export and import operations of customers at a lower cost thanks to relatively cheap money made available by foreign financial institutions.

Under credit lines opened by foreign banks the Bank carried out operations to confirm documentary business instruments, finance import letters of credit and attract funds for pre-import and pre-export financing.

At present the bank offers documentary business and trade finance services using a broad range of all possible instruments: all types of letters of credit, guarantees, letters of credit with post-financing, loan agreements and banker's acceptances.

All instruments issued in 2008 totalled to over US\$470 million. Of them:

Import letters of credit (including standby letters of credit) worth over US\$383 million;

Import guarantees worth over US\$29 million; and

Instruments for pre-import and pre-export financing worth over US\$58 million.

Moreover, the Bank has been successfully cooperating with foreign financial institutions under EBRD and IFC Trade Finance Programme.

involving export credit agencies Euler Hermes (Germany), SACE (Italy), KOEXIM Bank (South Korea), Export Development Canada (Canada), Atradius (Netherlands).

For mid-term and long-term financing of projects for import of capital goods and machines from OECD member states the Bank entered into a number of loan agreements on financing

Besides, in 2008 export documentary operations of customers worth over US\$107 million were handled.

The ratings of the Bank as at 1st January 2009

### Moody's Investor Service

Outlook	negative
Bank deposit rating	Ba1/NP
Financial strength rating	D-

### Fitch Ratings

Issuer default rating	BB-/B
Outlook	evolving
Individual rating	D
Support rating	3

## Stock and Interbank Market Operations

The bank acts as a primary agent for serving operations with government securities to be issued by the Kazakh Ministry of Finance and the National Bank of Kazakhstan, and it acts as a broker to trade government securities at the Kazakhstan Stock Exchange.

Description	Amount as at the End of 2008 ,000 Tenge
Total securities portfolio	124 956
Including:	
Kazakh government securities	104 149
Non-government securities	20 807

The bank is carrying out operations with bonds issued by the Kazakh Ministry of Finance, and Kazakhstan Mortgage Company, as well as with bonds issued by the Kazakh commercial banks. The bank continued holding one of the leading positions in the domestic foreign exchange market, being one of the most active market makers for USD/KZT pair at interbank auctions. Very professional dealers work for the Bank. Their views and forecasts are considered by the market players and news agency Reuters.

### Changes in the Bank's Foreign Exchange Operating Highlights

Description	2007	2008
Amount of transactions with USD/KZT	20.9 billion USD	12.4 billion USD
Revenues / costs for foreign exchange operations	1.5 billion Tenge	2.5 billion Tenge

The bank is improving the forms of cooperation with corporate customers, developing technology, improving the quality of foreign exchange operations services in the internal and external markets, offering a broad range of foreign exchange financial instruments.

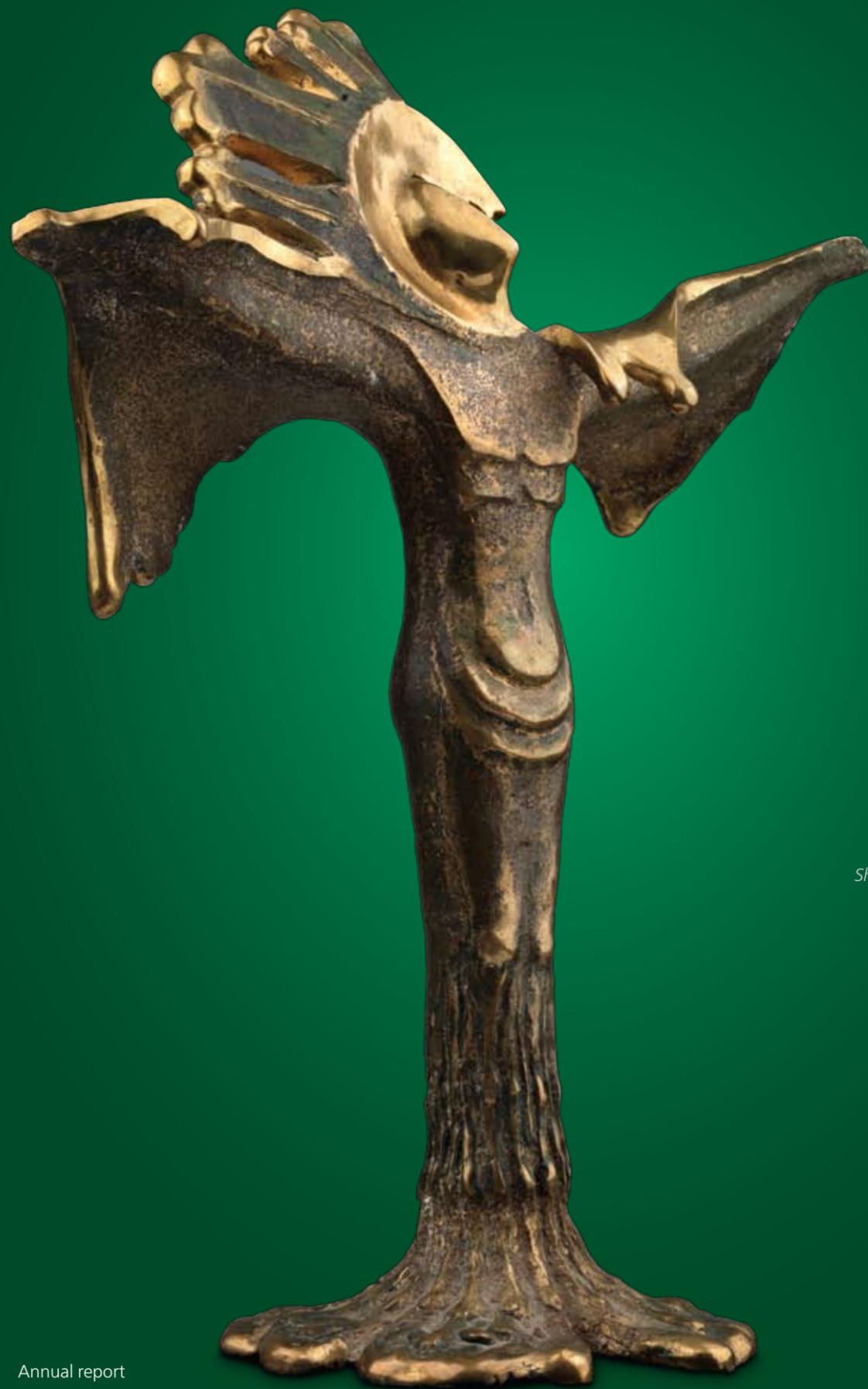
## Custodial Operations

As part of its custodial business the Bank offers services to keep records and safely keep customer assets.

### The assets of the customers of Bank CenterCredit's Custodian

Description	2007 in mn Tenge	2008 in mn Tenge
Pension funds	46 021	40 705
Investment funds	62 827	74 401
Corporations	21 298	24 933
Corporate users of documentary safekeeping service	24 104	33 909
Corporate users of bond holder representation service	117 500	131 000
<b>TOTAL</b>	<b>279 708</b>	<b>304 948</b>

Income generated from custodial services provided to the customers of the Bank rose by 1.5 times in 2008 versus 2007.



*Sky*

29x16x36

Bronze

1998

Shokhan Ramazanov

## Bank CenterCredit's Information Online Platform

In 2008, the Bank offered its customers a new product called Bank CenterCredit's Information Online Platform. The international investment bank SAXO Bank of Denmark acted as a partner bank for the product and developed the platform. Such a platform is now used in 170 countries. Investment Company CenterInvest acts as the Bank's partner in promoting the product.

