JOINT STOCK COMPANY
BANK CENTERCREDIT

Consolidated Financial Statements
for the year ended 31 December 2010

JOINT STOCK COMPANY BANK CENTERCREDIT

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JOINT STOCK COMPANY BANK CENTERCREDIT

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Bank CenterCredit and its subsidiaries (the "Group").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2010, the consolidated results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

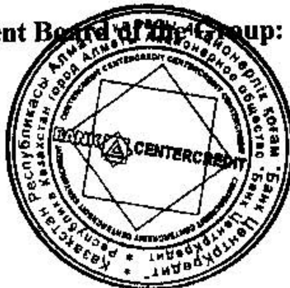
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

Management is also responsible for:

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

The consolidated financial statements for the year ended 31 December 2010 were authorized for issue on 17 February 2011 by the Management Board of the Group.

On behalf of the Management Board of the Group:



Lee V.S.
Chairman

17 February 2011
Almaty

Kainarbekova G.K.
Chief Accountant

17 February 2011
Almaty

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated financial statements of Joint Stock Company Bank CenterCredit and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about whether the consolidated financial statements are free from material misstatement.

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

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

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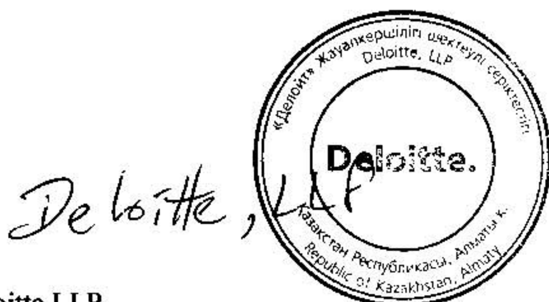
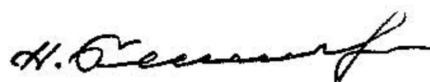
Member of Deloitte Touche Tohmatsu Limited

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 2010 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Andrew Weekes
Engagement Partner
Chartered Accountant
Certificate of Public Practice 78586
Australia





Nurlan Bekenov
Qualified Auditor
Certificate of competence # 0082 dated
13 June 1994
General Director
Deloitte, LLP

Deloitte LLP
State license on auditing in the Republic of Kazakhstan №0000015, type MFU - 2, issued by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006

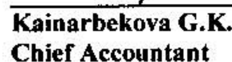
17 February 2011
Almaty

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010
(in Kazakhstani tenge and in millions, except for earnings per share which is in tenge)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009
Interest income	4, 29	94,792	111,636
Interest expense	4, 29	(80,047)	(75,251)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		14,745	36,385
Provision for impairment losses on interest bearing assets	5	(38,547)	(32,940)
NET INTEREST (EXPENSE)/INCOME		(23,802)	3,445
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	6	1,382	(10,521)
Net realized loss on disposal and impairment of investments available-for-sale	7	(942)	(2,349)
Net gain on foreign exchange operations	8	2,351	8,194
Net gain from early redemption of debt	9	-	28,453
Fee and commission income	10	15,718	13,564
Fee and commission expense	10	(1,298)	(1,199)
Provision for impairment losses on other transactions	5	(574)	(11,938)
Other income		32	56
NET NON-INTEREST INCOME		16,669	24,260
OPERATING (LOSS)/INCOME		(7,133)	27,705
OPERATING EXPENSES	11, 29	(23,845)	(20,050)
OPERATING (LOSS)/PROFIT BEFORE INCOME TAX		(30,978)	7,655
Income tax benefit/(expense)	12	309	(4,203)
NET (LOSS)/PROFIT		(30,669)	3,452
Attributable to:			
Owners of the parent		(30,785)	3,335
Non-controlling interest		116	117
		(30,669)	3,452
(LOSS)/EARNINGS PER SHARE			
Basic (KZT)	13	(192.55)	23.10
Diluted (KZT)	13	(192.55)	23.10

On behalf of the Management Board of the Group:



Lee V.S.
Chairman

17 February 2011
Almaty

Kainarbekova G.K.
Chief Accountant

17 February 2011
Almaty

The notes on pages 10-67 form an integral part of these consolidated financial statements.

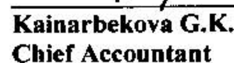
JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010

(in Kazakhstani tenge and in millions)

	Year ended 31 December 2010	Year ended 31 December 2009
NET (LOSS)/PROFIT	(30,669)	3,452
OTHER COMPREHENSIVE INCOME/(LOSS)		
Net change in fair value of investments available-for-sale	764	(944)
Exchange differences on translation of foreign operations	(172)	515
OTHER COMPREHENSIVE INCOME/(LOSS)	592	(429)
TOTAL COMPREHENSIVE (LOSS)/INCOME	(30,077)	3,023
Attributable to:		
Owners of the parent	(30,193)	2,906
Non-controlling interest	116	117
TOTAL COMPREHENSIVE (LOSS)/INCOME	(30,077)	3,023

On behalf of the Management Board of the Group:



Lee V.S.
Chairman

17 February 2011
Almaty

Kainarbekova G.K.
Chief Accountant

17 February 2011
Almaty

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JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010
(in Kazakhstani tenge and in millions)

	Notes	31 December 2010	31 December 2009
ASSETS:			
Cash and cash equivalents	14	209,163	245,429
Financial assets at fair value through profit or loss	15	13,495	10,404
Investments available-for-sale	16	100,176	164,536
Investments held to maturity	17	163,812	44,166
Due from banks	18	1,649	700
Loans to customers and banks	19, 29	699,456	665,515
Current income tax assets		2,162	228
Deferred income tax assets	12	1,693	254
Other assets	20	10,538	8,061
Property, equipment and intangible assets	21	22,414	21,282
TOTAL ASSETS		1,224,558	1,160,575
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks and financial institutions	22, 29	146,921	191,048
Customer and banks accounts	23, 29	796,382	676,191
Debt securities issued	24	153,891	154,954
Other liabilities	25	6,969	3,516
Subordinated bonds	26	35,614	37,244
Total liabilities		1,139,777	1,062,953
EQUITY:			
Equity attributable to owners of the parent:			
Share capital	27	69,841	52,710
Investments available-for-sale fair value reserve		754	(10)
Foreign currency translation reserve		(25)	147
Retained earnings		13,307	44,092
Total equity attributable to owners of the parent		83,877	96,939
Non-controlling interest		904	683
Total equity		84,781	97,622
TOTAL LIABILITIES AND EQUITY		1,224,558	1,160,575
Book value per ordinary share (KZT)	13	436	661
Book value per preferable share (KZT)	13	300	300

On behalf of the Management Board of the Group:

Lee V.S.
Chairman

17 February 2011
Almaty

Kainarbekova G.K.
Chief Accountant

17 February 2011
Almaty

The notes on pages 10-67 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

(in Kazakhstani tenge and in millions)

	Share capital	Investments available-for-sale fair value reserve	Foreign currency translation reserve	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interest	Total equity
31 December 2008	52,684	934	(368)	40,757	94,007	606	94,613
Net profit	-	-	-	3,335	3,335	117	3,452
Net change in fair value of investments available-for-sale	-	(944)	-	-	(944)	-	(944)
Exchange differences on translation of foreign operations	-	-	515	-	515	-	515
Net comprehensive income	-	(944)	515	3,335	2,906	117	3,023
Purchase of treasury shares	(10)	-	-	-	(10)	-	(10)
Issue of ordinary shares	16	-	-	-	16	-	16
Issue of preference shares	20	-	-	-	20	-	20
Changes in non-controlling interest	-	-	-	-	-	(40)	(40)
31 December 2009	52,710	(10)	147	44,092	96,939	683	97,622
Net (loss)/profit	-	-	-	(30,785)	(30,785)	116	(30,669)
Net change in fair value of investments available-for-sale	-	764	-	-	764	-	764
Exchange differences on translation of foreign operations	-	-	(172)	-	(172)	-	(172)
Net comprehensive loss	-	764	(172)	(30,785)	(30,193)	116	(30,077)
Purchase of treasury shares	(1)	-	-	-	(1)	-	(1)
Issue of ordinary shares	5,377	-	-	-	5,377	-	5,377
Issue of preference shares	11,755	-	-	-	11,755	-	11,755
Changes in non-controlling interest	-	-	-	-	-	105	105
31 December 2010	69,841	754	(25)	13,307	83,877	904	84,781

On behalf of the Management Board of the Group:

Lee V.S.
Chairman

17 February 2011
Almaty

Kainarbekova G.K.
Chief Accountant

17 February 2011
Almaty

The notes on pages 10-67 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in Kazakhstani tenge and in millions)

	Year ended 31 December 2010	Year ended 31 December 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received from financial assets at fair value through profit or loss	959	1,280
Interest received from investments available-for-sale	3,214	2,962
Interest received from investments held to maturity	5,218	4,892
Interest received on due from banks	794	2,532
Interest received on loans to customers and banks	68,224	72,550
Penalties received from loans to customers	1,291	1,710
Interest paid on due to banks and financial institutions	(9,545)	(13,251)
Interest paid on customer and banks accounts	(51,853)	(37,443)
Interest paid on debt securities issued	(16,171)	(19,247)
Interest paid on subordinated bonds	(2,928)	(4,137)
Fee and commission received	15,693	13,626
Fee and commission paid	(1,413)	(1,392)
Other income received	32	56
Operating expenses paid	(25,738)	(18,774)
Cash (outflow)/inflow from operating activities before changes in operating assets and liabilities	(12,223)	5,364
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Financial assets at fair value through profit or loss	(1,688)	698
Due from banks	(944)	3,719
Loans to customers and banks	(42,507)	31,995
Other assets	(1,949)	(9,659)
Increase/(decrease) in operating liabilities:		
Due to banks and financial institutions	(43,769)	16,321
Customer and banks accounts	120,834	234,722
Other liabilities	6,077	(325)
Cash inflow from operating activities before taxation	23,831	282,835
Income tax paid	(3,065)	(2,110)
Net cash inflow from operating activities	20,766	280,725

JOINT STOCK COMPANY BANK CENTERCREDIT

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010 (CONTINUED)

(in Kazakhstani tenge and in millions)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009
CASH FLOW FROM INVESTING ACTIVITIES:			
Proceeds on sale of investments available-for-sale		357,600	185,323
Purchase of investments available-for-sale		(494,293)	(318,435)
Proceeds on redemption of investments held to maturity		529,442	42,790
Purchase of investments held to maturity		(448,292)	(3,807)
Purchase of property, equipment and intangible assets		(3,391)	(2,326)
Proceeds on sale of property and equipment		568	48
Net cash outflow from investing activities		(58,366)	(96,407)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from ordinary and preference shares issued		17,132	36
Purchase of treasury shares		(1)	(10)
Proceeds from debt securities issued		(11,232)	-
Repayment of debt securities issued		2,871	2,745
Repurchase of debt securities issued		-	(33,830)
Repayment of subordinated bonds issued		(2,000)	(1,500)
Proceeds from subordinated bonds issued		-	3,500
Net cash inflow/(outflow) from financing activities		6,770	(29,059)
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		(5,436)	(33,113)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(36,266)	122,146
CASH AND CASH EQUIVALENTS, beginning of the year	14	245,429	123,283
CASH AND CASH EQUIVALENTS, end of the year	14	209,163	245,429

On behalf of the Management Board of the Group:

Lee V.S.
Chairman

17 February 2011
Almaty

Kainarbekova G.K.
Chief Accountant

17 February 2011
Almaty

The notes on pages 10-67 form an integral part of these consolidated financial statements.

