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JSC Industrial and Commercial Bank of China Almaty

Financial Statements

Year ended 31 December 2008

Together with Independent Auditors' Report

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INDEPENDENT AUDITORS' REPORT

To the Shareholder and Management Board of JSC Industrial and Commercial Bank of China Almaty

We have audited the accompanying financial statements of JSC Industrial and Commercial Bank of China Almaty, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material 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 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 judgement, 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 financial statements present fairly, in all material respects, the financial position of Industrial and Commercial Bank of China Almaty as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

17 February 2009

BALANCE SHEET

As at 31 December 2008

(Thousands of Kazakh Tenge)

	Notes	2008	2007
Assets			
Cash and balances with NBRK	5,6	**1,860,842**	3,688,257
Due from banks	7	**1,652,052**	726,246
Loans to customers		**–**	31,769
Investment securities held-to-maturity	8	**2,357,249**	1,228,589
Property and equipment	9	**15,112**	26,192
Intangible assets	10	**23,162**	28,817
Deferred income tax asset	11	**1,645**	3,079
Other assets		**8,693**	7,113
Total assets		5,918,755	5,740,062
Liabilities			
Amounts due to banks	12	**12,087**	16,236
Amounts due to customers	13	**3,530,059**	3,651,036
Current income tax liability		**1,882**	446
Other liabilities		**1,867**	2,113
Total liabilities		3,545,895	3,669,831
Equity			
Share capital	14	**1,417,387**	1,417,387
Retained earnings		**955,473**	652,844
Total equity		2,372,860	2,070,231
Total equity and liabilities		5,918,755	5,740,062

Signed and authorised for release on behalf of the Management Board of the Bank

Zhao Guoqiang — Chairman of the Board

Tatiana Maurer — Chief Accountant

17 February 2009

The accompanying notes on pages 5 to 24 are an integral part of these financial statements

INCOME STATEMENT

For the year ended 31 December 2008

(Thousands of Kazakh Tenge)

	Notes	*2008*	*2007*
Interest income			
Amounts due from banks and NBRK		**140,944**	132,020
Securities		**121,853**	80,198
Loans to customers		**2,565**	107
		265,362	212,325
Interest expense			
Amounts due to customers		**(4,245)**	(8,519)
Amounts due to banks		**–**	(2,563)
		(4,245)	(11,082)
Net interest income		**261,117**	201,243
Fee and commission income	16	**206,196**	205,205
Fee and commission expense	16	**(3,589)**	(2,159)
Net fee and commission income		**202,607**	203,046
Gains less losses from foreign currencies:			
- dealing		**98,930**	100,348
- translation differences		**388**	4,061
Other income		**369**	487
Non interest income		**99,687**	104,896
Salaries and benefits	17	**(85,042)**	(75,029)
Other operating expenses	17	**(70,042)**	(73,230)
Depreciation and amortisation	9,10	**(18,572)**	(21,868)
Taxes other than income tax		**(1,292)**	(1,730)
Reversal of other assets impairment		**–**	32
Non interest expense		**(174,948)**	(171,825)
Profit before income tax expense		**388,463**	337,360
Income tax expense	11	**(85,834)**	(81,144)
Profit for the year		**302,629**	256,216

The accompanying notes on pages 5 to 24 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2007

(Thousands of Kazakh Tenge)

	Share capital	*Retained earnings*	*Total equity*
31 December 2006	1,417,387	396,628	1,814,015
Profit for the year	–	256,216	256,216
31 December 2007	1,417,387	652,844	2,070,231
Profit for the year	–	**302,629**	**302,629**
31 December 2008	**1,417,387**	**955,473**	**2,372,860**

The accompanying notes on pages 5 to 24 are an integral part of these financial statements

CASH FLOW STATEMENT

For the year ended 31 December 2008

(Thousands of Kazakh Tenge)

	Notes	2008	2007
Cash flows from operating activities:			
Profit before income tax expense		388,463	337,360
Adjustments for:			
Depreciation and amortisation		18,572	21,868
Amortization of discount of securities held-to maturity		(36,352)	(21,411)
Unrealised foreign exchange difference		(388)	1,105
Loss from disposal of premises and equipment and intangible assets		–	617
Reversal impairment of other assets		–	(32)
Operating cash flows before changes in net operating assets		370,295	339,507
Net (increase) / decrease in operating assets			
Obligatory reserves		175,388	(119,576)
Loans to customers		31,769	(33,532)
Other assets		(1,579)	6,018
Net increase / (decrease) in operating liabilities			
Amounts due to banks		(4,149)	2,076
Amounts due to customers		(127,230)	1,829,309
Other liabilities		(248)	(3,172)
Net cash flows from operating activities before income tax		444,246	2,020,630
Income tax paid		(82,964)	(90,646)
Net cash provided by operating activities		361,282	1,929,984
Cash flows from investing activities			
Redemption of investment securities held-to-maturity		2,388,286	–
Purchase of investment securities held-to-maturity		(3,480,594)	(644,741)
Purchase of premises and equipment		(1,797)	(2,425)
Purchase of intangible assets		(40)	(10,448)
Net cash used in investing activities		(1,094,145)	(657,614)
Effects of exchange rates changes on cash and cash equivalents		6,642	(43,624)
Net (decrease) / increase of cash and cash equivalents		(726,221)	1,228,746
Cash and cash equivalents at the beginning of the year	6	4,157,561	2,928,815
Cash and cash equivalents at the end of the year	6	3,431,340	4,157,561
Supplementary information:			
Interest received		125,893	160,915
Interest paid		6,307	11,554

