

ҚАЗАҚСТАННЫҢ
ДЕПОЗИТТЕРГЕ
КЕПІЛДІК БЕРУ
Қ О Р Ы



KAZAKHSTAN
D E P O S I T
I N S U R A N C E
F U N D



YOU DEPOSIT
BANKS SAVE
WE GUARANTEE

ANNUAL REPORT 2008



Abbreviations Used

KDIF, the Fund

JSC “Kazakhstan Deposit Insurance Fund”

**Financial Supervision
Agency, FSA**

The Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations

National Bank, NBRK

The National Bank of the Republic of Kazakhstan

IADI

International Association of Deposit Insurers



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Message of the Chairman



Dear Ladies and Gentlemen!

I am glad to present you the Report on the activities of JSC “Kazakhstan Deposit Insurance Fund» for 2008.

The Global Financial Crisis and the measures taken by the government on economic stabilization and social protection were the main priorities of the previous year in many countries as well as in Kazakhstan.

According to the long international experience, during economic crisis periods the role of Deposit Insurance System increases significantly. The system maintains the depositors' confidence and favors the development of banks' activities by fulfilling its main mission on protecting depositors' interests in case of bank failure.

In purpose to sustain public confidence in the local banking system during the current financial instabilities there were implemented essential measures, such as: increase of the coverage limit per depositor in case of bank liquidation from 700 thousand tenge to 5 million tenge, increase of the authorized capital of KDIF up to 100 billion tenge and others.

In 2008 there were no cases related to compulsory bank liquidation; this fact has contributed to strengthening of the financial position of KDIF and allowed to gain a net income in amount of 1.6 billion tenge which was directed for the coverage reserve increase. Moreover, KDIF has concentrated all the efforts on improving its institutional development by implementing the risk management system, increasing the level of operating activity, improving the forms and methods on depositors' protection.

Last year the obligatory deposit insurance system has been extended to three more member-banks and the total volume of individuals' deposits held in the second-tier banks has risen by 3.6%.

The Fund recognizes the high demand of the society in the increase of the level of information awareness with respect to the rights, especially at the current not-easy situation. That is why the Fund has changed the format of “hot line” which is now carried out on permanent basis.

In order to correspond to the international standards, the Fund continues to cooperate with the foreign colleagues within the International Association of Deposit Insurers (IADI) as well as to implement the best achievements of the world practice to the local obligatory deposit insurance system. As the Fund was honored to host the IADI Asia Regional Committee 7th Annual Meeting and International Conference, it has started to research the relevant issues on primary responsibilities of deposit insurers in case of bank bankruptcies.

The following year is the KDIF anniversary and we hope that the 10 years results of the Fund's activity will be a reliable foundation for further development of Kazakhstani obligatory deposit insurance system.

Bakhyt Mazhenova



Calendar of activities for 2008

January	Joining of JSC “METROKOMBANK” to the Kazakhstani obligatory Deposit Insurance System Decrease of the rates of the member-banks’ calendar premiums by 25%
March	Participation of the KDIF Chairman in the IADI Asia Regional Committee 6th Annual Meeting, Bali (Indonesia)
April	Visit of Mr. Bisser Manolov, General Director of Bulgarian Deposit Insurance Fund Visit of representatives from the Deposit Insurance Agency of Russian Federation
August	Increase of the KDIF’s Authorized Capital up to 30 billion tenge Joining JSC “Bank “Astana-Finance” to the Kazakhstani obligatory Deposit Insurance System Implementation of the Enterprise Risk Management system
September	The KDIF launches the “hot line” on a permanent basis Visit of the KDIF Chairman to the Hellenic Deposit Guarantee Fund
October	Increase of the coverage limit on individuals’ deposits held in the second tier banks from 700 thousand tenge to 5 million tenge Participation of the KDIF’s representatives in the IADI 7th Annual General Meeting and the Executive Council Meeting, Arlington (USA)
December	Increase of the KDIF’s Authorized Capital up to 100 billion tenge Joining of JSC “Shinhan Bank Kazakhstan” to the Kazakhstani obligatory Deposit Insurance System



About the Fund

JSC “Kazakhstan Deposit Insurance Fund” was established on the 15th of November 1999.

Vision:

- to comply with the Core Principles for Effective Deposit Insurance Systems;
- to perform its Mission using the achievements of the world best practices.

Mission: to protect depositors' interests by insuring bank deposits and reimbursing the losses in case of compulsory liquidation of the member-bank.

Strategic thrusts of the Fund:

- to be ready for fulfilling the functions basing on the developed business processes;
- to enhance public awareness on the Deposit Insurance System;
- to strengthen partnership.

The key functions of the Fund:

- payout of the coverage amount to depositors in case of compulsory liquidation of the member-bank;
- accumulation of the special reserve intended for reimbursement payout to depositors;
- participation in the temporary administration appointed for the period of conservatorship of the member-bank and for the period of the banking license withdrawal;
- participation in the liquidation commission and committee of creditors of the compulsorily liquidated member-bank until the liquidation commission pays off to the Fund the debt in amount of provided coverage payment.

The Fund follows the Constitution of the Republic of Kazakhstan, Civil Code of the Republic of Kazakhstan, the Law of the Republic of Kazakhstan “On joint stock companies”, “On the National Bank of the Republic of Kazakhstan”, “On the obligatory insurance of deposits placed in the second-tier banks of the Republic of Kazakhstan”, “On banks and banking activities in the Republic of Kazakhstan”, “On the Government regulation and supervision of the financial market and financial organizations”, and other legislation of the Republic of Kazakhstan as well as the Fund's Statutes.

In October 2008 the Law of the Republic of Kazakhstan “On the financial system stability” has been passed, according to which **in case of compulsory liquidation of the member-bank until the 1st of January 2012 the coverage limit provided by the Fund is equal to 5 million tenge.**

Corporate governance



The National Bank of the Republic of Kazakhstan is a sole shareholder and the highest governing body of the Fund.

Gregory Marchenko

**Governor of the National Bank
of the Republic of Kazakhstan**

Board of Directors of the Fund that carries out the governance of the Fund in accordance with the Statutes consists of the Chairman and other five members including two independent directors and the Chairman of the Fund.

MEMBERS OF THE BOARD OF DIRECTORS



Medet Sartbayev

**Chairman of the Board,
Deputy Governor
of the NBRK**



Ruslan Dalenov

**Member of the Board,
Vice Minister of Finance
of the Republic of Kazakhstan**



Murat Baisynov

**Member of the Board,
Vice Chairman of the Financial
Supervision Agency**



Askar Urtembayev

**Independent Member
of the Board**



Zhanat Kurmanov

**Independent Member
of the Board**



Bakhyt Mazhenova

**Member of the Board,
Chairman of the KDIF**



In 2008 the Fund has developed and passed a Code on Corporate Governance which defines the principles of Fund's functioning and which regulates interrelationship of the Shareholder, the Board of Directors and the executive body of the Fund. In addition, the authorities of the Advisory Council of the Fund were extended in respect of increase of the consistency of decisions taken by the Fund regarding the members of the deposit insurance system as well as taking proposals of the most banks into account.