1. ORGANIZATION

JSC Bank CenterCredit ("the Bank") is a Joint Stock Company ("JSC"), which was incorporated in the Republic of Kazakhstan and started its operations in 1988. The Bank is regulated by the legislation of the Republic of Kazakhstan. The Bank is regulated by the National Bank of the Republic of Kazakhstan ("the NBRK") and the Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial institutions ("the FMSA"). The Bank conducts its business under license number 248, renewed on 13 December 2007 by the FMSA. On 27 August 2008, Kookmin Bank (South Korea) purchased 23% of the Bank's issued ordinary share capital. As at 31 December 2010, Kookmin Bank's share was 41.93% and the International Financial Corporation's ("IFC") share was 10% of the issued capital of the Bank.

The Bank's primary business consists of commercial banking activities, trading with securities, loans, foreign currencies and derivative instruments, loan origination activities and guarantees.

The Bank is a member of the Kazakhstan Deposit Insurance Fund (the "KDIF").

The registered address is: 98 Panfilov Street, Almaty, the Republic of Kazakhstan.

As at 31 December 2010, the Bank had 20 branches in the Republic of Kazakhstan.

The Bank is a parent company of a banking group (the "Group") which consists of the following subsidiaries consolidated in its consolidated financial statements:

Name	Country of operation	31 December 2010	31 December 2009	Type of operation
JSC APF Capital	Republic of Kazakhstan	76%	75%	Pension fund management
LLP Center Leasing	Republic of Kazakhstan	91%	91%	Finance lease of property
JSC BCC Invest	Republic of Kazakhstan	100%	100%	Brokerage and dealer activity
CenterCredit International B.V.	Netherlands	100%	100%	Issuance of capital on international financial markets
LLC Bank BCC-Moscow	Russian Federation	100%	100%	Banking services

JSC Accumulated Pension Fund Capital ("APF Capital") was established as a closed joint stock company in October 2001, in accordance with legislation of the Republic of Kazakhstan.
In December 2003, APF Capital was reregistered as a joint stock company. APF Capital manages pension contribution inflows and the accumulation of individual pension accounts in accordance with the requirements of legislative authorities of the Republic of Kazakhstan.

In September 2002, LLP Center Leasing was established as a limited liability partnership in accordance with the legislation of the Republic of Kazakhstan. The main activity of LLP Center Leasing is leasing operations, which are carried out in accordance with Article 10 on financial leasing of the Republic of Kazakhstan. Article 10 states that a limited liability partnership is not required to obtain a license to perform leasing operations.

In May 1998, JSC BCC Invest was established as a limited liability partnership (previously named "LLP KIB ASSET MANAGEMENT") in accordance with legislation of the Republic of Kazakhstan. On 26 September 2006, LLP KIB ASSET MANAGEMENT was re-registered as a joint stock company. The main activity of JSC BCC Invest consists of management of assets of mutual funds and management of investment portfolios.

CenterCredit International B.V. was registered in January 2006 in Rotterdam, Netherlands, as a special purpose entity. Its main activity is to raise capital on international financial markets.

In August 2006, the Bank received permission from the FMSA for establishment of its subsidiary LLC Bank BCC – Moscow. On 21 March 2008, LLC Bank BCC-Moscow received its license from the Central Bank of Russian Federation. The main activity of LLC Bank BCC-Moscow consists of banking services.

As at 31 December 2010 and 2009 the following ultimate beneficial shareholders owned individually more than 5% of the issued shares of the Group:

	31 December 2010 %	**31 December 2009** %
Kookmin Bank	41.93	30.52
Baiseitov B.R.	25.10	36.39
IFC	10.00	-
Other (individually hold less than 5%)	22.97	33.09
Total	100.00	100.00

The consolidated financial statements were authorized for issue by the Management Board of the Group on 17 February 2011.

2. BASIS OF PRESENTATION

Accounting basis

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

These consolidated financial statements are presented in millions of Kazakhstani tenge ("KZT millions"), unless otherwise indicated. These consolidated financial statements have been prepared on the accrual basis of accounting under the historical cost convention, except for the measurement of investments available-for-sale, financial assets and liabilities at fair value through profit or loss, and derivative financial instruments at fair value.

The Group maintains its accounting records in accordance with the accounting policies authorized by the Resolution of the Board of Directors of the Group. These consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform with IFRS.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non—current) is presented in Note 34.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The functional currency of the Group is the Kazakhstani tenge ("KZT" or "Tenge").

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including special purpose entities) controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Bank.

Non-controlling interests are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Bank had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity,

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will subsequently be measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss, investments held-to-maturity, investments available-for-sale and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Derecognition of financial assets and liabilities

Financial assets

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

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

On derecogntion of a financial asset other than it is entirety (e.g. when the Group retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the pat no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial liabilities

A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand and unrestricted balances on correspondent and time deposit accounts. For the purposes of determining cash flows, cash and cash equivalents include cash and balances with the NBRK and due from banks with original maturities of 90 days or less. The minimum reserve deposits with the NBRK are not subject to restrictions to its availability and therefore are included in cash and cash equivalents.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are classified as valued at fair value through profit or loss if they meet any of the following conditions: (1) acquired principally for the purpose of selling them in the near future; (2) which are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking; or (3) are designated as derivatives.

A financial asset other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. The fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the consolidated income statement for the period. The Group does not reclassify financial instruments in or out of this category while they are held.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including forwards, swaps and spot transactions to manage currency and liquidity risks and for trading purposes. Derivative financial instruments entered into by the Group are not designated as hedges and do not qualify for hedge accounting. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in Net gain/loss from financial assets and liabilities at fair value through profit or loss in the consolidated income statement.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in the consolidated income statement. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Investments available-for-sale

Investments available-for-sale are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (2) investments held-to-maturity or (c) financial assets at fair value through profit or loss.

Investments available-for-sale are initially recorded at fair value and subsequently measured at fair value, with such re-measurement recognized directly in other comprehensive income, except for impairment losses, foreign exchange gains or losses on monetary debt investments and interest income accrued using the effective interest method, which are recognized directly in the consolidated income statement. When sold, the gain/loss previously recorded in equity is recycled through the consolidated income statement. Under certain circumstances, when transferred to investments held to maturity the fair value of investments available-for-sale at the date of transfer becomes the new amortized cost of the investments held to maturity. Any previous gain or loss on those assets that has been recognized in equity is amortized into the income statement over the remaining life of the held to maturity investments using the effective interest method for financial assets with fixed maturity and when financial assets are sold or otherwise disposed of for financial assets without fixed maturity. The Group uses quoted market prices to determine the fair value for the Group's debt securities held as investments available-for-sale (equity securities are not material) where available. If the market for investments is not active, the Group establishes fair value by using valuation techniques including discounted future cash flows and option pricing models. When valuation techniques are used, the input data is based on market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty, recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

Dividends received on investments available-for-sale are included in other income in the consolidated income statement.

Non-marketable debt/equity securities are stated at amortized cost/cost less impairment losses, if any, unless fair value can be reliably measured.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the consolidated income statement for the period.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold such securities to maturity. Such securities are carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

If the Group were to sell or reclassify more than an insignificant amount of investments held-to-maturity before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as investments available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

Due from banks

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognized at fair value and are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Securities repurchase and reverse repurchase agreements and lending transactions

In the normal course of business, the Group enters into sale and repurchase agreements ("repos") and purchase and resale agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repos are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received within balances due to banks.

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit collateralized by securities and other assets and are classified within balances due from banks.

The difference between the sale and repurchase prices is treated as interest expense in the consolidated income statement and accrued over the life of the repos agreement using the effective interest rate method.

The Group enters into repos and reverse repos agreements using the automated system of the Kazakhstan Stock Exchange (KASE) in accordance with the trading rules established by the KASE (the "Rules"). According to the Rules the automated repos and reverse repos are concluded using open sale methods. For open sale methods the counterparty remains undefined and all risks the Group undertakes, including credit and settlement risks, are with the KASE.

Loans to customers and banks

Loans to customers and banks are non-derivative assets with fixed or determinable payments that are not quoted in an active market, other than those classified in other categories of financial assets.

Loans to customers and bank granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated income statement according to nature of the losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers and banks are carried net of any allowance for impairment losses.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Change in accounting policy: write off of loans

On 30 June 2010 the Group has changed its accounting policy in relation to the write off of loans. Until that date the policy stated that loans were written off against the allowance for impairment losses when deemed uncollectible. In particular, loans were written off after becoming 180 days past due; and subsequent recoveries of amounts previously written off were reflected in the consolidated income statement.

The Group's revised accounting policy on write off of loans, states that overdue loans are written off based on the decision of the Group's Credit Committee, after the Group has exercised all possible measures for recovery of the overdue debt, and the possibility of recovery of these amounts is low or does not exist. Subsequently, if in the assessment of the Credit Committee, a loan previously written off is deemed recoverable, the amounts previously written off are recorded in loans to customers and banks and the related allowance for impairment loss accounts. Due to the inherent uncertainty of recovery of such loans, the amount recovered will be reflected in the consolidated income statement only when realized.

This change in accounting policy has not been applied retrospectively as it is impracticable to determine the effects of the retrospective application on prior periods, or what management's intent would have been in the prior periods. Management believes that the change in accounting policy does not impact the net carrying amount of loans to customers and banks, the Group's financial position, nor the results of its operation for prior periods.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

If an available-for-sale asset is impaired, a consolidated amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statements is transferred from equity to the consolidated income statement.

In respect of equity securities classified as investments available-for-sale, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of debt securities classified as investments available-for-sale, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. A lease is classified as a finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as a lessor

The Group as a lessor presents finance leases as loans and initially measures them at an amount equal to the net investment in the lease. Subsequently, the recognition of finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the finance lease.

Before commencement date property, plant and equipment purchased for future transfer to the financial lease is recognized in the consolidated financial statements as property and equipment purchased to transfer to finance lease at cost.

Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the consolidated income statement as a loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and any recognized impairment loss.

Depreciation is charged on the carrying value of property and equipment and is designed to write off assets over their useful economic lives to their residual values. Depreciation is calculated on a straight line basis at the following annual prescribed rates:

Buildings and other real estate	1-50%
Furniture and computer equipment	2-20%
Intangible assets	12-60%

Leasehold improvements are amortized over the shorter of the life of the related leased asset or the lease term. Expenses related to repairs and deprecation of leased property are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount, an impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets with finite useful lives are carried at cost less accumulated amortisation. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit. Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax assets and deferred income tax liabilities are offset and reported net in the consolidated statement of financial position if:

- The Group has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Due to banks and financial institutions, customer and banks accounts, debt securities issued and subordinated debt

Due to banks and financial institutions, customer and bank accounts, debt securities issued and subordinated debt are initially recognized at fair value plus related transaction costs that directly relate to the issuance of the financial liabilities. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings, using the effective interest method.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Share capital

Share capital is recognized at historical cost.