Bank CenterCredit's platform grants to the customer a direct access to quotations of international stock and off-stock markets such as Forex market and futures market. While using the service customers have an opportunity to make deals in international capital markets online and trade with the help of a professional system, allowing to efficiently manage data, deals and risks. Forex market is represented on the platform in over 160 foreign exchange pairs. The futures offered for trade are provided by 12 international exchanges.

The platform is of interest to investors and to both individuals and corporations willing to make more money on investment and interested in full control over their money, individually made decisions about investment and absolute transparency of deals to be made in international capital markets.

In 2008, the customers of the Bank offered US\$7.2 million for trading using the platform.

## Internet Banking

Internet Banking System ("IBS") is designed for corporations to manage bank accounts in real time over the Internet. It allows to save time required to serve so that there is no need for customers to visit the bank and it allows the bank to cut operating costs. Using Internet Banking System customers themselves make payments in the national currency, trade and transfer foreign exchange, enter money to card accounts of their staff, make payments against projection, receive statements of accounts etc.

In 2008, the number of customers connected to the Internet Banking System increased by 37%, reaching over 11 000 businesses by over 26 000 users.

The respective document flow reached 57% of all outgoing corporate customer documents. So almost 6 customer payments of 10 are made through the Internet Banking System. That reduces considerably the bank's service costs.

To improve the quality of remote services and further successfully promote the Internet systems, 16 Internet kiosks opened at 12 branches of the Bank by the end of 2008.

## International Telecommunication Financial System SWIFT

SWIFT is a consolidated sector system designed to provide message exchange services protected against unauthorised access, offering its services to various financial institutions in many countries of the world. SWIFT is a system, comprising banks, brokers and dealers, infrastructure to make payments and other financial institutions, and acting as an operator of data transfer system of the same name.

SWIFT comprises around 8 000 financial institutions in 206 countries of the world. Its centres are located both in Europe and America. Since 1993 the Bank has been connected to SWIFT (Society for Worldwide Interbank Financial Telecommunication).

Foreign correspondent banks were assigned high level of STP (straight-through processing): less than 20% of all the Bank's payments require manual processing by the staff of foreign correspondent banks that contributes to lower risks and minimisation of costs in case of investigations over payments.

## International Money Transfers by Western Union

Bank CenterCredit is the first official representative of international company Western Union in Central Asia, offering international money transfer services to individuals since 1998.

Western Union International Money Transfer System is a quick and reliable way to transfer money worldwide without opening a bank account.

As part of Western Union system the bank takes Quick Pay payments (payments by individuals in favour of corporations, connected to Western Union system) in addition to Will Call transfers (transfers between individuals).

As at 1st January 2008 the Bank had 894 service outlets acting as its agents. All in all, over 241 000 transactions worth US\$1 233 715 000 were made in 2008 through all the agents of the Bank.

Such Kazakh commercial banks as Alliance Bank, ATF Bank, Eurasian Bank, Deltabank, TAIB Kazakh Bank, Danabank, Subsidiary Bank of the Russian Savings Bank and Tsesnabank have been acting as our subagents. In 2008, Metrokombank and Express Bank joined them.

Since 2003 the Bank has been involved in a special competitive programme for the five hundred best service outlets, offering Western Union services in Europe, Middle East, Africa and Southern Asia. Six service outlets of our Bank in Almaty, Petropavlovsk, Taraz, Pavlodar and Shymkent are involved in the programme. In 2008, the Bank's branches in Pavlodar and Petropavlovsk joined top ten best service outlets in that area taking the 3rd and the 5th places after the audit of quality conducted annually by Western Union among parties involved in Club 500 programme.

## Home Banking

Home Banking means remote bank services offered to individuals so that they do not need to visit the bank. Bank accounts are managed over the Internet.

Home Banking allows to transfer money from chequing account to card account, from card account to deposit account and to pay to over one thousand corporations for services they provide: mobile phone, cable TV, education etc.

In 2008, the number of users of the system grew 40% as compared to the relative period of a prior year, reaching almost 10 000 users. The number of transfers made using Home Banking system rose by 2.3 times in 2008 versus 2007. By the end of 2008 over 4% of all transactions, made by individuals in the Deposit module, were made using Home Banking system.

## Traveller's Cheques

Bank CenterCredit started cooperating with American Express in traveller's cheques to be obtained on a consignment terms in 1995, taking better and better positions in developing and promoting this financial instrument in the Kazakh bank product and service market.

At present traveller's cheques issued by American Express can be not only acquired at all the bank's branches and retail outlets, but also cashed in both Tenge and foreign exchange. Besides, the bank takes commercial cheques issued by other commercial banks.

Since the beginning of 2008 traveller's cheques worth US\$18.6 million and 9.7 million Euros have been sold. The amount of traveller's cheques sold was equivalent to US\$33 million.

Active cooperation with American Express, proper implementation of strategic plans for the product and competitions of the bank staff allowed the bank to remain the leader among the Kazakh commercial banks and took the third place among CIS banks despite negative developments in the sales market.

## Quick Transfers

Quick Transfers system was developed by the bank. It has been successfully running since July of 2000. The system allows individuals to make transfers across Kazakhstan without opening an account. It is a unique system for it is very quick because it involves the Internet technology and the bank's corporate network. The current record speed of a transfer is 2 seconds.

The bank offers its customers, using the system, a service of notice by mobile phone of receipt or of disbursement of money transferred.

In 2008, individual money transfers, effected in Kazakhstan using Quick Transfers system, amounted to over 6.3bn Tenge. All in all, over 117 000 transfers were effected in 2008 using the system.

## Quick Receipts

Quick Receipts service offered by the bank allows to quickly collect money throughout Kazakhstan in favour of companies, connected to the system, and allows them to get information on payments received in the real time. At present over 1 000 corporations across Kazakhstan use this service.

In 2008, over 2.2 million transfers were effected, and over 61.8 billion Tenge were entered to corporate accounts using Quick Receipts system.

## Information and Reference Services and Telephone Banking

**Call Center** (information telephone services). By the end of 2008, all in all over 400 000 remote customer calls were handled. These included over 390 000 incoming telephone calls and around 16 000 outgoing calls by the Call Center operators (internal corporate market researches, and information for customers).

The Call Center received 446 calls from customers about the quality of service (208 complaints and 238 thanks).

**Auto Call Center** (automatic telephone information service): over 122 000 customer calls handled.

In 2008, 28 851 letters were sent to customers.

**Telephone Banking System ("TBS")** is a universal remote automatic means of serving any accounts or cards of the Bank customers (individuals and corporations). There are 32 000 users. In 2008 over 137 000 transactions were made. The service is provided in Kazakh, Russian and English.

The Bank's external website [www.centercredit.kz](http://www.centercredit.kz). In 2008, over 1 750 000 visits of various pages of the website were recorded.

## Human Resources

As at 1st January 2009 there were 4 613 employees at Bank CenterCredit, including 717 employees of the head office (15.5% of the staff) and 3 896 employees of the branches (84.5%).

The average age of the bank staff is 32.6 years. Male employees reached 59%, and female employees reached 41%. 77% of the employees have the respective higher education. 40 mid-level and senior managers received the MBA and MA degrees. In 2008, three top managers received the DBA degree. There is a system to select staff in place at the bank. It is based on a competitive appointment procedure, including a series of expert interviews, and professional and psychological tests. The Bank has an in-house base of data on CVs and candidates to take executive and managerial positions and cooperates with recruitment agencies and the media.

The bank has been actively working together with the leading Kazakh universities. In 2008, 116 students of 26 universities took the hands-on training at the head office of the bank alone. Also, probation for 24 young specialists was arranged.

There is a functional system to provide staff refresher training in place at the bank. In 2008, 1 347 people received it. They include 264 staffs who took short-term training at outside training centres in Kazakhstan and abroad, and 1 083 staffs who took training at the bank's in-house training centres.