Advisory Council of the Fund consists of the member-banks' representatives. The membership of the Advisory

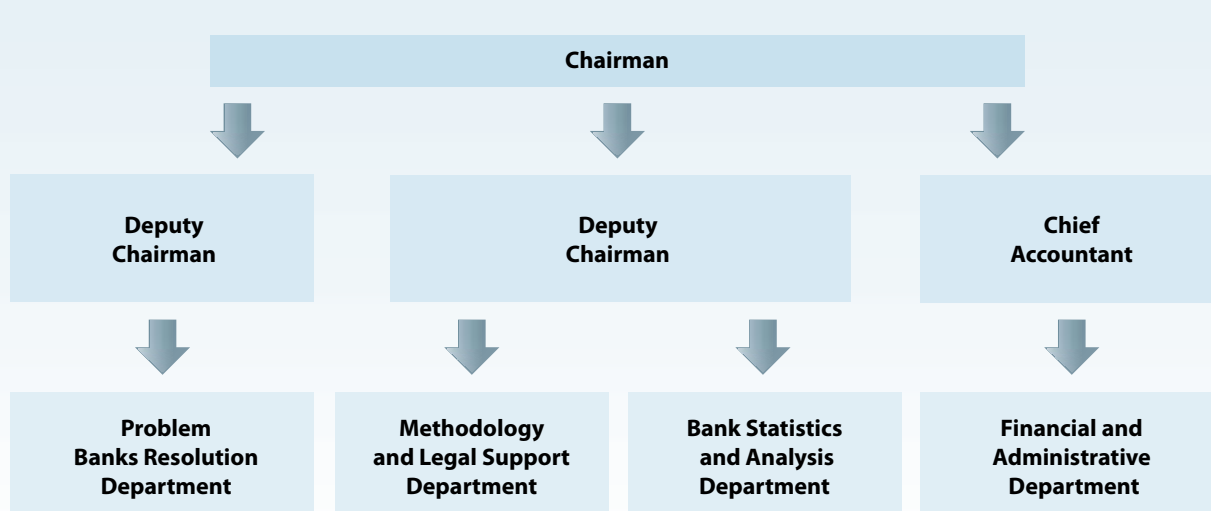
Council is approved by the Chairman and is subject for annual re-election. The Chair of the Advisory Council is elected by the member-banks.

The Advisory Council provides the Fund with the proposals and recommendations; it provides consultations, assists in the development of the Fund's documents related to the issues on the obligatory deposit insurance and takes decisions on introducing amendments to the Adhesion contract to the obligatory deposit insurance system and the rules of the Fund with respect to the payments provided by the member banks in form of required calendar, additional and extraordinary premiums.

THE ADVISORY COUNCIL

- JSC «ALLIANCE BANK»
- JSC «ATF BANK»
- JSC «BTA BANK»
- JSC «BANK CENTERCREDIT»
- JSC SUBSIDIARY BANK «TAIB KAZAKH BANK»
- JSC «EURASIAN BANK»
- JSC «KAZKOMMERTSBANK»
- JSC «HALYK BANK OF KAZAKHSTAN»
- JSC «NURBANK»
- JSC «TSESNA BANK»
- JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN» (observer without voting right)
- FINANCIAL INSTITUTIONS' ASSOCIATION OF KAZAKHSTAN (observer without voting right)

ORGANIZATIONAL STRUCTURE OF THE FUND





Risk management system

The internal control system was implemented with the purpose for effective management.

The assessment of risks specific to the Fund's activities is carried out in accordance with the Rules on Risk management of the JSC "Kazakhstan Deposit Insurance Fund" which was approved by the Shareholder in July 2008.

The Fund has developed a list of business processes which were divided as strategic, subsidiary and other in order to identify and manage the main risk areas. If any

kind of changes in goals, objectives and functions of the Fund appear the current list will also be adjusted.

An audit company carried out independent expert review for the purpose of defining the level of strategic, financial and operational risks. The measures for minimization of such risks are chosen with respect to the specified probabilities and the size of loss of the ascertained risks.

Type of business process	Business processes
Strategic processes (which realize the Fund's main goals/ functions)	<ul style="list-style-type: none"> • Determination of the Adhesion contract's conditions • Coverage payout to depositors of a compulsorily liquidated bank • Registration of member-banks on insured depositors • Investment strategy • Formation of the special reserve intended for reimbursement payout • Participation in the temporary administration appointed for the period of conservatorship of the member-bank and/or for the period of the banking license withdrawal • Participation in the liquidation commission of the compulsorily liquidated member-bank • Participation in the committee of creditors of the compulsorily liquidated member-bank
Subsidiary processes (supporting processes)	<ul style="list-style-type: none"> • Legal provision for the Fund's activities • Informational provision • Accounting • Risk management • Calculation of differential rates of mandatory calendar premiums of the member banks • Government purchases of goods & services • Cooperation with the National Bank, the Agency on financial supervision, member-banks etc. • Methodological activities
Other processes	<ul style="list-style-type: none"> • International cooperation • Public awareness on the issues of deposit insurance system



The main achievements of the Fund in 2006-2008

- Adoption of the Law of the Republic of Kazakhstan “On the obligatory insurance of Deposits Placed in the Second-Tier Banks of the Republic of Kazakhstan”
- Introduction of the Risk Management System
- Introduction of the Differential Premium System of mandatory calendar premiums of the member- banks
- Accretion of the Fund’s authorities including the right to participate in liquidation commission of a compulsorily liquidated bank
- Fulfillment of the IADI’s Treasurer functions
- Other

Scorecard of the Fund's strategic tasks fulfillment in 2006-2008

Table of designations:

C Completed	I Implemented and needs further development	G Good
D Development process	N Needs development	S Satisfactory

Objects of the Fund's action	Fund's Initiatives	Fulfillment level
I	1. Monitoring the compliance with the legislative environment	
	a Amendments to the Fund's Charter	I
	b Expanding the Fund's Board by Independent Directors	C
	c Adoption of the Corporate Governance Code	C
	d Introduction of the internal control system	I
	e Specifying the authorities of the Governance bodies (Shareholder and Board of Directors)	N
	2. Effective corporate management	
	a Adoption of the Risk Management System	C
	b Accretion of the Advisory Board's authorities	C
	c Development of the internal policies and procedures	I
	d Use of the internal control results in the decision-making procedures	N
II	1. Fund's cooperation with:	
	a FSA	S
	b National Bank of RK	S
	c FIAK	S
	d Member- banks of DIS	G
	e Foreign Deposit Insurance Organizations	G
	f International Institutions and Foreign organizations	N
	g Service suppliers	S