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Treasury shares repurchased from shareholders are recognized at cost of acquisition. When such repurchased treasury shares are further sold, any difference between their selling price and the cost of acquisition is charged to share capital (if positive) or to retained earnings (if negative). Where repurchased treasury shares are retired, the carrying value thereof is reduced by the amount paid by the Group at repurchase thereof, with the share capital respectively reduced by the par value of such retired shares restated, where applicable, for inflation, and the resulting difference is charged to retained earnings.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (b) the amount initially recognized less, where appropriate, cumulative amortization of the initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies

Contingent liabilities are not recognized in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognized in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Retirement and other benefit obligations

In accordance with the requirements of the countries in which the Group operates, certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged to the consolidated income statement in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds as selected by employees. The Group does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. Penalties for late interest payments are included in interest income and considered as part of the effective interest rate. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated income statement over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated income statement on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated income statement when the syndication has been completed. All other commissions are recognized when services are provided.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into KZT using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Bank are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Rates of exchange

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	31 December 2010	31 December 2009
Tenge/1 US Dollar	147.50	148.46
Tenge/1 Euro	196.88	213.95
Tenge/1 JPY	1.81	1.610

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the Group does not offset the transferred asset and the associated liability.

Fiduciary activities

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

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets any one of the following quantitative thresholds:

- its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or
- the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- its assets are 10% or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75% of the Group's revenue is included in reportable segments.

Areas of significant management judgment and sources of estimation uncertainty

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

Investments held-to-maturity

The management has reviewed the Group's investments held-to-maturity in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. Details of these assets are set out in Note 17.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to the allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in countries in which it operates and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Valuation of financial instruments

As described in Note 31, the Group uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of certain types of financial instruments. Note 31 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions. The directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Standards and Interpretations affecting amounts reported in the current period

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section New Standards and Interpretations affecting the reported results or financial position.

New and revised IFRSs affecting presentation and disclosure only

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)	The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements. Disclosures in these consolidated financial statements have been modified to reflect the above clarification, where applicable.
Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. This amendment has had no effect on the amounts reported in prior years because the Group has not previously issued instruments of this nature.
Amendments to IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 7 specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalization as part of an internally generated intangible asset. No changes were necessary as a result of the adoption of this amendment.
Amendments to IFRS 7 Financial Instruments: Disclosures (as part of Improvements to IFRSs issued in 2010)	The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 7	*Disclosures – Transfers of Financial Assets*[1]
IFRS 9 (as amended in 2010)	*Financial Instruments*[2]
IAS 24 (revised in 2009)	*Related Party Disclosures*[3]
Amendments to IAS 32	*Classification of Rights Issues*[4]
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments1*

Improvements to IFRS issued in 2010 (except for the amendments to IFRS 3(2008), IFRS 7, IAS 1 and IAS 28 described earlier in section 2.1)[5]

[1] Effective for annual periods beginning on or after July 1, 2011.
[2] Effective for annual periods beginning on or after January 1, 2013.
[3] Effective for annual periods beginning on or after January 1, 2011.
[4] Effective for annual periods beginning on or after February 1, 2010.
[5] Effective for annual periods beginning on or after July 1, 2010 and January 1, 2011, as appropriate.

IFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The management anticipates that IFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to IFRS 7 titled *Disclosures – Transfers of Financial Assets* increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The management does not anticipate that these amendments to IFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously affected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IAS 24 *Related Party Disclosures* (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to IAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognized in profit or loss.

4. NET INTEREST INCOME

	Year ended 31 December 2010	Year ended 31 December 2009
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on unimpaired assets	42,084	53,668
- interest income on impaired assets	48,318	53,752
Interest income on financial assets recorded at fair value	4,390	4,216
Total interest income	94,792	111,636
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers and banks	83,470	98,470
Interest on investments held-to-maturity	4,841	4,724
Interest on due from banks	800	2,516
Penalties on loans to customers and banks	1,291	1,710
Total interest income on financial assets recorded at amortized cost	90,402	107,420
Interest income on financial assets recorded at fair value comprises:		
Interest income on investments available-for sale	3,411	2,952
Interest income on financial assets at fair value through profit or loss	979	1,264
Total interest income on financial assets recorded at fair value	4,390	4,216
Interest expense comprises:		
Interest on financial liabilities recorded at amortized cost	80,047	75,251
Total interest expense	80,047	75,251
Interest expense on financial liabilities recorded at amortized cost comprise:		
Interest on customer and banks accounts	51,211	40,722
Interest on debt securities issued	16,414	18,381
Interest on due to banks and financial institutions	9,186	12,136
Interest on subordinated bonds	3,236	4,012
Total interest expense on financial liabilities recorded at amortized cost	80,047	75,251
Net interest income before provision for impairment losses on interest bearing assets	14,745	36,385

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Consumer loans	Corporate loans	Credit cards	Total* (Note 19)
31 December 2008	12,274	34,037	93	46,404
(Reversal of provision)/additional provision recognized	(596)	33,556	(19)	32,941
Write-off of assets	(2,397)	(19,461)	-	(21,858)
Recoveries of assets previously written off	348	2,410	-	2,758
Exchange rate difference	356	6,792	-	7,148
31 December 2009	9,985	57,334	74	67,393
Additional provision/(reversal of provision) recognized	2,639	35,941	(33)	38,547
Write-off of assets	(1,316)	(6,240)	-	(7,556)
Recoveries of assets previously written off	870	7,219	-	8,089
Exchange rate difference	(109)	(575)	-	(684)
31 December 2010	12,069	93,679	41	105,789

	Loans to banks* (Note 19)
31 December 2008	7
Reversal of provision recognized	(1)
Write-off of assets	(5)
31 December 2009	1
Write-off of assets	(1)
31 December 2010	-

*In order to reconcile provision for impairment losses on interest bearing assets in consolidated income statement, amount of provision on loans to customers and banks should be considered together.

The movements in provision for impairment losses on other transactions were as follows:

	Investments held to maturity (Note 17)	Property, equipment and intangible assets (Note 21)	Other assets (Note 20)	Guarantees and letters of credit (Note 25)	Total
31 December 2008	-	-	4,694	988	5,682
Additional provision recognized/(reversal of provision)	1,357	5,639	5,151	(209)	11,938
Write-off of assets	(93)	-	(2,838)	-	(2,931)
Exchange rate difference	-	-	12	173	185
31 December 2009	1,264	5,639	7,019	952	14,874
(Reversal of provision)/ additional provision recognized	(520)	500	589	5	574
Write-off of assets	(35)	(500)	(845)	-	(1,380)
Recoveries of assets previously written off	40	-	-	-	40
Exchange rate difference	-	-	3	93	96
31 December 2010	749	5,639	6,766	1,050	14,204

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

	Year ended 31 December 2010	Year ended 31 December 2009
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	1,382	(10,521)
Total net gain/(loss) on financial assets and liabilities at fair value through profit or loss	1,382	(10,521)
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss comprise:		
Realized gain on trading operations	678	4,287
Unrealized gain on operations with derivative financial instruments	325	288
Realized gain/(loss) on operations with derivative financial instruments	269	(15,118)
Unrealized gain on fair value adjustment	110	22
Total net gain/(loss) on financial assets and liabilities at fair value through profit or loss	1,382	(10,521)

The Group enters into derivative financial instruments to manage currency and liquidity risks and such financial instruments are held primarily for trading purposes. In March 2009 the Group early terminated a swap agreement with a foreign financial institution which was used to economically hedge a loan due to a bank which was early settled (Note 22). As a result of the swap cancellation the Group recorded a loss of KZT 13,276 million on operations with derivative financial instruments.

7. NET REALIZED LOSS ON DISPOSAL AND IMPAIRMENT OF INVESTMENTS AVAILABLE-FOR-SALE

	Year ended 31 December 2010	Year ended 31 December 2009
Net gain on investments available-for-sale	156	800
Impairment loss on investments available-for-sale	(1,098)	(3,149)
Total net realized loss on disposal and impairment of investments available-for-sale	(942)	(2,349)

8. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2010	Year ended 31 December 2009
Dealing, net	2,129	5,539
Translation differences, net	222	2,655
Total net gain on foreign exchange operations	2,351	8,194

9. NET GAIN FROM EARLY REDEMPTION OF DEBT

During the year ended 31 December 2009 the Group recorded a gain extinguishment of KZT 28,453 million related to early redemptions of debt. KZT 20,206 million is attributable to the advance repayment of an amount due to a foreign financial institution (Note 22) and KZT 8,247 million is attributable to early redemption of international bonds (Note 24).

10. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2010	Year ended 31 December 2009
Fee and commission income:		
Settlements	3,635	2,995
Cash operations	3,272	2,874
Guarantees	2,831	2,132
Payment cards	2,247	1,615
Trust operations	1,659	1,400
Foreign exchange operations	877	834
Documentary operations	298	1,020
Internet-banking operations	271	217
Custodian activities	186	149
Purchase and sale of securities	95	113
Safe operations	71	64
Sale of insurance polices	16	10
Other	260	141
Total fee and commission income	15,718	13,564
Fee and commission expense:		
Settlements	545	418
Documentary operations	355	462
Custodian activities	148	92
Legal services	79	60
Rating agencies services	29	9
Brokerage services	25	23
Foreign exchange operations	21	27
Purchase and sale of securities	19	28
Services on deal arrangements	1	43
Other	76	37
Total fee and commission expense	1,298	1,199

11. OPERATING EXPENSES

	Year ended 31 December 2010	Year ended 31 December 2009
Staff costs	9,814	7,849
Operating leases expenses	3,395	3,475
Deposit Insurance Fund	2,176	1,469
Taxes other than income tax	1,907	1,709
Depreciation and amortization	1,612	1,493
Administrative expenses	1,183	1,020
Security expenses	651	625
Advertising costs	629	439
Telecommunications	531	503
Property and equipment maintenance	450	275
Business trip expenses	219	114
Professional services	199	231
Entertainment expenses	115	75
Business development expenses	74	54
Sponsorship expenses	16	8
Other expenses	874	711
Total operating expenses	23,845	20,050

12. INCOME TAXES

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Bank and its subsidiaries operate.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses such as business development expenses and a tax free regime for certain income such as income on finance lease and income from operations with state securities and securities listed on the Kazakhstan Stock Exchange.