Much attention is paid to the bank's corporate culture. Creative contests, sports tournaments and other corporate events are held. Every month the corporate newspaper Our Herald is published.

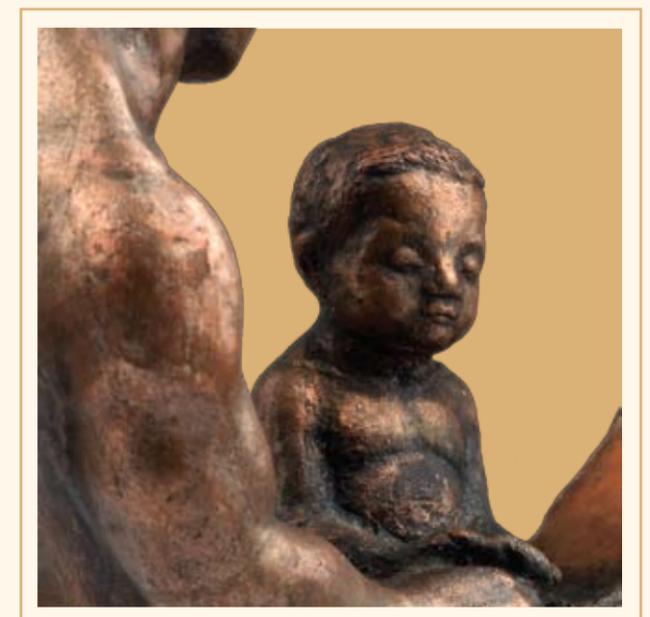
## Information Technology

IT policy the bank pursued in 2008 aimed at further centralising, unifying and standardising information systems and creating an environment enabling steady and sustainable development.

The bank prepared and implemented a number of projects for improving the efficiency of IT systems and meeting the current requirements. The bank's current information system was switched to be managed by the modern system to manage databases Oracle 10g and adapted to meet the standard on use of the Kazakh language in Kazakhstan information systems.

The bank's corporate network became bigger and was backed up by high-speed backup links that reduced the time of customer service and failure risks.

In order to offer customers quality services and broaden the range of bank products, in 2008, the bank invested over 875 million Tenge in computer hardware and software.



# Plastic Cards

Bank CenterCredit is one of the largest Kazakh banks in terms of issued cards and acquiring network development.

As at 1st January 2009 the bank's plastic cards market share reached 5.5%. As compared to the beginning of 2008 the cards issued grew 51% that was over 134 000 cards. Transactions through ATMs grew 78%, reaching 189 357 000 Tenge. Sales through trading network grew 19%, reaching 2 730 000 000 Tenge.

As compared to 2007 the bank's service network became much bigger; there are 452 functional ATMs. There are 723 POS-terminals installed at stores and service outlets, and 431 POS-terminals installed at the bank branches.

Last year big efforts were made to broaden the range of products. As part of such efforts the Bank offered a new card product – Visa Instant Pension - and a credit revolving card. Further services were first offered to card holders: pay for mobile communication in favour of KCell operator using ATM, debit card with a credit limit in Euros, connection to IAPA programme – the world's oldest and biggest business travellers association, Mobile Banking, credit limit with various repayment schedules with debit/credit card, foreign exchange ATM with a possibility of cashing in US Dollars.

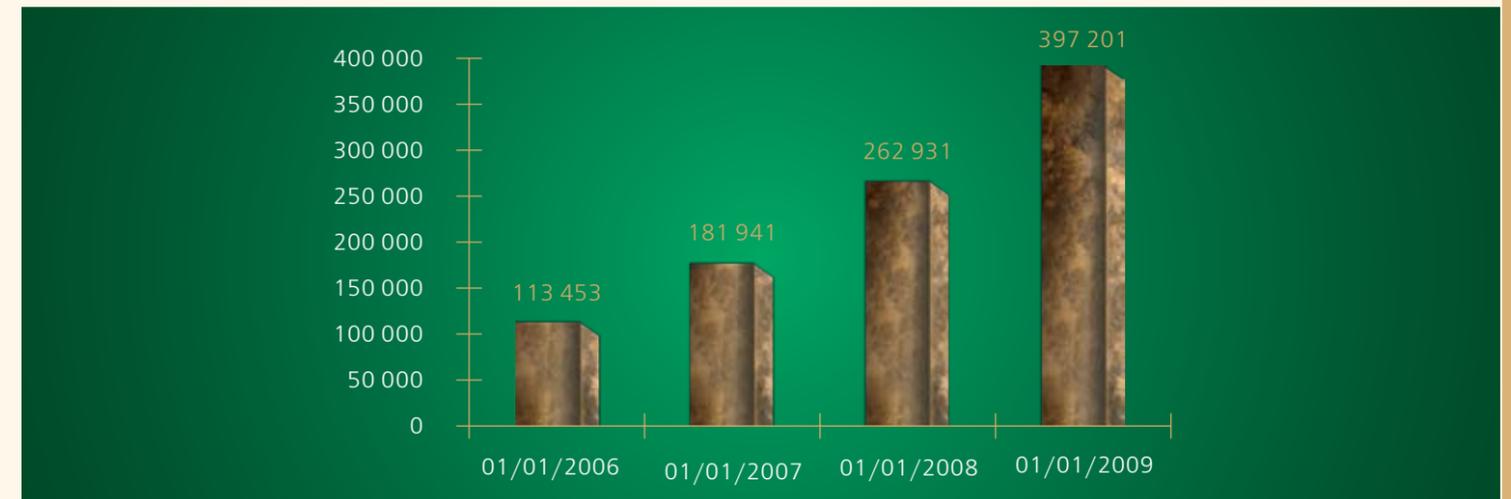
In 2008, there was laid a foundation of further dynamic growth of card business. To optimise and increase the number of partners to serve the cards through POS-terminals, the Bank is planning to implement the discount chain project in 2009.

Special attention is required by another big project – accession of Bank CenterCredit to MasterCard payment system. MasterCard is the second largest payment system after Visa International. MasterCard cards will be especially important to those customers

who often visit Europe. In October of 2008 Bank CenterCredit became Principal Member of MasterCard International. Afterwards the Bank also gained licenses for such brands as MasterCard and Maestro. That partnership gives new opportunities for cooperation and grants the Bank an access to many advantages of Principal Membership.

In 2009, it is planned to launch new products such as Visa Virtual, Visa Prepaid Gift card, card deposit, to start issuing MasterCard plastic cards, offer new customs duties payment services, and to further develop remote self-service (Cash-in ATMs and pay for outside organisation services). All the above-mentioned projects will allow to broaden the range of services provided through Bank CenterCredit plastic cards.