Objects of the Fund's action		Fund's Initiatives		Fulfillment level
II	Effective partnership	2.	Improving the procedures on information sharing with the main partners	I
		a	Involvement in development of rules and policies with the partners	S
		3.	International recognition	
		a	Holding of the 7th Annual Meeting of the IADI' Asian Regional Committee and International Conference	D
		b	Analysis and development of the Fund's procedures in accordance with the Core principles for effective deposit insurance systems	N
III	Investment strategy	1.	Budget execution control	I
		2.	Establishment of the Fund' investment committee	C
		3.	Development of the Fund's investment policy and investment strategy	I
IV	Operating activities	1.	Fund's internal control system compliance	D
		2.	Fund's strategic business-processes:	
		a	Extension of conditions of member-banks' participation in the DIS	I
		b	Development of the mechanism for coverage payment to depositors of a compulsorily liquidated bank through:	I
		-	establishment of requirements to automated accounting of the deposits in the member bank and creation of depositors' data-base	I
		-	provision by the member banks of the data on deposits in standard form	I
		-	inspection of data-base on member banks' depositors	N
		c	Registration of DIS's member-banks	C
		d	Effective investment management	
		e	Development of the procedures for forming special reserve intended for coverage payout includes:	
		-	Study of alternative approaches for coverage of special reserve deficit	D
		-	Implementation of OBA, Bridge bank, P&A as the efficient methods for problem banks resolution based on the least-cost principle	D
		f	Recovery of special reserve through:	
		-	Participation in temporary administration appointed for the conservatorship period of the member-bank and/or for the period of withdrawal of the banking license from the member-bank	I
		-	Participation in the liquidation commission of the compulsorily liquidated member-bank	I
		-	Participation in the committee of creditors of the compulsorily liquidated bank	I
		g	Legal provisions of the internal procedures	I
		h	Implementation of Enterprise Risk Management by means of introduction of policies and procedures	C
		i	Detection of the Fund's main risk areas and risk management	I
		j	Development of the differential premium system of the DIS's member-banks	
		-	Creation of the differential premium system «BATA»	C
		-	Testing of the differential premium system «BATA»	C



Objects of the Fund's action		Fund's Initiatives		Fulfillment level
IV	Operating activities	-	Introduction and further development of the differential premium system «BATA»	I
		-	Creation and introduction of the information system «BATA»	C
		-	Development of the information system «BATA»	N
		k	Public awareness on the issues of deposit insurance through :	
		-	Conducting of «Hot Line» campaign on the permanent basis	I
		-	Publication of articles and information modules in Mass media, announcement of the population by TV and radio	I
		-	Operation and information update on the Fund's Web-site	I
V	Human Resources management	1.	Development of the Fund's personnel training system	
		a	Participation in seminars and conferences organized by IADI	I
		b	Organization of seminars for the Fund's employees	I
		c	Participation in the seminars arranged by the regulatory bodies	N
		2.	Development of remuneration system of the Fund's employees	C
		3.	Development of the employees' evaluation system	C

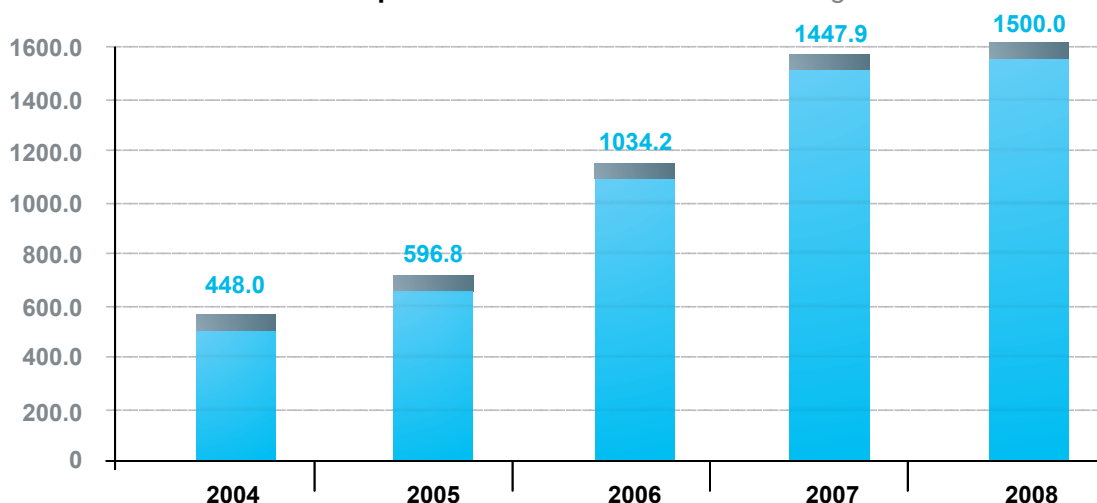


Individuals' deposits held in second-tier banks of the Republic of Kazakhstan

During the reporting year the volume of individuals' deposits held in the second-tier banks has risen by 52.1 billion tenge which is 3.6%; while during the period starting

from 2004 and till 2008 the volume of individuals deposits has increased from 448.0 to 1 500.0 billion tenge.

**Individuals' Deposits held in Second-Tier Banks
of the Republic of Kazakhstan // billion tenge**

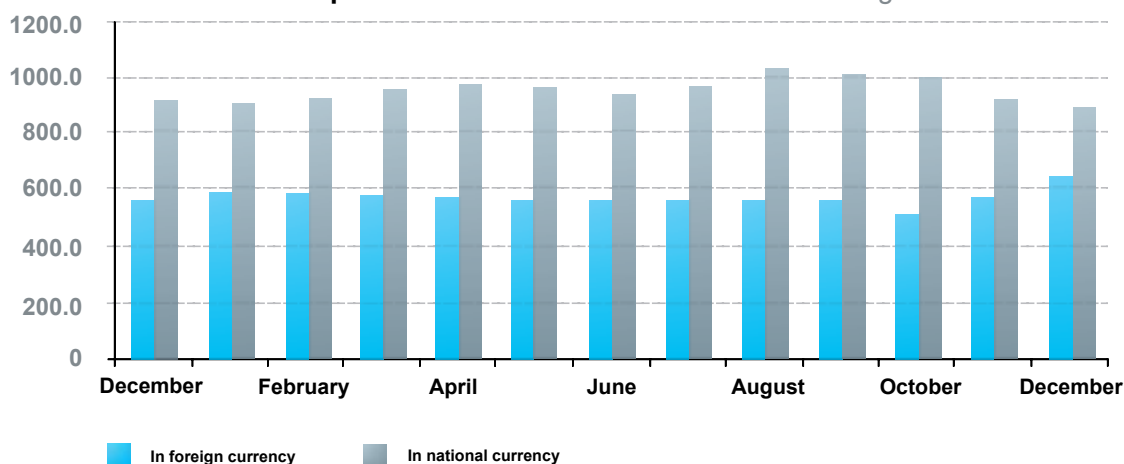


* Source: data provided by the NB RK www.nationalbank.kz

The decrease of the deposits base's growth rate can be explained by the negative influence of the global crisis on the financial market of Kazakhstan, deterioration

of the financial positions of the local banks and, as a consequence, flow-out of individuals' deposits.