Deferred taxes reflect the net tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2010 and 31 December 2009 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Temporary differences as at 31 December 2010 and 2009 comprise:

	31 December 2010	31 December 2009
Deductible temporary differences:		
Tax loss carry forward	17,919	-
Loans to customers	14,175	3,376
Impairment loss on debt securities	5,034	4,450
Revaluation of financial assets and liabilities at fair value through profit or loss	98	651
Other	238	18
Total deductible temporary differences	37,464	8,495
Taxable temporary differences:		
Property, equipment and intangible assets	(2,831)	(2,773)
Revaluation of financial assets and liabilities at fair value through profit or loss	(1,784)	-
Other	(171)	-
Total taxable temporary differences	(4,786)	(2,773)
Net deferred tax asset	32,678	5,722
Deferred tax asset at the statutory tax rates	6,536	1,144
Unrecognized deferred tax asset	(4,843)	(890)
Net deferred tax asset at the statutory tax rates	1,693	254

Relationships between tax expenses and accounting profit for the period ended 31 December 2010 and 2009 are explained as follows:

	Year ended 31 December 2010	Year ended 31 December 2009
Operating (loss)/profit before income tax	(30,978)	7,655
Tax at the statutory tax rate	(6,196)	1,531
Tax effect of permanent differences:		
Change in deferred tax asset not recognized	3,953	890
Tax-exempt interest income and other related income on state and other qualifying securities	-	(1,621)
Non-deductible expenditure	2,031	3,476
Other tax-exempt income	(97)	(73)
Income tax (benefit)/expense	(309)	4,203
Current income tax expense	1,130	6,415
Deferred tax benefit	(1,439)	(2,212)
Income tax (benefit)/expense	(309)	4,203

The tax rate used for the year ended 31 December 2010 and 2009 reconciliations above is the corporate tax rate of 20%, payable by corporate entities in the Republic of Kazakhstan on taxable profits under tax law in that jurisdiction.

	31 December 2010	31 December 2009
Deferred income tax assets/(liabilities)		
Beginning of the year	254	(1,958)
Change in deferred tax assets	1,439	2,212
End of the year	1,693	254

13. (LOSS)/EARNINGS PER SHARE AND BOOK VALUE PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year.

	Year ended 31 December 2010	Year ended 31 December 2009
Basic (loss)/earnings per share		
Net (loss)/profit attributable to ordinary shareholders	(30,785)	3,335
(Loss)/earnings attributable to ordinary shareholders	(30,785)	3,335
Weighted average number of ordinary shares for purposes of basic earnings per share	159,883,421	144,474,498
(Loss)/earnings per share - basic (tenge)	(192.55)	23.10
Diluted (loss)/earnings per share		
Net (loss)/income for the period attributable to ordinary shareholders	(30,785)	3,335
(Loss)/earnings used in the calculation of total diluted earnings per share	(30,785)	3,335
Weighted average number of ordinary shares for purposes of diluted earnings per share	159,883,421	144,474,498
(Loss)/earnings per share - diluted (tenge)	(192.55)	23.10

On 25 August 2010 Kazakhstan Stock Exchange ("the KASE") has introduced new rules for listed companies that require the disclosure of book value of one share per each class of shares in the listed company's financial statements. The Group has calculated the book value of one share per each class of shares in accordance with the methodology for computation of the book value of one share, provided by KASE.

The book value of one share per each class of shares as at 31 December 2010 and 2009 is as follows:

		Year ended 31 December 2010			Year ended 31 December 2009	
Class of shares	**Outstanding shares (number outstanding)**	**Amount for calculation of book value KZT million**	**Book value of one share, KZT**	**Outstanding shares (number outstanding)**	**Amount for calculation of book value KZT million**	**Book value of one share, KZT**
Ordinary shares	162,437,982	70,836	436	144,524,124	95,533	661
Preference shares	39,249,255	11,775	300	65,217	20	300
		82,611			95,553	

The book value of one preference share is calculated as the ratio of the amount of equity attributable to preference shares to the outstanding number of preference shares as at the reporting date. The book value of one ordinary share is calculated as the ratio of the amount of net asset value of the Group for ordinary shares to the outstanding number of ordinary shares as at reporting date. The net asset value of the Group for ordinary shares is calculated as the total equity net of intangible assets and the amount of equity attributable to preference shares as at reporting date. Outstanding number of ordinary and preference shares is calculated as outstanding shares authorized and issued net of repurchased shares by the Group as at reporting date.

The management of the Group believes that it fully complies with the requirement of the KASE as of the reporting date.

14. CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009
Deposits with financial institutions	182,405	219,872
Cash on hand	24,587	23,407
Cash in transit	2,147	2,123
	209,139	245,402
Accrued interest	24	27
Total cash and cash equivalents	209,163	245,429

Minimum reserve requirements are determined as a percentage of average balances of deposits and international borrowings in accordance with the requirements of the NBRK and amounted to KZT 17,871 million and KZT 16,888 million as at 31 December 2010 and 2009, respectively. The Group was in compliance with the NBRK requirements by maintaining an average balance with the NBRK and therefore was able to use the amounts without any restrictions.

Components of deposits with financial institutions with maturity less than three months:

	Interest rates (%)		31 December 2010	31 December 2009
	Min.	Max.		
Demand deposits with banks	0.20	2.50	134,405	139,872
Demand deposits with NBRK	0.50	1.00	48,000	80,000
			182,405	219,872
Accrued interest			24	27
Total			182,429	219,899

As at 31 December 2010 the Group had deposits with Citibank, N.Y., NBRK, Deutsche Bank, London, Landesbank Baden-Wurttemberg AG, Societe Generale, France, BNP Paribas, ING Bank, Netherlands and as at 31 December 2009 the Group had deposits with Citibank, N.Y., NBRK, Deutsche Bank, London, Landesbank Baden-Wurttemberg AG, Societe Generale, France, BNP Paribas, ING Bank, Netherlands, which individually and in the aggregate exceeded 10% of the Group's equity.

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

Financial assets at fair value through profit or loss comprise:

	31 December 2010	31 December 2009
Financial assets held for trading:		
Debt securities	9,913	7,759
Equity securities	315	418
Total financial assets held for trading	10,228	8,177
Derivative financial instruments	3,267	2,227
Total financial assets at fair value through profit or loss	13,495	10,404

	31 December 2010		31 December 2009	
	Nominal interest rate %	**Fair value**	**Nominal interest rate %**	**Fair value**
Debt securities:				
Kazakhstan mortgage company	7.70-10.80	1,551	6.50-10.20	1,632
Nomura Securities Co.	0.44	1,471	0.43	1,442
ATF Capital B.V.	9.00-9.25	1,065	9.25	847
OJSC Russian Agricultural Bank	9.00	750	7.34	185
OJSC Bank Zenit	7.90-10.85	694	10.85-6.00	309
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	3.70-7.91	633	5.70-7.80	276
JSC KazMunaiGaz EP*	-	626	-	-
LLP Ekibastuz GRES-1	12.00	528	-	-
JSC Eurasian Development Bank	10.50	381	10.50	379
JSC Bank Petrokommerts	14.36	339	14.36	360
JSC KB Loko-Bank	9.25	284	-	-
JSC Halyk Bank	7.70	280	9.20-13.00	286
JSC AIKB Tatfondbank	11.20	276	-	-
JSCB Rosbank	12.00	252	12.00	250
JSC Subsidiary Bank of JSC Sberbank of Russia	8.50	159	8.20	148
OJSC Vneshekonombank	6.90	131	-	-
JSC Kaspi Bank	8.50	125	8.50	104
JSC BTA Ipoteka	6.80	114	6.80-7.80	148
JSC Tsesna Bank	9.00	77	9.00	73
JSC Investorgbank	14.50	74	14.50	75
JSC Doszhan Temir Zholy	7.45	52	8.85	146
JSC ATF Bank	8.50	51	8.13-9.00	484
JSC Pavlodarenergoservice	-	-	9.00	532
JSC Kaztranscom	-	-	8.00	67
Temir Capital B.V.	-	-	9.00-9.50	9
TuranAlem Finance B.V.	-	-	7.75	7
Total debt securities		9,913		7,759

* - As at 31 December 2010 yield on debt securities of JSC KazMunaiGaz EP amounted to 6.88%.

	31 December 2010		31 December 2009	
	Ownership interest %	**Fair value**	**Ownership interest %**	**Fair value**
Equity securities:				
JSC Kazakhtelekom	-	286	-	285
JSC KazmunaiGaz EP	-	21	-	46
JSC Halyk Bank	-	8	-	8
JSC Kazkommertsbank	-	-	-	29
JSC BTA Bank	-	-	-	13
JSC Temirbank	-	-	-	3
JSC Aktobemunaigaz	-	-	-	2
Other	-	-	-	32
Total equity securities		315		418

		31 December 2010 Net fair value			31 December 2009 Net fair value	
	Notional value	**Asset**	**Liability** (Note 25)	**Notional value**	**Asset**	**Liability** (Note 25)
Derivative financial instruments:						
Foreign currency contracts						
Swaps	10,860	3,048	-	9,681	1,807	-
Embedded derivatives	1,078	218	-	1,163	209	-
Securities contracts						
Swaps	2,950	1	746	3,860	211	27
Total derivative financial instruments		3,267	746		2,227	27

The table above shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are indicative of neither the market risk nor the credit risk.

Derivatives often involve at their inception only a mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the bank either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are mostly gross—settled.

16. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2010	31 December 2009
Debt securities	98,926	164,358
Equity securities	1,250	178
Total investments available-for-sale	100,176	164,536

	31 December 2010		31 December 2009	
	Nominal interest rate %	Fair value	Nominal interest rate %	Fair value
Debt securities				
NBRK notes*	-	61,005	-	143,254
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	8.75	37,002	4.90-8.75	17,326
JSC KazMunaiGaz EP**	-	626	-	-
JSC Kaspi Bank	7.60	288	7.40	249
JSC RT Holding	9.90	5	-	-
JSC BTA Bank	-	-	11.00	1,616
Dresdner Bank AG	-	-	12.25	424
AK BARS Luxembourg SA	-	-	8.25	373
Promsvyaz Finance PLC	-	-	8.75	294
Subsidiary of OJSC MDM-Bank OJSC MDM-International Funding	-	-	7.77	199
Luxembourg USD	-	-	9.50	183
SPV Transregional Capital LTD	-	-	9.13	152
SPV GPB Eurobond Finance	-	-	2.10	147
SPV IIB LUXEMBOURG S.A.	-	-	9.21	72
Subsidiary of OJSC Absolut Bank OJSC Absolut Finance	-	-	9.13	69
Total debt securities		98,926		164,358

* - As at 31 December 2010 and 2009 yield on Notes of NBRK amounted to 1.50% and 3.05%, respectively.

** - As at 31 December 2010 yield on debt securities of JSC KazMunaiGaz EP amounted to 6.88%.

	31 December 2010		31 December 2009	
	Ownership interest %	Fair value	Ownership interest %	Fair value
Equity securities				
JSC BTA Bank	0.21	1,058	-	-
JSC Pension Fund Atameken	4.89	66	9.65	66
JSC Kazakhstan Stock Exchange	2.88	43	2.67	5
LLP First Credit Bureau	18.40	37	18.40	37
JSC Investment Company CenterInvest	16.62	27	16.62	27
JSC Processing Center	0.80	10	0.80	10
JSC Pension Fund Korgau	-	-	5.15	28
Other	-	9	-	5
Total equity securities		1,250		178
Total investments available-for-sale		100,176		164,536

During the year ended 31 December 2010 the Group has exchanged debt securities of JSC BTA Bank classified as available-for-sale amounting to KZT 1,616 million and held to maturity for KZT 258 million as at 31 December 2009 for equity securities of JSC BTA Bank under the restructuring plan approved by the Steering Committee of JSC BTA Bank. As at 31 December 2010 carrying amount of equity securities of JSC BTA Bank amounted to KZT 1,058 million.