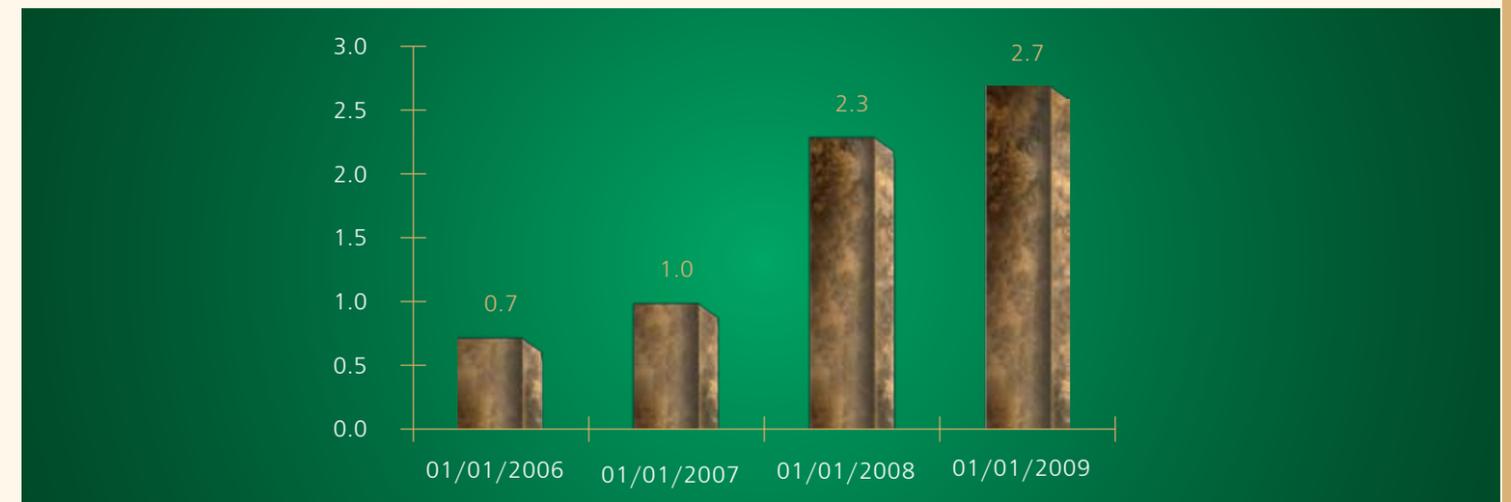
Changes in the Number of Issued Cards, Units



Transactions Made Using ATMs, Billion Tenge



Transactions Made Using POS-Terminals at stores and Service Outlets, Billion Tenge



# Branch Network

As at 1st January 2009 Bank CenterCredit comprised 20 branches and 190 units of branches.

The bank has branches in all provincial centres and big cities of Kazakhstan. All in all, the branches and the units of branches are located in 57 settlements across Kazakhstan.

In 2008, the Bank opened another 14 units of branches: 4

Financial Service Centres ("FSC"), 6 Retail Service Centres ("RSC") and 4 Retail Outlets ("RO").

Around 90% of the units of branches regardless of their form – VIP centre, FSC, RSC, or RO - offer the full range of bank products.



*Under the sun*

19x11x26  
Copper  
1988  
Shokhan Ramazanov



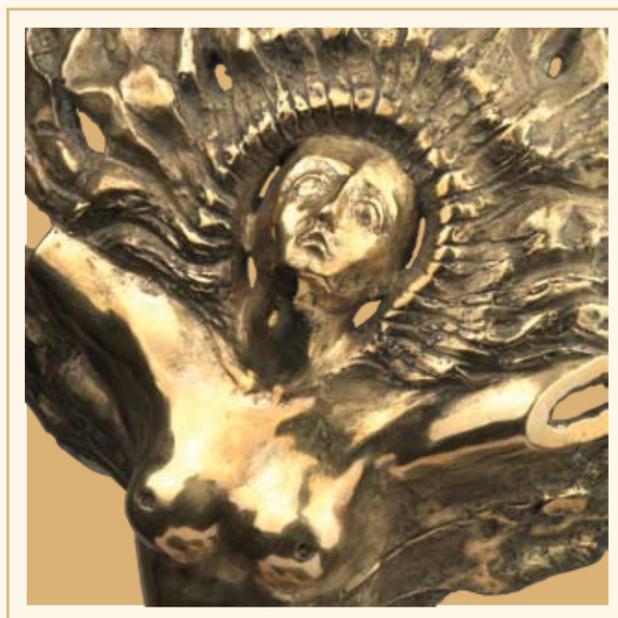
# PENSION FUND CAPITAL

Pension Fund Capital is a subsidiary of the Bank. The fund was established in October of 2001.

Its major job is to attract pension contributions and pay pensions. Operations to invest money received as pension contributions.

## The Fund's 2008 performance:

- PF Capital became the sixth largest in terms of pension assets among the country's 14 pension funds;
- Since the establishment its cumulative net investment income has reached over 8 billion Tenge. As at 01/01/2009 it grew 47.20% that made it Number 2 among 14 pension funds;
- In 2008, the Fund generated income, reaching 31 496 000 Tenge. During the same period the pension sector incurred net loss, reaching 7.016 billion Tenge (according to the FSA).
- 5 new offices opened on the ground, and another 50 000 subscribers were acquired; The quality of customers is better now. The income of 43% of acquired subscribers is high;
- A big survey of subscriber needs was conducted, and subscribers segmented;
- The list of advantages to the subscriber became longer, and another 11 partnership agreements were reached;
- A new website of the Fund was made;
- A new system to appraise staff performance – KPI – was put in place;
- Staff performance appraisal software was developed and implemented;
- New automated system to keep records of subscribers and pension contributions was put in place;
- Risk management system was put in place.



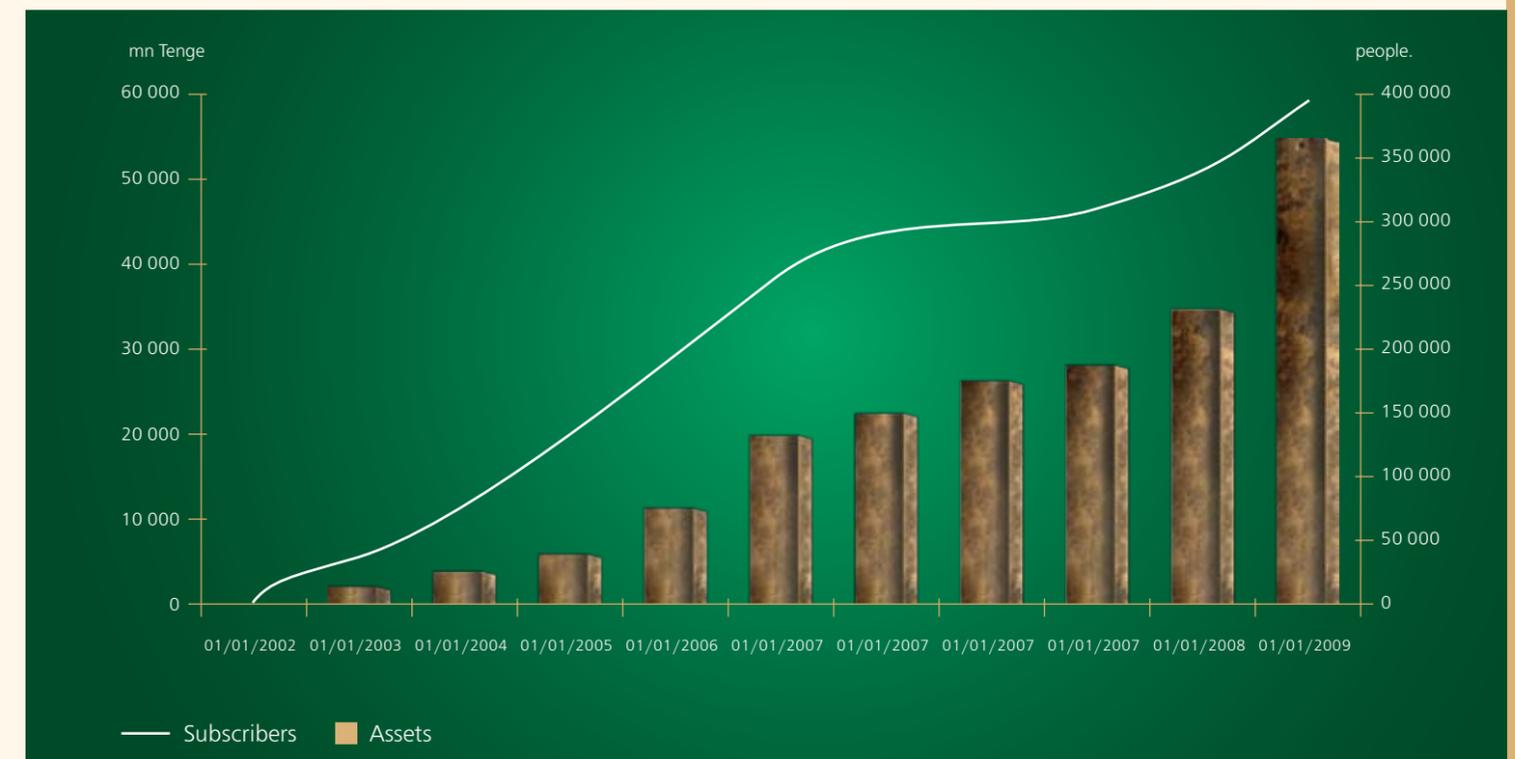
## The 2008 highlights:

- Share capital: 1 371 000 000 Tenge
- Equity: 1 664 000 000 Tenge
- Income: 31 496 000 Tenge
- Pension assets: 53 438 000 000 Tenge
- Subscribers: 384 519 people

In 2008 PF Capital was the fourth largest in terms of absolute growth of pension assets. The active development of the Fund resulted in the biggest achievement, which was the 6th place in the market among 14 Kazakh pension funds.

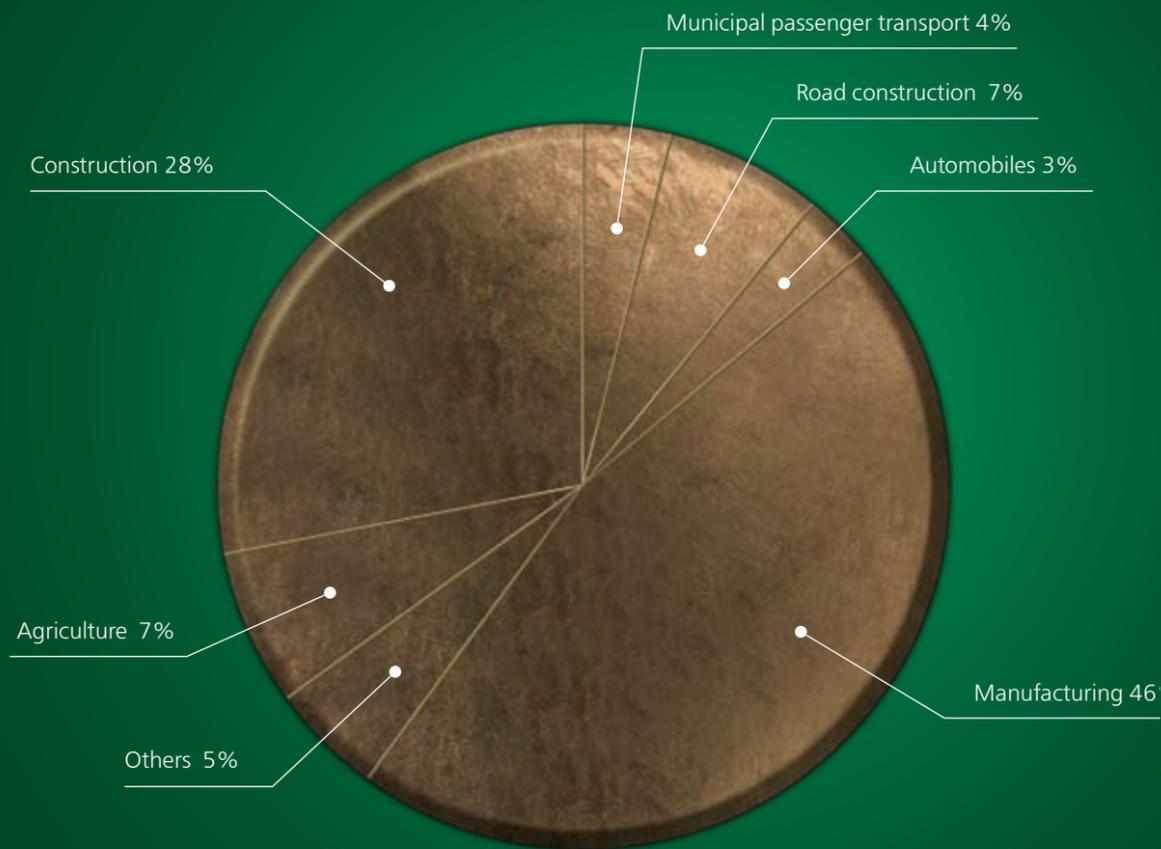
Since the establishment PF Capital has been demonstrating high rate of growth of pension assets, which is much higher than the average one in the sector despite the financial crisis and the fact that the fast growth of the fund is now behind.

Change in PF Capital Financial Highlights

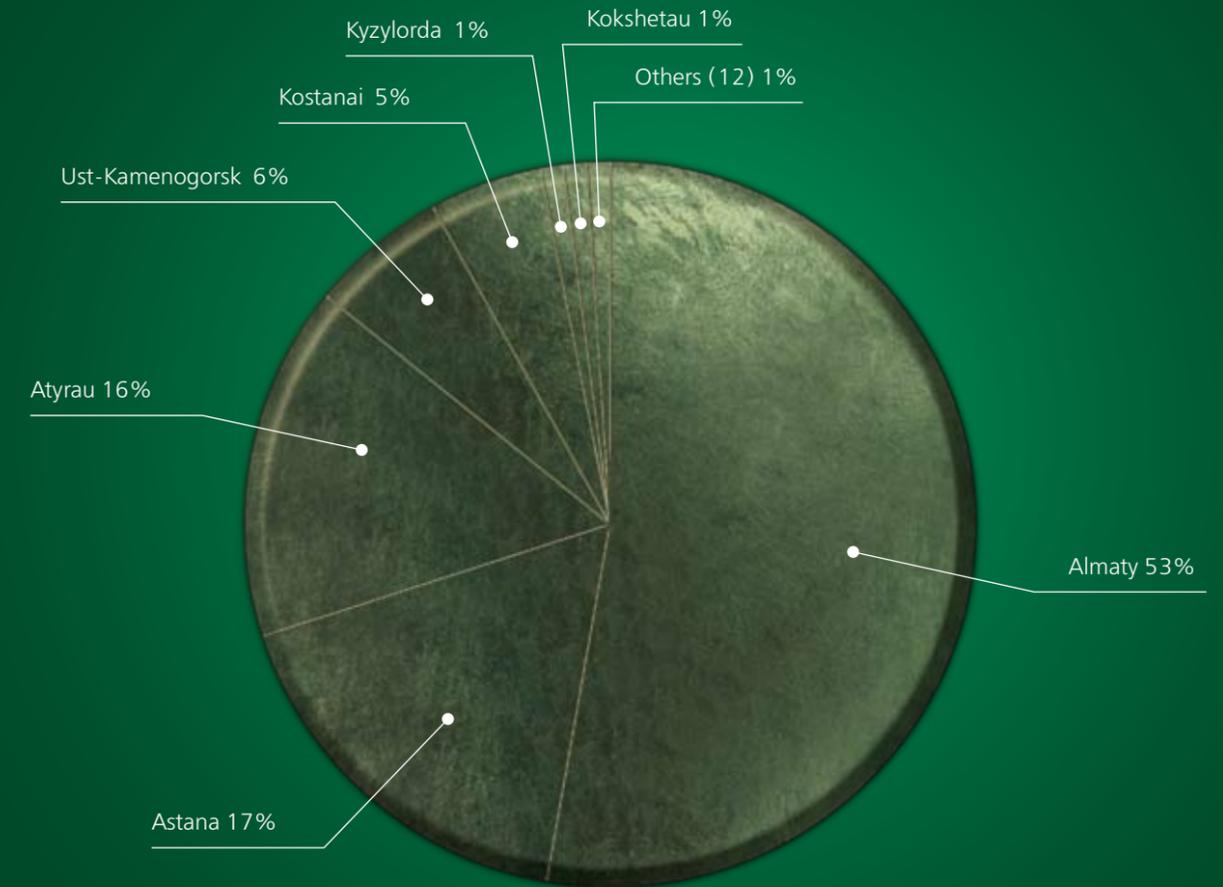


# Center Leasing LLP

Leasing Portfolio Broken Down By Sector



Leasing Portfolio Broken Down By Region



Center Leasing LLP started operating 15th January 2002 as a subsidiary leasing company of the Bank. Over 7 years since the establishment the company has established itself as a reliable and sustainable partnership, having a certain niche in the leasing service market.