**Individuals' Deposits held in Second-Tier Banks
of the Republic of Kazakhstan in 2008 // billion tenge**



* Source: data provided by the NB RK www.nationalbank.kz



During the last quarter of the reporting year the deposit market of Kazakhstan was characterized by the increase (by 16%) of the individuals' deposits denominated in foreign currencies. The share of the deposits denominated in the

national currency was equal to 58.1%, while during the first three quarters of 2008 the share was equal to 65%. By the end of 2008 the main part (86.8%) of the individuals' deposits constitutes time and conditional deposits.

Structure of Individuals' Deposits in 2008 // billion tenge

	I quarter 2008	II quarter 2008	III quarter 2008	IV quarter 2008
Individuals' deposits, including:	1 499.9	1 476.7	1 546.2	1 500.0
time and conditional deposits	1 319.3	1 282.7	1 352.4	1 301.3
current and card-accounts	155.0	170.7	171.5	177.3
call deposits	25.5	23.2	22.2	21.4

As of the 31st of December 2008 the largest share (90%) of time and conditional deposits are deposits amounted less than 1 million tenge. And the total sum of such individuals' deposits is equal to 248.2 billion tenge or 19.1% of the total amount of time and conditional deposits.

In the forth quarter after the coverage limit has been

increased from 700 thousands to 5 million tenge, the volume of time and conditional deposits in amount of 3-5 million tenge has been also enlarged. During the forth quarter, comparing to the third quarter 2008, the increase of such deposits in tenge was equal to 35.2% and in foreign currencies – 46.9%.

Market share of the three largest banks within the banking sector *

	as of 1.01.2008	as of 1.01.2009
Assets	59.3 %	57.8 %
Liabilities	59.6 %	58.3 %
Equity	57.0 %	54.0 %
Loan portfolio	61.4 %	61.8 %
Deposits, including:	64.6 %	56.6 %
- legal entities	65.0 %	56.0 %
- individuals	63.1 %	58.0 %

*Source: Current condition of the banking sector as of January 1, 2009, www.afn.kz

By the end of 2007 the market share of the three largest banks was equal to 63.1%, however, by the end of 2008 the market share amounted at only 58.0% as a result

of proportional increase of average and lower banks' market shares.



The member-banks of the obligatory deposit insurance system

In 2008 the following banks have joined the obligatory Deposit Insurance System: JSC "METROKOMBANK", JSC "Bank "Astana-Finance" and JSC "SHINHAN BANK KAZAKHSTAN".

By the end of 2008 the system consisted of 36 member-

banks (and the total number of operating second tier banks is 37¹)

In addition, as a result of change of shareholders or rebranding, the names of several banks have been changed.

Register of Member-Banks of the Deposit Insurance System as of the 31st of December 2008

1. JSC «ALLIANCE BANK»
2. JSC «ATFBANK»
3. JSC «BANK «ASTANA-FINANCE»
4. JSC «BANK CENTERCREDIT»
5. JSC «BANK POSITIV KAZAKHSTAN (SUBSIDIARY BANK OF APOALIM B.M. BANK)»
6. JSC «BTA BANK»
7. JSC «CITIBANK KAZAKHSTAN»
8. JSC «DANABANK»
9. JSC «DELTA BANK»
10. JSC «EURASIAN BANK»
11. JSC «EXPRESS BANK»
12. JSC «HALYK BANK OF KAZAKHSTAN»
13. JSC «HOME CREDIT BANK»
14. JSC «HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN»
15. JSC «INDUSTRIAL & COMMERCIAL BANK OF CHINA IN ALMATY»
16. JSC «JOINT BANK «LARIBA BANK»
17. JSC «KAZAKHSTAN INNOVATION COMMERCIAL BANK»
18. JSC «KAZINVESTBANK»
19. JSC «KAZKOMMERTSBANK»
20. JSC «KASPI BANK»
21. JSC «MASTERBANK»
22. JSC «METROKOMBANK»
23. JSC «NURBANK»
24. JSC «SENIM-BANK»
25. JSC «SHINHAN BANK KAZAKHSTAN»
26. JSC SUBSIDIARY BANK «KAZAKHSTAN-ZIRAAT INTERNATIONAL BANK»
27. JSC SUBSIDIARY BANK «RBS (KAZAKHSTAN)»
28. JSC SUBSIDIARY BANK «BANK OF CHINA KAZAKHSTAN»
29. JSC SUBSIDIARY BANK «NATIONAL BANK OF PAKISTAN IN KAZAKHSTAN»
30. JSC SUBSIDIARY BANK «TAIB KAZAKH BANK»
31. JSC SUBSIDIARY BANK «ALFA BANK»
32. JSC «TSESNABANK»
33. JSC «ZAMAN-BANK»
34. SUBSIDIARY BANK JSC «HSBC BANK OF KAZAKHSTAN»
35. SUBSIDIARY BANK JSC «SBERBANK OF RUSSIA»
36. SUBSIDIARY ORGANIZATION OF JSC «BTA BANK» - JSC «TEMIRBANK»

1. JSC "Eximbank of Kazakhstan" does not have the License on accepting deposits, opening and maintaining the individuals' bank accounts



Coverage reserve

The special reserve is formed by the Fund for providing coverage payouts to depositors in case of compulsory member-bank liquidation. According to the legislation, the current reserve includes:

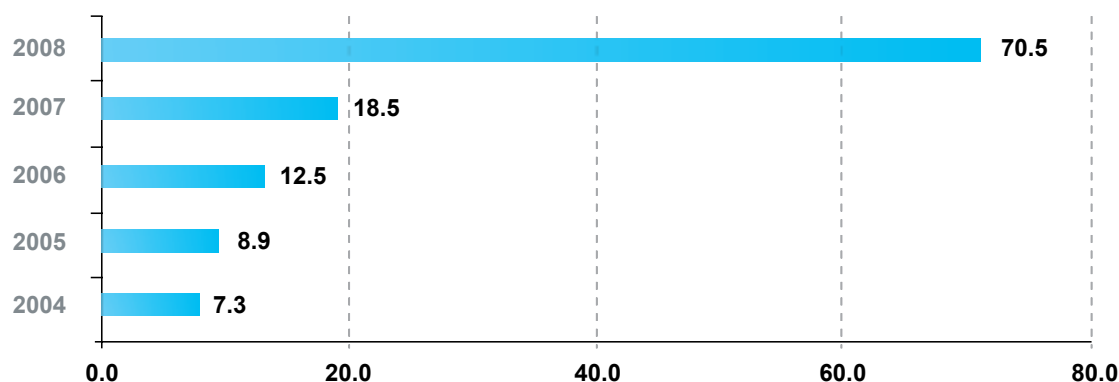
- member-banks' premiums;
- penalties to the member-banks for non-fulfillment or undue fulfillment of the obligations under adhesion contract;
- the money received from compulsorily liquidated member-bank to cover the Fund's claims in the amount of paid coverage;
- incomes from investment of the Fund's assets;
- 50% of authorized capital by the decision of Shareholder.