17. INVESTMENTS HELD TO MATURITY

	31 December 2010		31 December 2009	
	Nominal interest rate %	Amount	Nominal interest rate %	Amount
NBRK notes*	-	134,540	-	-
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	4.30-8.75	20,232	4.05-8.75	36,419
Bonds of JSC Kazakhstan Mortgage Company	6.71-7.70	2,497	5.69-7.00	3,688
Bonds of JSC Prodcorporation	8.00-10.50	2,113	8.00	1,072
Bonds of JSC ATF Bank	7.20-8.20	1,354	10.00	27
Bonds of JSC BTA Ipoteka	6.80-8.30	1,212	6.10-8.10	1,210
Bonds of JSC Kazkommertsbank	8.20-8.70	1,177	8.90-9.10	1,193
Bonds of JSC Kaspi Bank	8.50	411	8.50-9.50	479
Bonds of JSC Halyk Bank	7.50-13.0	304	7.50-13.00	307
Bonds of JSC JP Morgan Chase Bank	4.84	303	6.48	306
Bonds of JSC Astana Finance	7.50-10.80	217	7.50-10.80	216
Bonds of JSC Agricultural Credit Corporation	7.30	149	-	-
Bonds of JSC Alfa Bank	12.00	52	12.00	52
Bonds of JSC BTA Bank	-	-	8.00	258
Bonds of JSC KB LOKO Bank	-	-	10.00	151
Bonds of Subsidiary Bank of JSC BTA Bank JSC Temirbank	-	-	6.80	52
		164,561		45,430
Less: allowances for impairment losses		(749)		(1,264)
Total investments held to maturity		163,812		44,166

* - As at 31 December 2010 yield on Notes of NBRK amounted to 1.50%.

Movement in allowances for impairment losses on investments held to maturity for the years ended 31 December 2010 and 2009 are disclosed in Note 5.

As at 31 December 2010 investments held to maturity included short-term NBRK notes pledged under repurchase agreements with other banks/customers amounting to KZT 12,045 million. All repurchase agreements as at 31 December 2010 mature before 5 January 2011.

18. DUE FROM BANKS

	31 December 2010	31 December 2009
Due from banks	1,643	700
Accrued interest	6	-
Total due from banks	1,649	700

19. LOANS TO CUSTOMERS AND BANKS

	31 December 2010	31 December 2009
Originated loans to customers	722,346	662,800
Net investment in finance lease	7,295	7,889
Accrued interest	71,432	56,178
	801,073	726,867
Less: allowance for impairment losses	(105,789)	(67,393)
Total loans to customers	695,284	659,474
Originated loans to banks	3,495	5,978
Accrued interest	6	14
	3,501	5,992
Less: allowance for impairment losses	-	(1)
Total loans to banks	3,501	5,991
Loans under reverse repurchase agreements	671	50
Total loans to customers and banks	699,456	665,515

Movement in allowances for impairment losses on loans to customers and banks for the years ended 31 December 2010 and 2009 are disclosed in Note 5.

The table below summarizes the amount of loans to customers secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2010	31 December 2009
Loans collateralized by real estate	537,418	509,102
Loans collateralized by inventories	112,237	97,914
Loans collateralized by equipment	104,955	89,264
Loans collateralized by other assets	24,051	11,392
Loans collateralized by corporate guarantees	10,252	7,762
Loans collateralized by cash	4,495	5,142
Unsecured loans	7,665	6,291
	801,073	726,867
Less: allowance for impairment losses	(105,789)	(67,393)
Total loans to customers	695,284	659,474

	31 December 2010	31 December 2009
Analysis by sector:		
Individuals	273,226	256,776
Trading	169,804	150,934
Industrial construction	61,151	43,887
Manufacturing	48,200	43,743
Food industry	46,767	44,047
Residential construction	41,834	40,187
Rent of real estate	35,738	38,801
Agriculture	32,560	26,989
Oil and gas	20,940	23,011
Transportation and equipment maintenance	17,870	20,798
Telecommunications and transport	12,636	7,528
Mass media	7,055	2,451
Machinery	3,741	2,099
Financial sector	2,414	474
Metallurgy	1,379	1,210
Energy	1,053	564
Mining and production of precious metals	874	818
Other	23,831	22,550
	801,073	726,867
Less: allowance for impairment losses	(105,789)	(67,393)
Total loans to customers	695,284	659,474

Loans to individuals comprise the following products:

	31 December 2010	31 December 2009
Mortgage loans	141,767	130,317
Consumer loans	71,150	66,933
Business development	54,916	52,677
Car loans	5,393	6,849
	273,226	256,776
Less: allowance for impairment losses	(12,173)	(11,467)
Total loans to individuals	261,053	245,309

As at 31 December 2010 and 2009 the Group provided loans to 15 and 10 borrowers totaling KZT 213,069 million and KZT 134,573 million, which individually and in aggregate exceeded 10% of the Group's equity, respectively.

As at 31 December 2010 and 2009 the maximum credit risk exposure on loans to customers and banks amounted to KZT 805,245 million and KZT 732,909 million, respectively.

As at 31 December 2010 and 2009 a significant amount of loans (96% and 95% of total portfolio, respectively) were granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration in one region.

As at 31 December 2010 and 2009 loans to customers and banks included loans totaling KZT 64,611 million and KZT 57,237 million, respectively, whose terms were renegotiated. Otherwise these loans would be past due or impaired.

	31 December 2010			31 December 2009		
	Carrying value before allowance	Allowance for impairment losses	Carrying value	Carrying value before allowance	Allowance for impairment losses	Carrying value
Loans to customers individually determined to be impaired	288,821	(87,646)	201,175	217,395	(48,525)	168,870
Loans to customers collectively determined to be impaired	128,486	(18,143)	110,343	118,707	(18,868)	99,839
Unimpaired loans	383,766	-	383,766	390,765	-	390,765
Total	801,073	(105,789)	695,284	726,867	(67,393)	659,474

As at 31 December 2010 and 2009 the Group entered as a lessor into finance leasing agreements. The interest rate inherent in leases is fixed at the contract date for all of the lease terms.

The components of net investment in finance lease as at 31 December 2010 and 2009 are presented as follows:

	31 December 2010	31 December 2009
Not later than one year	2,296	2,455
From one year to five years	3,333	2,755
More than five years	7,437	7,938
Minimum lease payments	13,066	13,148
Less: unearned finance income	(5,771)	(5,259)
Net investment in finance lease	7,295	7,889
Current portion	1,704	2,455
Long-term portion	5,591	5,434
Net investment in finance lease	7,295	7,889

Fair values of assets pledged and carrying value of loans under reverse repurchase agreements as at 31 December 2010 and 2009 are presented as follows:

	31 December 2010		31 December 2009	
	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral
Bonds of the Ministry of Finance of the Republic of Kazakhstan	671	784	50	58
Total	671	784	50	58

20. OTHER ASSETS

	31 December 2010	31 December 2009
Other financial assets:		
Receivables	1,959	1,997
Accrued commission	452	427
Western Union and other wireless transfers	33	29
Travelers cheques	19	118
Other financial assets	14	13
	2,477	2,584
Less allowances for impairment losses	(315)	(955)
Total other financial assets	2,162	1,629
Other non-financial assets:		
Non-current assets held for sale	11,136	9,827
Tax settlements, other than income tax	2,097	2,516
Advances paid	1,146	1
Inventory	448	152
	14,827	12,496
Less allowances for impairment losses relating to assets held for sale	(6,451)	(6,064)
Total other non-financial assets	8,376	6,432
Total other assets	10,538	8,061

Movement in allowances for impairment losses on other assets for the years ended 31 December 2010 and 2009 are disclosed in Note 5.

As at 31 December 2010 and 2009 non-current assets held for sale are represented by assets foreclosed by the Group from non-performing borrowers. The Group expects to dispose of these assets.

21. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and other real estate	Furniture and equipment	Construction in progress	Intangible assets	Total
At initial cost					
31 December 2008	2,528	9,707	285	2,175	14,695
Additions	43	679	16,185	725	17,632
Transfers	409	245	(654)	-	-
Disposals	(8)	(193)	-	(3)	(204)
31 December 2009	2,972	10,438	15,816	2,897	32,123
Additions	82	795	1,555	879	3,311
Transfers	(59)	393	(334)	-	-
Disposals	-	(222)	-	(504)	(726)
31 December 2010	2,995	11,404	17,037	3,272	34,708
Accumulated depreciation and impairment					
31 December 2008	(54)	(3,222)	-	(589)	(3,865)
Depreciation expenses	(37)	(1,214)	-	(242)	(1,493)
Impairment loss	-	-	(5,639)	-	(5,639)
Disposals	-	153	-	3	156
31 December 2009	(91)	(4,283)	(5,639)	(828)	(10,841)
Depreciation expenses	(41)	(1,311)	-	(260)	(1,612)
Disposals	-	175	-	(16)	159
31 December 2010	(132)	(5,419)	(5,639)	(1,104)	(12,294)
Net book value					
As at 31 December 2010	2,863	5,985	11,398	2,168	22,414
As at 31 December 2009	2,881	6,155	10,177	2,069	21,282

Movement in allowances for impairment losses on property, equipment and intangible assets for the years ended 31 December 2010 and 2009 are disclosed in Note 5.

As at 31 December 2010 and 2009 construction in progress includes a building repossessed by the Group from non-performing borrower. During 2009 the Group carried out a review of the recoverable amount of this building. The review led to the recognition of an impairment loss of KZT 5,639 million, which has been recognized in the consolidated income statement for the year ended 31 December 2009. The recoverable amount of this asset has been determined on the basis of its value in use. The discount rate used in measuring value in use was 14% per annum. The Group does not consider any further impairment loss has occurred in 2010. The building is included in the segment corporate banking.

Intangible assets include software, patents and licenses.

22. DUE TO BANKS AND FINANCIAL INSTITUTIONS

	Interest rates (%)		31 December 2010	31 December 2009
	Min.	Max.		
Long-term loans due to banks and financial institutions	0.75	8.60	50,586	75,692
Loans due to international credit organizations	4.18	9.26	34,578	40,554
Subordinated loan	LIBOR +4.50	LIBOR +8.30	23,600	23,754
Perpetual debt	-	9.13	14,750	14,846
Short-term loans due to banks and financial institutions	0.75	6.00	8,950	3,780
Loans due to Government of the Republic of Kazakhstan and NBRK	1.00	7.10	548	290
Correspondent accounts of banks	-	-	207	485
Accrued interest	-	-	1,637	1,995
			134,856	161,396
Loans under repurchase agreements	0.10	0.80	12,065	29,652
Total due to banks and financial institutions			146,921	191,048

The Perpetual debt was issued by the Group with an option to repay in 2016 at face value.

During the year ended 31 December 2010, the Bank has replaced its subsidiary CenterCredit International B.V. as the issuer of previously emitted Perpetual debt.