The accompanying notes on pages 5 to 24 are an integral part of these financial statements

1. Principal activities

JSC Industrial and Commercial Bank of China Almaty (the "Bank") provides retail and corporate banking services in Kazakhstan. The Bank was incorporated in the Republic of Kazakhstan in the form of a branch of Industrial and Commercial Bank of China on 3 March 1993. On 25 March 1994 the branch was transformed into CJSC Industrial and Commercial Bank of China Almaty. On 5 May 2005 the Bank was re registered under the name of JSC Industrial and Commercial Bank of China Almaty. The sole shareholder of the Bank is ICBC (the "Parent"), which is incorporated and operates in the People's Republic of China.

The Bank operates under a general banking licence #174 issued on 9 March 2006.

The Bank accepts deposits from the public and transfers payments within Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The registered address of the Bank is 110 Furmanov St., Almaty, 050000, Kazakhstan. The Bank did not have any branches or subsidiaries as at 31 December 2008.

2. Basis of preparation

General

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. These financial statements are presented in thousands of Kazakh Tenge ("KZT" or "Tenge"), unless otherwise indicated.

3. Summary of significant accounting policies

Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous reporting period, except for the following:

IFRIC 12 "Service Concession Arrangements"

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after 1 January 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. This Interpretation did not have any impact on the Bank.

IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

IFRIC Interpretation 14 was issued in July 2007 and became effective for annual periods beginning on or after 1 January 2008. This Interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. This Interpretation has no impact on the financial position or performance of the Bank.

Reclassification of Financial Assets – Amendments to IAS 39 "Financial instruments: Recognition and measurement" and IFRS 7 "Financial instruments: Disclosures"

Amendments to IAS 39 and IFRS 7 were issued on 13 October 2008 and allow reclassification of non-derivative financial assets out of the held for trading category in particular circumstances. The amendments also allow transfer of certain financial assets from the available for sale category to loans and receivables category. The effective date of those amendments is 1 July 2008. Any reclassification made in periods beginning on or after 1 November 2008 shall take effect only from the date when the reclassification is made. That reclassifications did not have any impact on the financial position or performance of the Bank.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

Amendments to IFRS

In May 2008, the IASB issued amendments to IFRS, which resulted from the IASB's annual improvements project. They comprise amendments that result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual IFRS standards. Most of the amendments are effective for annual periods beginning on or after January 1, 2009, with earlier application permitted. The Bank is currently evaluating the potential impact that the adoption of the amendments will have on its financial statements.

3. Summary of significant accounting policies (continued)

Future changes in accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

IAS 1 Presentation of Financial Statements

A revised IAS 1 was issued in September 2007, and becomes effective for annual periods beginning on or after 1 January 2009. This revised Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Bank is still evaluating whether it will have one or two statements.

Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation

These amendments were issued in February 2008, and become effective for annual periods beginning on or after 1 January 2009. The amendments require puttable instruments that represent a residual interest in an entity to be classified as equity, provided they satisfy certain conditions. The Bank does not expect that these amendments will have an impact on the Bank's financial statements.

Amendment to IAS 39 "Financial Instruments: recognition and measurement" - Eligible Hedged Items.

The amendment to IAS 39 was issued in August 2008, and becomes effective for annual periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. Management does not expect the amendment to IAS 39 will affect the Bank's financial statements as the Bank has not entered into any such hedges.

Amendments to IFRS 1 "First-time Adoption of IFRSs" and IAS 27 "Consolidated and Separate Financial Statements" - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

These amendments were issued in May 2008, and become effective for annual periods beginning on or after 1 January 2009. The revision to IAS 27 will have to be applied prospectively. The amendments to IFRS 1 allow an entity to determine the cost of investments in a subsidiary, jointly controlled entity or associate in its opening IFRS financial statements in accordance with IAS 27 or using a deemed cost. The amendment to IAS 27 requires all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statements. The Bank does not expect that these amendments will have an impact on the Bank's financial statements.

Amendments to IFRS 2 "Share-based Payment"- Vesting Conditions and Cancellations

Amendment to IFRS 2 were issued in January 2008 and become effective for annual periods beginning on or after 1 January 2009. This amendment clarifies the definition of vesting conditions and prescribes the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. The bank did not enter into such type of transactions, accordingly, these amendments have no impact on the financial statements of the Bank.

IFRS 3 "Business Combinations" (revised in January 2008) and IAS 27 "Consolidated and Separate Financial Statements" (revised in January 2008)

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by the revised Standards must be applied prospectively and will affect only future acquisitions and transactions with minority interests. The Bank does not expect that these amendments will have an impact on the Bank's financial statements.

IFRS 8 "Operating Segments"

IFRS 8 becomes effective for annual periods beginning on or after 1 January 2009. This Standard requires disclosure of information about the Bank's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Bank. Adoption of this Standard will not have any impact on the financial position or performance of the Bank.