The data from Kazakhstan Financiers Association show that by the end of the 3rd quarter of 2008 Center Leasing LLP became one of the country's largest seven leasing companies in terms of sales.

By the end of 2008 goods worth 1 615 000 000 Tenge were provided under financial leasing contracts. As a result, the company's portfolio reached 4 515 000 000 Tenge.

During the period-in-question interest worth 411.2 million Tenge was generated, of which 321.8 was paid as the Bank's fee. Therefore the net interest income reached 94.8 million Tenge, and the net non-interest income reached 87 million Tenge.

As at the respective date the company's assets reached 3.5 billion Tenge, including equity (37%) and debt (63%).

## Tree

17x16x39

Bronze

1991

Shokhan Ramazanov



## BCC INVEST

The joint-stock company BCC INVEST is a professional player in the Kazakh securities market, licensed to do the following:

- License (# 0401201249 of 31st July 2006) to operate as broker and dealer in the securities market, entitled to manage customer accounts as a nominee holder (instead of earlier License # 0401200688 of 23rd January 2004)
- License (# 0403200488 of 31st July 2006) to manage assets of customers' investment securities portfolios (instead of earlier License #0403200124 of 24th December 2003).

The share capital reached 675 million Tenge, split into 675 000 000 common registered shares with the nominal value of 1 (one) Tenge each. All shares of the company have been placed. BCC INVEST is a subsidiary of the Bank where the Bank owns 100% of shares.

The company offers its customers the following services:

- Brokerage (including securities trade and market making)
- Investment portfolio management (asset management strategy selection, profiling investment by sector and issuer, analytical notes and recommendations)
- Nominee holding services
- Underwriting services
- Corporate financing and financial consulting (including issue and placement of securities, corporatisation, public offering, debt restructuring, mergers and takeovers, syndicated loans, project financing, internal corporate valuation et al)
- Data collecting and analysing division (makes forecasts of capital market trends, exchange rates and securities, recommends the front office on investment, analyses financial operations of issuers and values companies, analyses securities portfolios).

At the end of 2008 an independent news resource rated mutual funds, and BCC INVEST's mutual fund CenterCredit - Reasonable Balance was rated as the sixth largest in terms of yields generated.

Of the leading players in the Kazakh share market, as defined by KASE, BCC INVEST took the sixth place in 2008. During that period 64 companies were involved in completing deals.

Of the leading players in the Kazakh corporate bond market, as defined by KASE, BCC INVEST took the fourth place in 2008. During that period 63 companies were involved in completing deals.

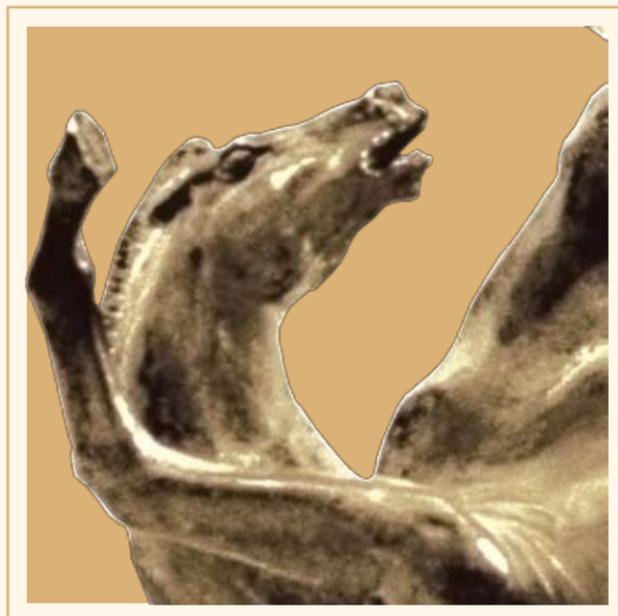
## Bank BCC-Moscow

The limited liability company Bank BCC-Moscow (Bank BCC-Moscow LLC, Moscow City) was founded in December of 2007, License # 3480 of 21st March 2008 to carry out banking operations in roubles and foreign exchange.

The Bank holds the 100-percent stake in Bank BCC-Moscow LLC. The capital of Bank BCC-Moscow LLC reached 625 million roubles. Since its establishment the bank has demonstrated high pace of development; the majority of IT infrastructure and hardware are in place now, all the methodologies have been developed, and skilled staff is available that allowed to provide modern bank services to its customers in 3 months after the license was gained.

In August of 2008 the bank joined the Moscow International Foreign Exchange Academy. In the same year it became member of International Payment System SWIFT and got involved in such payment systems as Western Union, Contact, CyberPlat, and MIGOM. Bank BCC-Moscow LLC is focused on satisfying the needs of such customers as small and medium-sized businesses, as well as of such business partner initiatives as Russia – Kazakhstan – South Korea. Considering the business needs of its customers, sector development trends and macroeconomic impact the bank offers an individual set of products and services. Therefore it keeps broadening the range of products, improving business processes and establishing new partnership relations, allowing our customers to improve efficiency of their businesses.

As to individuals, Bank BCC-Moscow offers them an opportunity to transfer money without opening a bank account, foreign exchange services and sells memorable and investment coins.



## Independent Auditors' Report

*To the Shareholders and Board of Directors of Joint Stock Company Bank CenterCredit:*

### *Report on the consolidated financial statements*

We have audited the accompanying consolidated financial statements of Joint Stock Company Bank CenterCredit and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2008 and 2007, and the respective consolidated statements of income, cash flows and changes in equity for the years then ended, a summary of significant accounting policies and other explanatory notes.

### *Management's responsibility for the consolidated financial statements*

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 audits. We conducted the audits 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 financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Donen

38x20x18

Bronze

1993

Nurlan Dalbay



Annual report

## Independent Auditors' Report

To the Shareholders and the Board of Directors of Joint Stock Company Bank CenterCredit:

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Joint Stock Company Bank CenterCredit and its subsidiaries, which comprise the consolidated balance sheets as at 31 December 2008 and 2007, the consolidated income statements, the consolidated statements of changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory notes.

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 International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the financial position of Joint Stock Company Bank CenterCredit and its subsidiaries as at 31 December 2008 and 2007, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

As discussed in Note 4, the consolidated financial statements for the year ended 31 December 2007 have been restated.