After the coverage limit was increased up to 5 million tenge, the authorized capital of the Fund was also increased to 100 billion tenge. Such measure has significantly strengthened the financial position of the Fund and the level of readiness to fulfill its responsibilities.

In order to recover the special reserve, the Fund participates in the liquidation and creditors' committee until the liquidation commission pays off the debt to the Fund in amount of provided reimbursements to the depositors.

By the end of 2008 the liquidation commission of JSC "Nauryz Bank Kazakhstan" has met the claims of the Fund in amount of 82%, and the liquidation commission of JSC "Valut-Tranzit Bank" has met claims in amount of 16%.

Reserve for coverage payout
(including 50% of Authorized capital) // billion tenge





Differential premium system “BATA”

According to the Differential Premium System called “BATA”, which was developed and implemented by the Fund in 2007, the member-banks quarterly pay mandatory calendar premiums that are differentiated with regards to the financial stability and the risk level of a corresponding member-bank.

The differential premiums system “BATA” does allow assessing financial conditions and level of associated risk of member-bank on the basis of qualitative and quantitative indicators. The integrated rating (which is accumulated score) of member-banks and the classification groups are defined after calculating the values of qualitative and

quantitative indicators. The system has five classification groups: group A is the best while group E is the worst. Each classification group has its own rate of calendar premium. The higher the level of financial instability and risk level of member-bank are, the higher the calendar premium's rate is.

In March 2008 the Fund has decided to decrease the rates of calendar premiums by 25% for all classification groups with the purpose of supporting the liquidity of banking system during financial crisis.

The number of member-banks by the classification groups in 2008

Classification group	Rate of the calendar premium	I quarter	II quarter	III quarter	IV quarter
A	0.04%	2	1	1	2
B	0.08%	0	1	1	0
C	0.11%	15	17	13	16
D	0.19%	13	12	17	15
E	0.38%	3	3	3	3
TOTAL		33	34	35	36



Coverage payout

During the current year the Fund has been continuing to provide coverage payouts to depositors of JSC “Nauryz Bank Kazakhstan” and JSC “Valut-Tranzit Bank” which were compulsorily liquidated in 2005 and 2007 correspondingly.

Each depositor who has applied to the Fund for the coverage reimbursement has received the sum equal to the remaining amount of the deposit as of the date of taking decision on compulsory bank liquidation.

As of the 31st of December 2008 the Fund has paid 680 million tenge to the 4 thousands depositors of JSC “Nauryz Bank Kazakhstan” (which is 88% of the total sums of insured deposits) and 13.8 billion tenge to 63 thousands depositors of JSC “Valut-Tranzit Bank” (which is 97.8% of the total sums of insured deposits).

According to the Law of the Republic of Kazakhstan “On the Financial System Stability” that came into force in October 2008 the maximum amount of coverage payout per depositor has been increased up to 5 million tenge.

The Fund continues to improve coverage payouts’ mechanisms. In 2007-2008 it has established requirements for the member-banks on creating a data base on depositors and standardizing the way of the data submission by member-banks.

Public awareness

During 2004-2007 the Fund has carried out the two-weeks "Hot Line" campaign annually; all calls were received by the certain virtual number and had been paid for by the Fund. From September 2008 the public consultations on the issues of the Deposit Insurance System have started on the permanent basis.

The analysis of the incoming calls has shown that the knowledge of the population about the Deposit Insurance System has increased as a result of information and explanatory work carried out by the Fund using mass media.

The Fund places articles and interviews in the republican and regional mass media that explain the mechanism of the Deposit Insurance System as well as the List of member-banks and other informative messages.

The explanatory campaign of the Fund also includes television and radio: employees of the Fund take part in live TV broadcast and news, additionally, depositors can

find out the information on coverage payouts through TV and radio.

Furthermore, the Fund's internet site www.kdif.kz contains the legislative and statutory acts that regulate the Deposit Insurance System, FAQ and other information.

In November and December 2008 the Fund's representatives delivered lectures to the students of the International Business Academy and teachers of JSC "Academy of the Regional Financial Center in Almaty".

The Fund has issued and distributed special brochures called "What do you need to know about the deposit insurance?" among member-banks' depositors which included FAQ.





International cooperation

The Fund aims to improve the local Deposit Insurance System using the world best practice as well by cooperating with foreign colleagues. Since 2003 the Fund is a member of the International Association of Deposit Insurers (IADI) and takes part in the activities of the respectable organization.

The IADI was established in 2002 with the purpose of supporting the financial systems' stability and advancing the international cooperation within deposit insurance issue that unites deposit insurers from more than 50 countries.

Ms. Bakhyt Mazhenova, the Chairman of the Fund, is the IADI's Treasurer, member of the IADI' Executive Council, Deputy Chairman of the Asia Regional Committee, Deputy Chairman of the Eurasian Regional Committee as well as a member of the Audit, Financial and Planning, Research and Guidance Committees.

The representatives of the Fund take part in IADI Annual Meetings, Conferences and Round Tables organized by IADI members.

On October 29-30 the representatives of the Fund participated in VII Annual IADI Conference which was devoted to "The role of Deposit Insurer in Supporting the Financial Stability" that took place in Washington with 250 invited representatives of 60 countries.

In April the Fund were visited by Mr. Bisser Manolov, a General Director of the Bulgarian Deposit Insurance Fund, and the representatives from the Deposit Insurance Agency of Russian Federation with the purpose of being introduced with the local Deposit Insurance System.

In September the Chairman of the Fund has visited the Hellenic Deposit Guarantee Fund. During the business trip the sphere of Deposit Insurance was studied.



Participants of the IADI Asia Regional Committee VI Annual Meeting. March 27-29, 2008
Bali, Indonesia



Participants of the VII Annual IADI Conference
October 29-30, 2008
Washington, USA

Strategy for medium-term development for 2009-2011

- During the reporting year the Strategic Plan of the Fund has been approved for 2009-2011.
- The Strategic Development Plan for 2009-2011 has established goals and objectives for the further development of the deposit insurance system on the basis of the conducted scoring analysis of fulfillment of the determined tasks in 2006-2008.
- According to the Strategic Development Plan for 2009-2011 the activity of the Fund will aim at resolution of the following strategic tasks:
 - effective corporate governance;
 - readiness for the occurrence of contingency (development of all procedures);
 - effective partnership cooperation;
 - public and other interested parties awareness of the deposit insurance system;
 - professional development of the Fund's employees.