Interest on loans due to banks is repayable either quarterly, semiannually or at the end of the term, depending on the agreed repayment schedule.

Interest on the subordinated loan is repayable semiannually, and principal is repayable at the end of the term.

In the event of bankruptcy or liquidation of the Group, repayment of all subordinated loans is subordinate to the repayments of the Group's liabilities to all other creditors.

In March 2009 the Group repaid in advance a long-term loan to a foreign financial institution and recognized a gain from the early repayment of debt of KZT 20,206 million (Note 9).

The Group is obligated to comply with financial covenants in relation to due to banks and subordinated loans. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2010 and 2009.

As at 31 December 2010, the Group had long-term loans received from International Financial Corporation, Eurasian Development Bank, European Bank for Reconstruction and Development and JSC Entrepreneurship Development Fund DAMU that individually and in aggregate exceeded 10% of the Group's equity. As at 31 December 2009, the Group had long-term loans received from International Financial Corporation, Eurasian Development Bank, European Bank for Reconstruction and Development and JSC Entrepreneurship Development Fund DAMU that individually and in aggregate exceeded 10% of the Group's equity.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2010 and 2009 are presented as follows:

	31 December 2010		**31 December 2009**	
	Carrying value of loans	**Fair value of collateral**	**Carrying value of loans**	**Fair value of collateral**
NBRK notes	12,045	12,678	29,652	31,208
Bonds of the Ministry of Finance of the Republic of Kazakhstan	20	24	-	-
Total	12,065	12,702	29,652	31,208

23. CUSTOMER AND BANKS ACCOUNTS

	31 December 2010	**31 December 2009**
Recorded at amortized cost:		
Customer accounts	777,521	661,856
Banks accounts	10,764	5,595
	788,285	667,451
Accrued interest	8,097	8,740
Total customer and banks accounts	796,382	676,191

	31 December 2010	**31 December 2009**
Time deposits	539,914	493,417
Demand deposits	237,607	168,439
	777,521	661,856
Accrued interest	7,410	8,638
Total customer accounts	784,931	670,494

As at 31 December 2010 and 2009 customer accounts totaling KZT 28,504 million and KZT 26,277 million, respectively, were due to 2 customers. This represents a significant concentration.

	31 December 2010	31 December 2009
Analysis by sector:		
Individuals	337,312	290,276
Social services	152,087	155,312
Real estate construction	72,662	42,902
Fuel	41,421	26,547
Trade	40,457	33,368
Transportation and communication	36,906	16,787
Manufacturing	23,051	24,239
Insurance	16,412	23,663
Metallurgy	12,527	11,516
Agriculture	11,734	9,440
Energy	7,898	8,832
Research and engineering	5,861	6,577
Machinery	4,656	1,861
Organization of cultural and sport events	4,336	3,968
Services to hotels and restaurants	1,789	636
Chemical	1,060	814
Recycling of secondary raw materials	232	217
Sewage and waste disposal	219	114
Other	14,311	13,425
Total customer accounts	784,931	670,494

Banks accounts as at 31 December 2010 and 2009 comprised the following:

	31 December 2010	31 December 2009
Time deposits	10,762	5,594
Demand deposits	2	1
	10,764	5,595
Accrued interest	687	102
Total banks accounts	11,451	5,697

As at 31 December 2010, the Group had long-term loans received from JSC Development Bank of Kazakhstan that individually exceeded 10% of the Group's equity.

24. DEBT SECURITIES ISSUED

	CCY	Issue date dd/mm/yy	Maturity date dd/mm/yy	Annual coupon rate %	31 December 2010	31 December 2009
International bonds	USD	02/02/2006-30/01/2007	02/02/2011-30/01/2014	8.00-8.63	107,213	108,918
Kazakhstani bonds	KZT	29/12/2004-16/05/2007	16/05/2012-27/12/2015	7.70-8.50	16,562	18,054
International bonds	KZT	20/09/2006	30/09/2011	8.25	13,999	14,041
International bonds	JPY	19/11/2007	19/11/2017	6.28	10,390	9,202
Bonds issued in Russian Federation	USD	20/11/2009-20/09/2010	19/01/2011-20/12/2012	6.25-8.50	718	284
Bonds issued in Russian Federation	RUR	25/12/2009-29/09/2010	29/12/2010-13/03/2012	6.50-14.00	371	49
Bonds issued in Russian Federation	EUR	29/09/2009-30/11/2009	29/12/2009-30/01/2010	2.25	-	13
					149,253	150,561
Accrued interest					4,638	4,393
Total debt securities issued					153,891	154,954

Interest on debt securities issued is repayable semiannually.

During the year ended 31 December 2010, the Bank has replaced its subsidiary CenterCredit International B.V. as the issuer of previously emitted international bonds in KZT and USD.

The Group is obligated to comply with financial covenants in relation to debt securities issued. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2010 and 2009.

During March 2009 the Group performed the early redemption of international bonds denominated in JPY. Par value of international bonds bought back amounted to KZT 23,100 million. As a result of the early redemption of international bonds the Group received a gain of KZT 8,247 million (Note 9).

25. OTHER LIABILITIES

	31 December 2010	31 December 2009
Other financial liabilities:		
Settlements on other transactions	3,644	1,382
Accrued commission expenses	246	361
Derivative financial instruments (Note 15)	746	27
	4,636	1,770
Other non-financial liabilities:		
Allowance for guarantees and letters of credit (Note 5)	1,050	952
Taxes payable, other than income tax	1,045	794
Other non-financial liabilities	238	-
Total other liabilities	6,969	3,516

Movement in the allowance for guarantees and letters of credit for the years ended 31 December 2010 and 2009 are disclosed in Note 5.

26. SUBORDINATED BONDS

	CCY	Issue date dd/mm/yy	Maturity date dd/mm/yy	Annual coupon rate %	31 December 2010	31 December 2009
Floating rate	KZT	24/09/2004-11/11/2008	24/09/2011-11/11/2023	7.50-9.30	28,845	30,782
Fixed rate	KZT	27/06/2008	27/06/2018	11.00	5,999	5,999
					34,844	36,781
Accrued interest					770	463
Total subordinated bonds					35,614	37,244

Interest on the subordinated bonds is repayable semiannually, and principal is repayable at the end of the term.

In the event of bankruptcy or liquidation of the Group, repayment of all subordinated bonds is subordinate to the repayments of the Group's liabilities to all other creditors.

27. SHARE CAPITAL

As at 31 December 2010 the Bank's share capital comprised the following:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(98,293,945)	(18,818)	162,437,982
Preference shares	39,249,255	-	-	39,249,255

As at 31 December 2009 the Bank's share capital comprised the following:

	Authorized share capital	Share capital authorized and not issued	Repurchased share capital	Total share capital
Ordinary shares	260,750,745	(116,216,591)	(10,030)	144,524,124
Preference shares	39,249,255	(39,184,038)	-	65,217

All ordinary shares are ranked equally, carry one vote, and have no par value.

During the year ended 31 December 2010 the Bank issued ordinary shares for the amount of KZT 5,377 million and preference shares for the amount of KZT 11,755 million. During the year ended 31 December 2009 the Bank issued ordinary shares for the amount of KZT 16 million and preference shares for the amount of KZT 20 million. Preference shares are cumulative and convertible into ordinary shares according to the decision of the Board of Directors, one preferred share can be exchanged for one ordinary share.

According to Kazakhstan legislation on joint stock companies dividends are payable on ordinary shares in the form of money or securities of the Bank on condition that the decision was made at the annual meeting of shareholders of the Bank. In accordance with Regulation of the Group dividend payments are made on the basis of financial results for the year.

Preference shares have no voting rights and are not redeemable. Preference shares have a right to receive dividends prior to common stockholders. Conversion of preferred shares is performed based on the decision of the Board of Directors. Preference shares would receive dividends in amount of KZT 0.01 per share.

	31 December 2010 Quantity	31 December 2009 Quantity
Preference shares, beginning of the year	65,217	-
Preference shares issued	39,184,038	65,217
Preference shares, end of the year	39,249,255	65,217
Common shares, beginning of the year	144,524,124	144,480,531
Common shares issued	17,922,646	53,623
Treasury shares purchased	(98,224)	(10,030)
Treasury shares sold	89,436	-
Common shares, end of the year	162,437,982	144,524,124

28. FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision.

As at 31 December 2010 and 2009 the nominal or contract amounts and risk-weighted amounts were:

	31 December 2010		31 December 2009	
	Nominal Amount	Risk weighted amount	Nominal Amount	Risk weighted amount
Contingent liabilities and credit commitments				
Guarantees issued and similar commitments	48,938	48,938	51,914	51,914
Letters of credit and other transaction related contingent obligations	8,917	1,783	10,151	2,030
Commitments on loans and unused credit lines	35	18	339	170
Total contingent liabilities and credit commitments	57,890	50,739	62,404	54,114

The table below summarizes the amounts of guarantees and similar commitments secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2010	31 December 2009
Cash deposits	21,081	16,638
Corporate guarantees	13,675	7,440
Real estate	4,146	11,973
Movables	2,009	4,390
Goods in turnover	1,650	1,652
Land	361	2,995
Goods	25	239
Other	5,991	6,587
Total	48,938	51,914

The table below summarizes the amounts of letters of credit and other transactions related to contingent obligations secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2010	31 December 2009
Goods in turnover	6,412	322
Cash deposits	1,846	4,699
Real estate	620	36
Goods	39	4,664
Movables	-	361
Unsecured	-	69
Total	8,917	10,151

Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

Capital commitments

The Group had no material commitments for capital expenditures outstanding as at 31 December 2010 and 2009.

Rental commitments

There was no material rental commitment outstanding as at 31 December 2010 and 2009.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited right of decision making with clients for management of their assets in accordance with specific criteria established by the client. The Group may be liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. The balance of the clients' funds under the management of the Group as at 31 December 2010 and 2009, including assets under trusteeship as at 31 December 2010 and 2009 are KZT 174,046 million and KZT 156,211 million, respectively.

Managed assets are not included in the consolidated statement of financial position of the Group, as these assets are not assets of the Group. The face values of the securities presented below differ from the market value of the indicated securities. Fiduciary assets are divided by face value into the following categories:

	31 December 2010	31 December 2009
Securities	168,784	149,662
Units of investment funds	3,906	4,692
Bank deposits	1,356	1,795
Investments into real estate, cars, equipment, transport and other fixed assets	-	6
Derivative financial instruments	-	3
Other assets	-	53
Total fiduciary assets	174,046	156,211

As at 31 December 2010 and 2009 assets of pension funds comprise KZT 61,401 million and KZT 54,816 million, respectively.

The Group also provides depository services to its customers. As at 31 December 2010 and 2009 the Group had customer securities totaling KZT 26,798 million and KZT 36,461 million, respectively, in its nominal holder accounts.

The Group maintains the accounting records and prepares financial statements related to the assets and results of operations of the pension and investment funds, which manages assets, other legal entities and operations with their assets, performs reconciliations with the managing company in respect of served assets in accordance with the requirements of the legislation of the Republic of Kazakhstan and rules of the FMSA.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material losses will be incurred and respectively no provision has been made in these consolidated financial statements.