**Arman Chingilbayev**

*Assignment Partner  
Qualified Auditor*

Qualification certificate No. 0000487  
issued in October 12, 1999  
Republic of Kazakhstan

**Nurlan Bekenov**

*General Director*

«Deiloitte» LLP

«Deiloitte» LLP

State license for audit activity in the Republic of Kazakhstan No. 0000015, Serial MFO – 2, issued by Finance ministry of the Republic of Kazakhstan dated September 13, 2006

April 15 2009, Almaty

2008

## Joint Stock Company Bank Centercredit

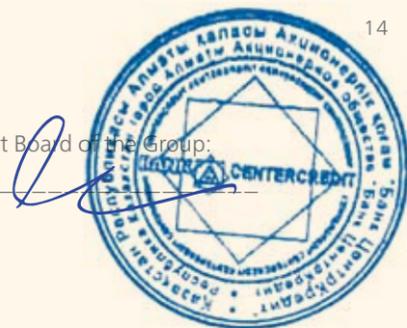
CONSOLIDATED INCOME STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(in Kazakhstani tenge and in millions, except for earnings per share which are in tenge)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007 (restated)
Interest income	5, 30	114,260	96,560
Interest expense	5, 30	(69,289)	(53,330)
<b>NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS</b>		<b>44,971</b>	<b>43,230</b>
Provision for impairment losses on interest bearing assets	6	(19,736)	(16,157)
<b>NET INTEREST INCOME</b>		<b>25,235</b>	<b>27,073</b>
Net gain on financial assets and liabilities at fair value through profit or loss	7	7,597	1,473
Net realized loss on investments available-for-sale	8	(444)	(38)
Net (loss)/gain on foreign exchange operations	9	(7,720)	637
Fee and commission income	10	12,435	10,224
Fee and commission expense	10	(877)	(694)
Other income	11	134	215
Provision for impairment losses on other transactions	6	(5,315)	(413)
<b>NET NON-INTEREST INCOME</b>		<b>5,810</b>	<b>11,404</b>
<b>OPERATING INCOME</b>		<b>31,045</b>	<b>38,477</b>
OPERATING EXPENSES	12, 30	(23,886)	(19,191)
<b>OPERATING PROFIT BEFORE INCOME TAX</b>		<b>7,159</b>	<b>19,286</b>
Income tax expense	13	(1,304)	(3,205)
<b>NET PROFIT</b>		<b>5,855</b>	<b>16,081</b>
Attributable to:			
Equity shareholders of the Parent		5,838	16,027
Minority interest		17	54
<b>EARNINGS PER SHARE</b>		<b>5,855</b>	<b>16,081</b>
Basic and diluted (KZT)	14	44.4	137.7

On behalf of the Management Board of the Group:

Lee V.S.  
Chairman  
15 April 2009  
Almaty



Kainarbekova G.K.  
Chief Accountant  
15 April 2009  
Almaty



## Joint Stock Company Bank Centercredit

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2008 AND 2007

(in Kazakhstani tenge and in millions)

	Notes	31 December 2008	31 December 2007 (restated)
<b>ASSETS:</b>			
Cash and balances with the NBRK	15	24,361	43,020
Financial assets at fair value through profit or loss	16	20,697	10,383
Investments available-for-sale	17	38,116	7,232
Investments held to maturity	18	83,116	58,819
Due from banks	19	150,364	119,245
Loans to customers	20, 30	601,221	625,655
Current income tax assets		4,533	2,136
Other assets	21	7,290	5,641
Property, equipment and intangible assets	22	10,830	9,972
<b>TOTAL ASSETS</b>		<b>940,528</b>	<b>882,103</b>
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES:</b>			
Due to banks	23	185,274	258,208
Customer accounts	24, 30	427,381	313,444
Debt securities issued	25	170,451	188,682
Deferred income tax liabilities	13	1,958	795
Other liabilities	26	3,678	4,019
Subordinated debt	27	57,173	43,984
<b>Total liabilities</b>		<b>845,915</b>	<b>809,132</b>
<b>EQUITY:</b>			
Equity attributable to equity holders of the parent:			
Share capital	28	52,684	36,298
Investments available-for-sale fair value reserve		934	1,445
Property and equipment revaluation reserve		2	3
Retained earnings		40,387	34,919
<b>Total equity attributable to equity holders of the parent</b>		<b>94,007</b>	<b>72,665</b>
Minority interest		606	306
<b>Total equity</b>		<b>94,613</b>	<b>72,971</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>940,528</b>	<b>882,103</b>

On behalf of the Management Board of the Group:

Lee V.S.  
Chairman  
15 April 2009  
Almaty



Kainarbekova G.K.  
Chief Accountant  
15 April 2009  
Almaty



## Joint Stock Company Bank Centercredit

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(in Kazakhstani tenge and in millions)

	Share capital	Investments available-for-sale fair value reserve	Property and equipment revaluation reserve	Retained earnings	Total equity attributable to equity holders of the parent	Minority interest	Total equity
31 December 2006	21,113	87	4	18,989	40,193	295	40,488
Depreciation of property and equipment revaluation reserve	-	-	(1)	1	-	-	-
Gain on revaluation of investments available-for-sale, net of income tax effect	-	1,269	-	-	1,269	-	1,269
Gain transferred to income statement on sale of available-for-sale investments, net of income tax effect	-	89	-	-	89	-	89
Exchange differences on translation of foreign operations	-	-	-	(36)	(36)	-	(36)
Share capital increase	15,185	-	-	(62)	15,123	-	15,123
Changes in minority interest	-	-	-	-	-	(43)	(43)
Net profit (restated)	36,298	1,445	3	34,919	72,665	306	72,971
31 December 2007 (restated)							
Depreciation of property and equipment revaluation reserve	-	-	(1)	1	-	-	-
Gain on revaluation of investments available-for-sale, net of income tax effect	-	734	-	-	734	-	734
Gain transferred to income statement on sale of available-for-sale investments, net of income tax effect	-	(1,245)	-	-	(1,245)	-	(1,245)
Exchange differences on translation of foreign operations	-	-	-	(304)	(304)	-	(304)
Share capital increase	16,289	-	-	(67)	16,222	-	16,222
Sale of treasury shares	97	-	-	-	97	-	97
Changes in minority interest	-	-	-	-	-	283	283
Net profit	-	-	-	5,838	5,838	17	5,855
31 December 2008	52,684	934	2	40,387	94,007	606	94,613

## Joint Stock Company Bank Centercredit

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(in Kazakhstani tenge and in millions)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Interest received from financial assets and liabilities at fair value through profit and loss		619	645
Interest received from investments available-for-sale		1,148	1,641
Interest received from investments held to maturity		7,199	1,456
Penalties received from loans to customers		2,415	2,551
Interest received on due from banks		6,122	2,935
Interest received on loans to customers		81,036	78,094
Interest paid on due to banks		(17,743)	(13,725)
Interest paid on customer accounts		(29,592)	(19,445)
Interest paid on debt securities issued		(16,948)	(12,604)
Interest paid on subordinated debt		(4,215)	(2,328)
Fee and commission received		12,516	9,898
Fee and commission paid		(850)	(766)
Other income received		134	215
Operating expenses paid		(21,372)	(19,683)
Income taxes paid		(2,538)	(3,252)
		17,931	25,632
Cash inflow from operating activities before changes in operating assets and liabilities			
Changes in operating assets and liabilities		(3,245)	(1,035)
(Increase)/decrease in operating assets:		427	(18,866)
Increase in assets at fair value through profit or loss		13,605	(229,680)
Decrease/(increase) in due from banks		(7,680)	(1,895)
Decrease/(increase) in loans to customers			
Increase in other assets			
		(71,808)	84,169
Increase/(decrease) in operating liabilities		112,061	90,531
(Decrease)/increase in due to banks		(680)	3,452
Increase in customer accounts			
(Decrease)/increase in other liabilities		60,611	(47,692)
Net cash inflow/(outflow) from operating activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds on sale of investments available-for-sale		133,947	165,999
Purchase of investments available-for-sale		(170,866)	(145,233)
Proceeds on maturity of investments held to maturity		(694,551)	203,730
Purchase of investments held to maturity		676,573	(243,600)
Purchase of property and equipment		(2,620)	(5,348)
Proceeds on sale of property and equipment		837	187
Net cash outflow from investing activities		(56,680)	(24,265)