Scorecard of the Fund's Strategic Tasks for 2009-2011

Objects of the Fund's actions		Fund's Initiatives	2009	2010	2011
I	Effective corporate management	1. Compliance with legislative environment			
		a Amendments to the Fund's Charter	completion	-	-
		- Specifying the authorities of the Governance bodies	completion	-	-
		b Amendments to the Law of RK "On the obligatory insurance of deposits placed in the second-tier banks of the Republic of Kazakhstan" with respect to the following:	development	development	development
		- Tasks and functions of the organization providing obligatory deposit insurance	further development	development	development
		- Development of the mechanisms for Islamic banks deposit insurance	development	development	development
		- Generation of special reimbursement reserves	further development	development	development
		2. Implementation of conditions for effective corporate management			
		a Use of the internal control results in the decision-making procedures	further development	development	development
		b Introduction of quality management and ISO standards	development	development	development



Objects of the Fund's actions		Fund's Initiatives	2009	2010	2011
II	Effective partnership	1. Fund's cooperation with:			
		a FSA	satisfactory	good	stable
		b National Bank of RK	satisfactory	good	stable
		c FIAK	satisfactory	good	stable
		d Member Banks of DIS	good	good	good
		e Foreign deposit insurance organizations	good	stable	stable
		f International institutions and foreign organizations	satisfactory	good	good
		g Services suppliers	satisfactory	good	good
		2. Development of informative cooperation with the main partners			
		a Involvement in development of rules and policies with the partners	development	development	development
		3. International recognition			
		a Holding of the 7th Annual Meeting of the Asian Regional Committee of IADI and International Conference	completion	-	-
		b Analysis and development of the Fund's procedures in accordance with the Core principles for Effective Deposit Insurance Systems	development	development	development
III	Investment strategy	Development of the Fund's investment policy and investment strategy	development and implementation	development and implementation	development and implementation
IV	Operating activities	1. Fund's internal control system compliance	development and implementation	development and implementation	development and implementation
		2. Fund's strategic business-processes:			
		a Extension of conditions of member-banks' participation in the DIS	further development	further development	further development
		b Development of the mechanism for coverage payout to depositors of the compulsorily- liquidated bank through:			
		- establishment of requirements to automated accounting of the deposits in the member-bank and creation of depositors data base	development and implementation	development and implementation	development and implementation
		- provision by the member-banks of the data on deposits in standard form	development and implementation	development and implementation	development and implementation
		- inspection of data-base on member-banks depositors	development and implementation	development and implementation	development and implementation
		c Effective investment management	further development	further development	further development
		d Study of alternative approaches for coverage of special reserves deficit and development of the offers for amendment of the legislation of RK	further development	further development	development and implementation
		e Introduction of OBA, Bridge bank, P&A as the efficient methods for problem banks resolution based on the least costs principles, including:	further development	further development	implementation
		- assessment of the problem bank property	further development	further development	implementation

Objects of the Fund's actions			Fund's Initiatives	2009	2010	2011
IV	Operating activities	f	Fund's special reserve recovery through:			
		-	Participation in temporary administration appointed for the conservatorship of the member-bank and/or for the period of withdrawal of the license on carrying out of banking operations from the member-bank	further development	further development	further development
		-	Participation in the liquidation commission of the compulsorily liquidated member bank	further development	further development	further development
		-	Participation in the creditor's committee of the compulsorily liquidated bank	further development	further development	further development
		g	Detection of the Fund's main risks and risk management	further development	further development	further development
		h	Development of methodology for calculation of the differential premium rates of the mandatory calendar premiums to be paid by DIS' member-banks	further development	further development	further development
		-	Improvement of differential premium system	further development	further development	further development
		-	Development of the informational system "BATA"	further development	completion	-
		i	Public awareness on the deposit insurance issues	further development	further development	further development
V	Human resources management	1. Development of the advance training system for Fund's personnel				
		a	participation in seminars organized by the regulatory bodies	further development	further development	further development
		2. Developing the Fund's projects under the expert consulting				
		a	Improvement of the differential premium system under the expert consulting	Expert selection	work with expert	-
		b	Implementation of the quality management system and ISO standards under the expert consulting	Expert selection	work with expert	-
		c	Development of the assessment methods for the bank's property under the expert consulting	-	Expert selection	work with expert



Audit report and financial statements

« Approve »
Director of «Finaudit» Firm”LLP
(the Member of International Association
of Audit Companies
Kreston International and PAO “Associa-
tion of Auditors”
State License № 00000078
E.O. Nurseitov
February “12”, 2009

To the Shareholders of Joint Stock Company «Kazakhstan Deposits Insurance Fund»

AUDITOR'S REPORT

We have audited the attached financial statements of Joint Stock Company “Kazakhstan Deposits Insurance Fund” (hereinafter referred to as the “Fund”), consisting of the balance sheet as of December 31, 2008, income and loss statement, cash flow statement, report on changes in equity for the year ended as of the reporting date, and brief description of the material elements of the accounting policy and other explanatory notes.

Responsibility of the Objects' management for Financial Statements

The Fund's Management shall be responsible for preparation and fair representation of the financial statements according to the International Financial Reporting Standards in the form approved by the Resolution of the Board of Directors of the National Bank of the Republic of Kazakhstan # 98 as of May 04, 2007. This responsibility includes: development, introduction and maintenance of the internal control, connected with preparation and fair representation of the financial statements, not containing material distortions; selection and application of the due accounting policy; and reasonableness of accounting estimations.

Auditor's Responsibility

We are responsible for expression of the opinion on such financial statements on the basis of conducted audit. We have carried out audit in accordance with the International Audit Standards. These standards require planning and conducting of audit in the manner to acquire reasonable confidence that such financial statements contain no material - distortions.

These standards oblige us to meet ethic requirements, as well as to conduct audit in the manner to acquire reasonable confidence that such financial statements contain no material distortions.

Audit comprises the procedures required for obtaining of audit evidences with respect to the amounts and disclosures provided in the financial statements. The selected procedures depend on the auditor's opinion, including assessment of risks of material distortions in these financial statements caused by fraud or mistake. Upon assessment of such risks in order to develop auditing procedures corresponding to the actual circumstances, but not for expression of the opinion on the efficiency of internal control in the Fund, we have studied the internal control connected with preparation and fair representation of the Fund's financial statements.

Audit also includes assessment of acceptability of the nature of applied accounting policy and reasonableness of design estimates made by the management, and evaluation of general representation of financial statements.