Taxation

Kazakhstani commercial legislation and tax legislation of the Republic of Kazakhstan in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no provision has been made in the consolidated financial statements.

Tax periods remain open to review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

Pensions and retirement plans

Employees of the Group receive pension benefits from pension funds in accordance with the laws and regulations of the Republic of Kazakhstan and Russian Federation. As at 31 December 2010 and 2009 the Group was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

Emerging markets such as Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in the Republic of Kazakhstan and the Kazakhstan's economy in general.

Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the Republic of Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Republic of Kazakhstan. The future economic direction of the Republic of Kazakhstan is largely dependent upon economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

The global financial turmoil that has negatively affected Kazakhstan's financial and capital markets in 2008 and 2009 has receded. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment: decline in the oil and gas prices could slow or disrupt the Kazakhstan's economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

29. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2010		31 December 2009	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers and banks	5,848	805,245	6,996	732,909
- other related parties	5,807	-	6,723	-
- key management personnel of the entity or its parent	41	-	273	-
Provision for impairment losses on loans to customers and banks	(41)	(105,789)	(297)	(67,394)
- other related parties	(41)	-	(297)	-
Due to banks and financial institutions	18,493	146,921	-	191,048
- key management personnel of the entity or its parent	18,493	-	-	-
Customer and banks accounts	49,443	796,382	24,450	676,191
- key management personnel of the entity or its parent	33,172	-	18,829	-
- other related parties	16,271	-	5,621	-
Guarantees issued and similar commitment	1,541	48,938	1	51,914
- key management personnel of the entity or its parent	1,541	-	1	-

Secured and unsecured loans and guarantees are made to key management personnel of the entity and shareholders in the ordinary course of business. These loans are made on substantially the same terms, including interest rates, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavorable features.

Amounts deposited by the parent and other related parties earn interest at the same rates as those offered to the market or on the same terms and conditions applicable to other employees within the Group.

Included in the consolidated income statement for the years ended 31 December 2010 and 2009 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2010		Year ended 31 December 2009	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	419	94,792	253	111,636
- key management personnel of the entity or its parent	13	-	21	-
- other related parties	406	-	232	-
Interest expense	(6,436)	(80,047)	(3,142)	(75,251)
- key management personnel of the entity or its parent	(5,409)	-	(2,674)	-
- other related parties	(1,027)	-	(468)	-
Operating expenses	(1,162)	(23,845)	(1,169)	(20,050)
- key management plersonnel of the entity or its parent	(221)	-	(211)	-
- other related parties	(941)	-	(958)	-

Key management personnel compensation for the years ended 31 December 2010 and 2009 represent short-term employee benefits.

30. SEGMENT REPORTING

Operating segments

The Group is managed and reported on the basis of three main operating segments. The Group's segments are strategic business units that offer different products and services which are managed separately.

Retail Banking offers a range of personal banking, savings and mortgage products and services. Corporate Banking offers business banking services principally to small and midsized companies and commercial loans to larger Corporate and Commercial customers. Investment Banking consist of assets and liabilities required to support the liquidity and funding requirements of the Group, Asset and Liability Management activities, Group Capital and shared services.

The products and services offered by each segment are:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages to individuals.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products to legal entities.
- Investment banking – representing financial instruments trading, structured financing, corporate leasing, and merger and acquisitions advice.

The segment information below is presented on the basis used by the Group's chief operating decision maker to evaluate performance, in accordance with IFRS 8. The Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which do not include the effects of intercompany eliminations.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the financial position, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. All revenues and expenses are attributable only to external customers, and there are no transactions between business segments.

More specific information on the revenues from external customers for each product and service, or each group of similar products and services is not available and the cost to develop it is excessive. Hence the Group presents operating segments on the basis of three main products.
Segment information about these businesses is presented below.

	Retail banking	Corporate banking	Investment banking	Year ended 31 December 2010
Interest income	32,524	62,049	6,384	100,957
Interest expense	(28,636)	(54,621)	(2,955)	(86,212)
Provision for impairment losses on interest bearing assets	(2,606)	(35,941)	-	(38,547)
Net gain on financial assets and liabilities at fair value through profit or loss	-	-	1,382	1,382
Net realized loss on investments available-for-sale and investments impairment available-for-sale	-	-	(942)	(942)
Net gain on foreign exchange operations	941	1,410	-	2,351
Fee and commission income	3,050	12,584	124	15,758
Fee and commission expense	-	(697)	(641)	(1,338)
Other income	-	32	-	32
(Reversal of provision)/provision for impairment losses on other transactions	(336)	(758)	520	(574)
Operating income/(loss)	4,937	(15,942)	3,872	(7,133)
Operating expenses	(9,534)	(13,045)	(1,266)	(23,845)
Operating (loss)/profit before income tax	(4,597)	(28,987)	2,606	(30,978)
Income tax benefit	93	154	62	309
Net (loss)/profit	(4,504)	(28,833)	2,668	(30,669)
Segment assets**	273,442	642,567	304,694	1,220,703
Segment liabilities	338,747	560,641	240,389	1,139,777
Other segment items				
Depreciation and amortization charge on property, equipment and intangible assets	-	(1,588)	(24)	(1,612)
Loans to customers and banks	273,106	426,350	-	699,456
Property, equipment and intangible assets	2,109	20,218	87	22,414
Customer and bank accounts	338,492	457,890	-	796,382
Contingent liabilities	350	57,540	-	57,890
Capital expenditures	-	3,391	-	3,391

*- In order to reconcile to the amounts presented in the consolidated income statement, interest income, interest expense, fee and commission income and fee and commission expense include non-eliminated intercompany transactions in the amount of KZT 6,165 million, KZT (6,165) million, KZT 40 million and KZT (40) million, respectively.

**- Excluding current income tax assets and deferred income tax assets

	Retail banking	Corporate banking	Investment banking	Year ended 31 December 2009
Interest income	38,266	80,138	9,553	127,957
Interest expense	(23,429)	(66,664)	(1,479)	(91,572)
Provision for impairment losses on interest bearing assets	(9,882)	(23,058)	-	(32,940)
Net loss on financial assets and liabilities at fair value through profit or loss	-	-	(10,521)	(10,521)
Net realized loss on investments available-for-sale	-	-	(2,349)	(2,349)
Net gain on foreign exchange operations	3,278	4,916	-	8,194
Net gain from early redemption of debt	-	-	28,453	28,453
Fee and commission income	2,524	10,930	142	13,596
Fee and commission expense	-	(956)	(275)	(1,231)
Other income	20	36	-	56
Provision for impairment losses on other transactions	(3,174)	(7,407)	(1,357)	(11,938)
Operating income	7,603	(2,065)	22,167	27,705
Operating expenses	(7,676)	(10,546)	(1,828)	(20,050)
Operating (loss)/profit before income tax	(73)	(12,611)	20,339	7,655
Income tax expense	(1,261)	(2,942)	-	(4,203)
Net (loss)/profit	(1,334)	(15,553)	20,339	3,452
Segment assets**	256,650	510,886	392,557	1,160,093
Segment liabilities	289,145	364,935	408,873	1,062,953
Other segment items				
Depreciation and amortization charge on property, equipment and intangible assets	(33)	(1,416)	(44)	(1,493)
Loans to customers and banks	256,650	408,865	-	665,515
Property, equipment and intangible assets	2,212	18,381	689	21,282
Customer and bank accounts	289,145	387,046	-	676,191
Contingent liabilities	316	61,749	-	62,065
Capital expenditures	-	2,326	-	2,326

*- In order to reconcile to the amounts presented in the consolidated income statement, interest income, interest expense, fee and commission income and fee and commission expense include non-eliminated intercompany transactions in the amount of KZT 16,321 million, KZT (16,231) million, KZT 32 million and KZT (32) million, respectively.

**- Excluding current income tax assets and deferred income tax assets

Geographical segments

Segment information for the main geographical segments of the Group is set out below as at 31 December 2010 and 2009 and for the years then ended.

	Kazakhstan	Other non-OECD countries	OECD Countries	As at and for the year ended 31 December 2010
Interest income	87,799	1,186	5,807	94,792
Interest expense	(74,005)	(303)	(5,739)	(80,047)
Segment assets*	1,178,152	18,052	24,499	1,220,703
Segment liabilities	1,101,015	14,769	23,993	1,139,777
Contingent liabilities	32,790	-	25,100	57,890
Capital expenditure	3,334	57	-	3,391

	Kazakhstan	Other non-OECD countries	OECD Countries	As at and for the year ended 31 December 2009
Interest income	94,958	652	16,026	111,636
Interest expense	(59,207)	(163)	(15,881)	(75,251)
Segment assets*	980,592	12,349	167,152	1,160,093
Segment liabilities	887,158	9,204	166,591	1,062,953
Contingent liabilities	56,764	-	5,640	62,404
Capital expenditure	2,326	-	-	2,326

Interest income, interest expenses, segment assets and segment liabilities, contingent liabilities and capital expenditure have generally been allocated based on domicile of the counterparty. Tangible assets (cash on hand, precious metals, premises and equipment) have been allocated based on the country in which they are physically held.

*- Excluding current income tax assets and deferred income tax assets

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which an instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Group could realize in a market exchange from the sale of its full holdings of a particular instrument.

Due from banks, loans to customers and banks, due to banks and financial institutions, customer and banks accounts – for assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For assets and liabilities with maturity greater than one month, fair value is estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Investments held to maturity, debt securities issued and subordinated bonds – the securities are traded on active markets and quoted market prices have been used to determine the fair value.

The fair value of financial assets and liabilities that are not carried at fair value in the consolidated statement of financial position compared with the corresponding carrying value in the consolidated statement of financial position of the Group is presented below:

	31 December 2010		31 December 2009	
	Carrying value	Fair value	Carrying value	Fair value
Cash and cash equivalents	209,163	209,163	245,429	245,429
Investments held to maturity	163,812	163,357	44,166	42,685
Due from banks	1,649	1,649	700	700
Loans to customers and banks	699,456	706,530	665,515	686,754
Other financial assets	2,162	2,162	1,629	1,629
Due to banks and financial institutions	146,921	150,234	191,048	197,758
Customer and banks accounts	796,382	758,817	676,191	667,084
Debt securities issued	153,891	151,676	154,954	143,585
Subordinated bonds	35,614	34,209	37,244	32,988
Other financial liabilities	4,636	4,636	1,770	1,770

The carrying amount of cash and cash equivalents, due from banks, other financial assets and other financial liabilities approximates fair value due to short-term nature of such financial assets.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	31 December 2010				31 December 2009			
	Level 1	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	10,114	3,381	-	13,495	7,595	2,809	-	10,404
Derivative financial instruments	-	3,267	-	3,267	-	2,227	-	2,227
Foreign currency contracts								
- Swaps	-	3,048	-	3,048	-	1,807	-	1,807
- Embedded derivatives	-	218	-	218	-	209	-	209
Securities contracts								
- Swaps	-	1	-	1	-	211	-	211
Debt securities	9,799	114	-	9,913	7,595	164	-	7,759
Equity securities	315	-	-	315	-	418	-	418
Investments available-for-sale	98,926	-	1,250	100,176	162,742	-	1,794	164,536
Debt securities	98,926	-	-	98,926	162,742	-	1,616	164,358
Equity securities	-	-	1,250	1,250	-	-	178	178
Financial liabilities at fair value through profit or loss	-	746	-	746	-	27	-	27
Derivative financial instruments	-	746	-	746	-	27	-	27
Securities contracts	-	746	-	746			-	
- Swaps	-	-	-	-	-	27	-	27

There were no transfers between Level 1 and 2 in the period.