# Joint Stock Company Bank Centercredit

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2007

(in Kazakhstani tenge and in millions)

	Notes	Year ended 31 December 2008	Year ended 31 December 2007
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issue of ordinary share capital		16,289	15,185
Issue of treasury share capital		97	-
Proceeds from debt securities issued		7,498	85,319
Repayment of debt securities issued		(25,795)	-
Repurchase of debt securities issued		(171)	(2,000)
Proceeds from subordinated debt		13,080	11,900
Net cash inflow from financing activities		10,998	110,404
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		(1,413)	(57)
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,516	38,390
CASH AND CASH EQUIVALENTS, beginning of year	15	106,302	67,912
CASH AND CASH EQUIVALENTS, end of year	15	119,818	106,302

The consolidated statement of cash flow for the year ended 31 December 2007 was restated from indirect method to direct method to conform to the presentation of the consolidated statement of cash flow for the year ended 31 December 2008. Direct method is considered by the Group as a more preferable presentation method. Additionally direct method of statement of cash flow presentation is a requirement of the Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial institutions (the "FMSA") for accounting periods beginning on 1 January 2009.

On behalf of the Management Board of the Group:

Lee V.S.  
Chairman  
15 April 2009  
Almaty



Kainarbekova G.K.  
Chief Accountant  
15 April 2009  
Almaty



Boy

42x10x17  
Bronze  
1992  
Nurlan Dalbay



# The 2008 Bank CenterCredit Milestones

## January of 2008

The German Development Bank - Deutsche Investitions und Entwicklungsgesellschaft mbH ("DEG") – made a 7-year subordinated loan worth US\$40 million to finance the long-term projects of the bank's customers.

National City Bank of the U.S. made a loan worth US\$30 million to develop the retail business against guarantee given by the U.S Government Agency OPIC (Overseas Private Investment Corporation).

The Bank completed certification in Visa payment system in order to issue chip cards VSDC (Visa Smart Debit Credit).

There was introduced a Visa Platinum card, further providing free insurance of AIG and automated service of international systems GCAS and Priority Pass.

5-year loan agreement with the International Finance Corporation ("IFC"), member of the World Bank Group was signed. The size of the loan was US\$45 million.

## February of 2008

The Bank presented the world's prime information online platform made in partnership with

Saxo Bank of Denmark, granting direct access to quotations of international stock and off-stock markets and a possibility of making deals in the capital markets online.

The Bank paid the nominal value and redeemed the 6th coupon for its international bonds XS0212560055 (CCBNe1). The amount paid totalled to US\$208 million.

## March of 2008

Fitch Ratings confirmed the Bank's rating, which was the long-term issuer default rating ("IDR"). The outlook for the long-term IDR changed from "negative" into "developing".

The Central Bank of Russia granted the subsidiary Bank BCC-Moscow a license to carry out banking operations in roubles and foreign exchange.

The Eurasian Development Bank opened the first 5-year credit line worth US\$70 million for Bank CenterCredit in order to finance small and medium-sized businesses.

## April of 2008

BCC Invest – a subsidiary of the Bank – became the second largest in terms of income generated by mutual funds, as rated by independent news resource Investfunds.kz.

## June of 2008

An agreement on a 5-year loan worth US\$40 million was signed with the Deutsche Investitions Und Entwicklungsgesellschaft mbH (DEG).

The Dutch Development Bank FMO made a 7-year subordinated loan worth US\$25 million.

The Kazakh Agency for Regulating and Supervising Financial Market and Financial Institutions registered the twelfth issue of bonds within the limits set under the Bank's first bond programme.

## July of 2008

Following decision made by the Board of the Kazakhstan Stock Exchange the twelfth issue of bonds, issued within the limits set under the Bank's first bond programme, was put on the official A list of KASE.

At the end of the first half of 2008 Bank CenterCredit became the 29th largest in terms of assets among CIS banks and the 6th largest among the 35 Kazakh commercial banks, as rated by Interfax-1000: CIS Banks.

## August of 2008

Kookmin Bank of South Korea completed the deal to acquire a 23-percent stake in Bank CenterCredit.

New people, including officials of the strategic investor, were elected to sit on the Board of Directors and the Managing Board of Bank CenterCredit.

## September of 2008

19th September was the 20th anniversary of the Bank.

Following decision made by the Board of the Kazakhstan Stock Exchange ("KASE") new instruments in the automatic repo market against pledge of the Bank's securities for 1, 3, 7, 14 and 28 days will start being traded.

The Kazakh Agency for Regulating and Supervising Financial Market and Financial Institutions registered the second bond programme of the Bank.

In the nine months the assets of the Bank grew 13.5%.

## November of 2008

Fitch Agency confirmed the rating – long-term issuer default rating in foreign exchange with the "developing" outlook.

The Kazakh Agency for Regulating and Supervising Financial Market and Financial Institutions registered the thirteenth issue of bonds within the limits set under the Bank's first bond programme.

## December of 2008

The share of Kookmin Bank of South Korea in the capital of Bank CenterCredit rose from 23% to 30.5%.

Following decision made by the Board of the Kazakhstan Stock Exchange the thirteenth issue of bonds, issued within the limits set under the Bank's first bond programme, was put on the official list of KASE as papers falling under Subcategory 1 of Unrated Debt Securities category.



## Nurlan Dalbay

Nurlan Dalbay was born in 1961 in Almaty. In 1978 he entered to Almaty Art College, Sculpture Department.

In 1983 he entered to Leningrad Painting Institution, Sculpture and Architecture, named after I. Repin.

In 1989, after he finished the study, he practiced teaching of painting and sculpture in Almaty Art College.

Since 1993 he is a member of Kazakhstan Painters Union.

Currently he lives and continues working in Almaty.

### Exhibitions

1994 «Gallery Parade». Almaty, Museum Named after A. Kosteyev, The exhibit of Kazakh and Kyrgyz painters graduates of Art Academy. Gallery «Ular», Almaty.

1995 Personal Exhibition. Embassy of France in Kazakhstan. Almaty, the first exhibit of the "Bridge" association, Almaty.

1996 Contest of «Ernst-Rietschel-Kunstpreise» Pulsnitz, Germany.

1998 Contest for "Motherhood" fountain. Drezden, The exhibition of the «Ernst-Rietschel-Kunstpreise» contest prize winners, Pulsnitz, Germany.

1999 Republican exhibition of young painters of Kazakhstan «Zhiger» (guests section). Almaty. Collective Show of Azerbaijan and Almaty painters, Baku.

2000 The First exhibition of Azerbaijan and Almaty painters, London, Great Britain.

### Awards

1987 2 awards of the All-Union Student's Work Challenge Struggle for Peace, Leningrad.

1989 1 award of All-Union symposium in Ust-Kamenogorsk.

1996 Honor Diploma of «Ernst-Rietschel-Kunstpreise» contest, Pulsnitz, Germany.



## Shokhan Ramazanov

1975-1979 studied in Almaty Art College.

1979-1984 studied in Almaty Theater and Art Institute.

### Exhibitions:

2001 – Personal Exhibition in Central Museum of Fine Art named after Kasteyev, Almaty.

2002 – Exhibition in «Respect» Gallery, Almaty.

2004 – Exhibition in «Tandem» exhibition, Almaty.

Works of Ramazanov were exhibited in different private galleries of Almaty.

Works of Ramazanov are in private collections of Kazakhstan, Russia, France, Israel, USA.