We consider the audit evidences obtained by us are sufficient and appropriate to become the basis for expression of our opinion.

The Opinion

In our opinion the financial statements of the Fund in all material aspects fairly reflects the financial condition of Joint Stock company “Kazakhstan Deposits Insurance Fund” as of October 31, 2008, the financial results of the activities and cash flows for the year ended as of the date specified, and are drawn-up in accordance with International Financial Reporting Standards in the form approved by the Resolution of the Board of Directors of the National Bank of the Republic of Kazakhstan # 98 as of May 04, 2007.

This Report is drawn-up in three counterparts: all of them are for Joint Stock Company “Kazakhstan Deposits Insurance Fund”.

Auditor of “Finaudit “Firm” LLP
(Qualification Certificate №521)

B. Ye. Kairalapin



BALANCE SHEET
as of December 31, 2008

Items	Note	As of the reporting date of the current period	As of the reporting date of the previous period
Section 1 Short- Term Assets			
Cash (1010-1060)	1	90 226 916	14 180 166
Short-term financial investments, total, including:	2	12 054 134	9 175 967
Short-term loans granted (1110)		-	-
Short-term financial assets intended for trade (1120)			
Short-term investments held to maturity (1130)			
Short-term investments available for sale (1140)		11 054 134	9 175 967
Other short-term financial investments (1150)		1 000 000	
Short-term accounts receivable, total, including:	3	1 363 845	1 201 433
Short-term accounts receivable from buyers and customers (1210)			
Short-term accounts receivable from subsidiaries, associated companies and joint ventures (1220,1230)			
Short-term accounts receivable from employees (1250)		168	76
Short-term accounts receivable from leasing (1260)			
Short-term remuneration receivable (1270)		473 939	54 415
Other short-term accounts receivable (1280)		889 738	1 146 942
Provisions for doubtful claims (1290)			
Provisions, total, including:	4	840	2823
Raw stock and materials (1310)		840	415
Finished products (1320)			
Goods (1330)			
Incomplete production (1340)			2408
Other reserves (1350)			
Provisions for reserves writing-off (1360)			
Current Tax Assets (1400)	5	16	12
Long-term assets intended for sale, total, including:			
Long-term assets intended for sale (1510)			
Groups for retirement intended for sale (1520)			
Other short-term assets, total, including:	6	5 433	2 791
Short-term advances issued (1610)		5 171	2 056
Future periods expenses (1620)		262	735
Other short-term assets (1630)			
Total short-term assets		103 651 184	24 563 192
Section 2 Long-tem assets			
Long-term financial investments, total, including:	2	18 881 437	1 990 850
Long-term loans granted (2010)			
Long-term financial investments held to maturitv (2020)			
Long-term financial investments available for sale (2030)		18 881 437	1 990 850
Other long-term financial investments (2040)			
Long-term accounts receivable, total, including:			
Long-term indebtedness of buyers and customers (2110)			
Long-term accounts receivable from subsidiaries, associated companies and joint ventures (2120, 2130)			
Long-term accounts receivable of employees (2150)			
Long-term accounts receivable from leasing (2160)			
Long-term remuneration receivable (2170)			



Items	Note	As of the reporting date of the current period	As of the reporting date of the previous period
Other long-term accounts receivable (2180)			
Investments accounted by equity method (2200)			
Investments in real estate, total, including:			
Investments in real estate (2310)			
Depreciation and devaluation of investments in real estate (2320)			
Fixed Assets, total, including:	7	4 762	5 167
Fixed Assets (2410)		10 628	12 700
Depreciation and devaluation of fixed assets (2420)		(5 866)	(7 533)
Biological assets (2500)		-	-
Goodwill		-	-
Intangible assets, total, including:	8	2 292	819
Other intangible assets (2730)		4429	1 873
Depreciation and devaluation of other intangible assets (2740)		(2 137)	(1054)
Deferred tax assets (2800)	9	1380	1200
Other long-term assets, total, including:		-	-
Long-term advance issued (2910)		-	-
Future period expenses (2920)		-	-
Incomplete construction (2930)		-	-
Other long-term assets (2940)		-	-
Total long-term assets		18 889 871	1 998 036
Balance		122 541 055	26 561 228
Section 3 Short-term liabilities			
Short-term financial liabilities, total, including:		-	-
Short-term bank loans (3010)		-	-
Short-term loans received (3020)		-	-
Short-term accounts payable for the members' dividends and incomes (3030)		-	-
Current part of long-term financial liabilities (3040)		-	-
Other short-term financial liabilities (3050)		-	-
Tax obligations (3100)	10	2 921	2
Obligations for other compulsory and voluntary payments (3200)	11	625	-
Short-term accounts payable, total, including:	12	42 741	18 730
Short-term accounts payable to suppliers and contractors (331 O)		202	561
Short-term accounts payable to subsidiaries (3320)		-	-
Short-term accounts payable to associated companies and joint ventures (3330)		-	-
Short-term indebtedness for labor remuneration (3350)		806	531
Short-term indebtedness for leasing (3360)		-	-
Current part of long-term accounts payable(3370)		-	-
Short-term interest payable (3380)		-	-
Other short-term accounts payable (3390)		41 733	17 638
Short-term estimated liabilities (3400)	13	11 517	1 374
Other short-term liabilities, total, including:		-	-
Short-term advances received (3510)		-	-
Future period incomes (3520)		-	-
Group liabilities for retirement intended for sale (3530)		-	-
Other short-term liabilities (3540)		-	-
Total short-term liabilities		57 804	20 106
Section 4 Long-term liabilities			
Long-term financial obligations, total, including:		-	-
Long-term bank loans (4010)		-	-



Items	Note	As of the reporting date of the current period	As of the reporting date of the previous period
Long-term loans received (4020)		-	-
Other long-term financial obligations (4030)		-	-
Long-term accounts payable, total, including:		-	-
Long-term indebtedness to suppliers and contractors (411 O)		-	-
Long-term accounts payable to subsidiaries (4120)		-	-
Long-term accounts payable to associated companies and joint ventures (4130)		-	-
Long-term indebtedness for leasing (4150)		-	-
Long-term interest payable (4160)		-	-
Other long-term accounts payable (4170)		-	-
Long-term estimated liabilities (4200)	14	-	6 072
Other long-term liabilities, total, including:		-	-
Long-term advances received (4410)		-	-
Future period incomes (4420)		-	-
Other long-term liabilities (4430)		-	-
Total long-term liabilities		-	6 072
Section 5 Capital			
Authorized Capital, total, including:		100 000 000	16 000 000
Preferred shares (5010)		-	-
Common shares (5020)	15	100 000 000	16 000 000
Additional paid-in capital (5100)		-	-
Redeemed equity instruments (5200)		-	-
Provisions, total, including:		20 823 589	10 085 200
Capital reserves determined by the constituent documents (5410)	15	160 000	10 000
Provisions for fixed assets revaluation (5420)	15	19	100
Provisions for revaluation of fixed assets available for sale (5440)		160 197	(403 783)
Provisions for indemnity under the deposits of Kazakhstan deposits Guarantee Fund (5460)	15	20 503 373	10 478 883
Undistributed income (uncovered loss), total, including:		1 659 662	449 851
Undistributed income (uncovered loss) of the reporting year (551 O)		1 659 581	-
Other increase (decrease) of undistributed income		81	-
Adjustment of income (loss) as a result of accounting policy change (5420)		-	-
Undistributed income (uncovered loss) from previous years (5520)		-	449 851
Total capital		122 483 251	26 535 051
Balance		122 541 055	26 561 228



INCOME STATEMENT as of 31.12.2008

Items	Note	For the reporting period	For the previous period
1	2	5	3
Income (Loss) from realization of goods and provision of services	16	187 516	
Cost-price of realized goods and provided services (7000)	17	187 516	
Gross income			
Incomes from financing (6100)	18	1 777 242	573 085
Other incomes (6200)	19	554 809	126 132
Administrative expenses (7200)	20	189 912	136 616
Expenses for realization of goods and provision of services (7100)			
Expenses for financing (7300)		4	
Other expenses (7400)	21	444 314	113 246
Share of income/loss of subsidiaries accounted by equity method			
Income (loss) for the period from continuing activities		1 697 821	449 355
Income (loss) from terminated activities			
Income (loss) before taxation			
Corporate income tax expenses (7700)	22	38 240	(496)
Net income (loss)		1 659 581	449 851

CASH-FLOW STATEMENT (Direct Method) for the period from January 01 till December 31, 2008

Items	For the reporting period	For the previous period
1	4	3
1.1 Cash in-flows, total	1 099 033	466 297
Realization of goods	-	-
Provision of services	-	-
Advances received	-	-
Dividends	-	-
Other revenues	1 099 033	466 297
1.2 Retirement of monetary funds, total	642 363	238 390
Payments to suppliers and contractors	57 872	49 284
Advances issued	8 176	10 950
Payments from salary	69 617	52 925
to accumulating pension funds	7 870	5 792
to social insurance funds	884	693
Payment of interests on loans	4	-
Corporate income tax	35 600	-
Other payments to budget	13 934	12 503
Other payments	448 406	106 243
1.3 Net cash from operating activities (line 1 0- line 20)	456 670	227 907
2.1 Cash in-flows, total	152 252 884	77 143 796
Realization of fixed assets	600	-
Realization of intangible assets	-	-
Realization of other long-term assets	-	-
Realization of financial assets	152 252 284	77 143 796
Repayment of loans granted to other organizations	-	-
Other revenues	-	-



Items	For the reporting period	For the previous period
1	4	3
2.2 Cash out-flows, total	170 666 304	75 760 742
including:		
Acquisition of fixed assets	2 610	1 845
Acquisition of intangible assets	2 767	-
Acquisition of other long-term assets	-	-
Acquisition of financial assets	170 606 876	75 758 897
Granting of loans to other organizations	-	-
Other payments	54 051	-
2.3 Net cash from investment activities (line 40-line 50)	(18 413 420)	1 383 054
3.1 Cash in-flows, total	94 092 557	25 797 869
Loans received	18 000	-
Interests on financial leasing	-	-
Other in-flows	94 074 557	25 797 869
3.2 Cash out-flows, total	89 057	13 512 656
Repayment of loans	18 000	-
Acquisition of equity shares	-	-
Payment of dividends	-	-
Other	71 057	13 512 656
3.3 Net cash from financial activities (line 70- line 80)	94 003 500	12 285 213
Total: Cash increase (+) / decrease(-) (line 30+/-line 60+/-line 90)	76 046 750	13 896 174
Cash as of the beginning of the reporting period	14 180 166	283 992
Cash as of the end of the reporting period	90 226 916	14 180 166

REPORT ON CHANGES IN EQUITY as of December 31, 2008

Item	Authorized capital	Capital reserves	Provisions for reimbursement for deposits	Investments revaluation	Fixed assets revaluation	Undistributed income (loss)	Total capital
Balance as of January 1 of the reporting period	16 000 000	10 000	10 478 883	(403 783)	100	449 851	26 535 051
Changes in accounting policy	-	-	-	-	-	-	-
Recalculated balance	-	-	-	-	-	-	-
Fixed assets revaluation					(81)	-	(81)
Change of value of the securities available for sale				563 980			563 980
Hedging of cash flows	-	-	-	-	-	-	-
Income(loss) from other operations	-	-	-	-	-	-	-
Income/loss, recognized directly in equity	-	-	-	-	-	-	-
Income/loss for the period	-	-	-	-	-	-	-
Total income/loss for the period						1 659 581	1 659 581
Dividends	-	-	-	-	-	-	-
Issue of shares	84 000 000						84 000 000
Redeemed shares	-	-	-	-	-	-	-
Internal transfers						81	81
including:	-	-	-	-	-	-	-
Changes of accumulated fixed assets revaluation						81	81



Item	Authorized capital	Capital reserves	Provisions for reimbursement for deposits	Investments revaluation	Fixed assets revaluation	Undistributed income (loss)	Total capital
Generation of capital reserves		150 000				(150 000)	
Generation of guarantee reserves for reimbursement of physical persons' deposits			10 024 940			(299 851)	9 724 639
Balance as of December of the reporting year	100 000 000	160 000	20 503 373	160 197	19	1 659 662	122 483 251
Balance as of January 1 of the previous year	1 000 000	10 000	11 984 073	181 655	109	506 842	13 682 679
Changes in accounting policy	-	-	-	-	-	-	-
Recalculated balance	-	-	-	-	-	(506 842)	(506 842)
Fixed assets revaluation					(9)		(9)
Changes of value of the securities available for sale				(585 438)			(585 438)
Cash flows hedging	-	-	-	-	-	-	-
Income (loss) from other operations	-	-	-	-	-	-	-
Income/loss recognized directly in the equity	-	-	-	-	-	-	-
Income /loss for the period	-	-	-	-	-	-	-
Total income/loss for the period	-	-	-	-	-	449 851	449 851
Dividends							15 000 000
Issue of shares	15 000 000						
Redeemed shares	-	-	-	-	-	-	-
Internal transfers	-	-	-	-	-	-	-
including:	-	-	-	-	-	-	-
Changes of accumulated fixed assets revaluation	-	-	-	-	-	-	-
Generation of guarantee reserves for reimbursement of physical persons' deposits			(1 505 190)				(1 505 190)
Other operations							
Balance as of December 31 of the previous period	16 000 000	10 000	10 478 883	(403 783)	100	449 851	26 535 051

Chairman

Chief Accountant

B. Mazhenova

A. Pichitayeva