The reconciliation of Level 3 fair value measurements of financial assets is presented as follows:

	Debt securities	Unquoted equity securities
31 December 2008	-	234
Reclassification from Level 1	1,616	-
Purchases	-	30
Sale	-	(86)
31 December 2009	1,616	178
Total gains or losses:		
- in profit or loss	(770)	-
Reclassification from debt securities to equity securities	(846)	1,058
Purchases	-	42
Sale	-	(28)
31 December 2010	-	1,250

32. REGULATORY MATTERS

The following table analyzes the Group's regulatory capital resources for capital adequacy purposes:

Composition of regulatory capital	31 December 2010	31 December 2009
Tier 1		
Share capital	69,841	52,710
Retained earnings and losses on investments available-for-sale	13,307	44,091
Non-controlling interest	904	683
Total qualifying tier 1 capital	84,052	97,484
Tier 2		
Subordinated debt	42,026	48,742
Investments to companies engaged in financial activities	15,187	15,349
Investments available-for-sale fair value reserve	729	138
Total qualifying tier 2 capital	57,942	64,229
Total regulatory capital	141,994	161,713
Risk weighted assets	753,237	713,862
Tier 1 capital ratio	11.16%	13.66%
Total capital adequacy ratio	18.85%	22.65%

Quantitative measures established by the Basel Committee to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total capital adequacy (8%) and tier 1 capital (4%) to risk weighted assets.

The total capital adequacy ratio was calculated according to the principles employed by the Basel Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses.

Estimation	Description of position
0%	Cash and balances with national (central) banks
0%	State debt securities
20%	Loans and advances to banks for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

As at 31 December 2010 and 2009 the Group included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

33. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Notes 22 and 26, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board reviews the capital structure on a quarterly basis. As part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The Group's overall capital risk management policy remains unchanged from 2007.

34. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority. These processes are performed by the Credit Committees and the Group's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or Risk Management Department. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk by a borrower and a product (by industry sector, by region) are approved monthly, quarterly and annually by the Management Board, depending on the level of credit risk. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees. However, a significant portion of loans is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the statement of financial position, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets, the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. Collateral pledged is determined based on its estimated fair value on the day of origination of the loan and limited to the outstanding balance of each loan as at reporting date.

As at 31 December 2010:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	209,163	-	209,163	-	209,163
Financial assets at fair value through profit or loss	13,495	-	13,495	-	13,495
Investments available-for-sale	100,176	-	100,176	-	100,176
Investments held to maturity	164,561	-	164,561	-	164,561
Due from banks	1,649	-	1,649	-	1,649
Loans to customers and banks	805,245	-	805,245	794,079	11,166
Other financial assets	2,477	-	2,477	-	2,477
Total financial assets	1,296,766	-	1,296,766	794,079	502,687
Commitments and contingencies	57,890	-	57,890	57,855	35

As at 31 December 2009:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	245,429	-	245,429	-	245,429
Financial assets at fair value through profit or loss	10,404	-	10,404	-	10,404
Investments available-for-sale	164,536	-	164,536	-	164,536
Investments held to maturity	45,430	-	45,430	-	45,430
Due from banks	700	-	700	-	700
Loans to customers and banks	732,909	-	732,909	720,626	12,283
Other financial assets	2,584	-	2,584	-	2,584
Total financial assets	1,201,992	-	1,201,992	720,626	481,366
Commitments and contingencies	62,404	-	62,404	61,996	408

Off – balance sheet risk

The Group applies fundamentally the same risk management policies for off-balance sheet risks as it does for its on-balance sheet risks. In the case of commitments to lend, customers and counterparties will be subject to the same credit management policies as for loans and advances. Collateral may be sought depending on the strength of the counterparty and the nature of the transaction.

Collateral

The main types of collateral obtained are as follows:

- For reverse repurchase transactions – securities;
- For commercial lending, charges over real estate properties, inventory; and
- For retail lending, mortgages over residential properties.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment losses.

Renegotiated loans and advances

Loans and advances are generally renegotiated either as part of an ongoing customer relationship or in response to an adverse change in the circumstances of the borrower. In the latter case, renegotiation can result in an extension of the due date of payment or repayment plans under which the Group offers a concessionary rate of interest to genuinely distressed borrowers. This will result in the asset continuing to be overdue and will be individually impaired where the renegotiated payments of interest and principal will not recover the original carrying amount of the asset. In other cases, renegotiation will lead to a new agreement, which is treated as a new loan.

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Standard and Poors, Fitch and Moody's Investors Service. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group as at 31 December 2010 and 2009:

	AAA	**AA**	**A**	**BBB**	**<BBB**	**Not Rated**	**Total at 31 December 2010**
Cash and cash equivalents	-	58,356	72,396	46,277	4,865	27,269	209,163
Financial assets at fair value through profit or loss	1,002	-	4,366	3,511	3,819	797	13,495
Investments available-for-sale				98,007	1,972	197	100,176
Investments held to maturity	-	303	-	156,126	7,383	-	163,812
Due from banks	-	-	953	-	696	-	1,649
Loans to customers and banks	-	-	-	671	-	698,785	699,456
Other financial assets	-	-	-	-	-	2,162	2,162

	AAA	**AA**	**A**	**BBB**	**<BBB**	**Not Rated**	**Total at 31 December 2009**
Cash and cash equivalents	-	42,949	87,533	49	82,364	32,534	245,429
Financial assets at fair value through profit or loss	-	211	1,785	3,196	2,611	2,601	10,404
Investments available-for-sale	-	-	424	160,580	742	2,790	164,536
Investments held to maturity	-	306	-	36,446	7,158	256	44,166
Due from banks	-	-	-	501	-	199	700
Loans to customers and banks	-	-	-	50	-	665,465	665,515
Other financial assets	-	-	-	-	-	1,629	1,629

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities, loans to customers and inter bank deposits. With regard to the loans to customers this risk exposure is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

The Group enters into numerous transactions where the counterparties are not rated by international rating agencies. The Group has developed internal models, which allow it to determine the rating of counterparties, which are comparable to ratings of international rating agencies. These models include rating models for corporate customers and scoring models for individuals and small business.

Rating model

The Group has developed an internal rating model, based on the principles and methods used by international rating agencies for the assessment of credit risk of corporate borrowers. The rating of a corporate borrower is based on an analysis of the financial ratios of the borrower, and an analysis of the market and industry sector, in which the borrower operates. The model also takes into consideration various qualitative factors, such as management efficiency and the borrower's market share.

The application of the internal rating model results in a standardized approach in the analysis of corporate borrowers and provides a quantitative assessment of the creditworthiness of a borrower that does not have a rating from an international rating agency. The model takes into account specific local market conditions.

The quality of the internal rating model is examined on a regular basis through an assessment of both its effectiveness and validity. The Group revises the model when deficiencies are identified.

Scoring models

The Group uses scoring models as a statistical tool to assess the future creditworthiness of new and existing borrowers of the Group. Scoring models are applied for assessment of the credit risk of individuals and small business enterprises.

The scoring models interpret socio-demographic and financial indicators, behavioural variables, the credit history of borrowers and historic data from external sources, such as Credit Bureau reports. Each of the parameters inserted into scoring model has a numeric value, the sum of which represents the borrower's internal credit score (rating). The assigned score reflects the probability of default of the borrower.

The scoring models standardize and automate the process of decision making and decrease the operating expenses and operational risks of the Group. The scoring model is also used in the internal management decision making process as it permits the forecasting of profits and losses of the credit departments. The scoring model is assessed on a continual basis for its effectiveness and validity.

The Group applies internal rating and scoring methodologies to specific corporate loans and groups of retail and small business loans, which incorporate various underlying master scales that are different from that used by international rating agencies. The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan. As a result, it is not possible to make a cross-product score comparison which would agree to the outstanding balance of loans to customers per the consolidated statement of financial position. As such, more detailed information is not being presented.

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

As at 31 December 2010:

		Financial assets past due but not impaired						
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**		**Total**
						Collective	Individual	
Financial assets at fair value through profit or loss	13,495	-	-	-	-	-	-	13,495
Investments available-for-sale	100,176	-	-	-	-	-	-	100,176
Investments held to maturity	163,132	-	-	-	-	-	1,429	164,561
Due from banks	1,649	-	-	-	-	-	-	1,649
Loans to customers and banks	370,796	10,220	2,245	4,677	-	128,486	288,821	805,245
Other financial assets	2,162	-	-	-	-	-	-	2,162

As at 31 December 2009:

	Neither past due nor impaired	Financial assets past due but not impaired: 0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired: Collective	Individual	Total
Financial assets at fair value through profit or loss	10,404	-	-	-	-	-	-	10,404
Investments available-for-sale	164,536	-	-	-	-	-	-	164,536
Investments held to maturity	43,694	-	-	-	-	-	1,736	45,430
Due from banks	700	-	-	-	-	-	-	700
Loans to customers and banks	386,871	6,976	619	2,341	-	118,707	217,395	732,909
Other financial assets	1,629	-	-	-	-	-	-	1,629

Geographical concentration

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	Other non-OECD countries	OECD countries	31 December 2010 Total
FINANCIAL ASSETS				
Cash and cash equivalents	76,676	1,577	130,910	209,163
Financial assets at fair value through profit or loss	6,016	2,959	4,520	13,495
Investments available-for-sale	100,176	-	-	100,176
Investments held to maturity	163,457	52	303	163,812
Due from banks	697	-	952	1,649
Loans to customers and banks	667,884	31,499	73	699,456
Other financial assets	2,060	69	33	2,162
TOTAL FINANCIAL ASSETS	1,016,966	36,156	136,791	1,189,913
FINANCIAL LIABILITIES				
Due to banks and financial institutions	46,390	15,070	85,461	146,921
Customer and banks accounts	792,609	3,773	-	796,382
Debt securities issued	152,797	1,094	-	153,891
Other financial liabilities	3,858	37	741	4,636
Subordinated bonds	35,614	-	-	35,614
TOTAL FINANCIAL LIABILITIES	1,031,268	19,974	86,202	1,137,444
NET POSITION	(14,302)	16,182	50,589	

	Kazakhstan	Other non-OECD countries	OECD countries	31 December 2009 Total
FINANCIAL ASSETS				
Cash and cash equivalents	112,995	1,718	130,716	245,429
Financial assets at fair value through profit or loss	5,386	1,579	3,439	10,404
Investments available-for-sale	162,623	1,489	424	164,536
Investments held to maturity	43,709	151	306	44,166
Due from banks	267	-	433	700
Loans to customers and banks	634,947	30,047	521	665,515
Other financial assets	1,565	64	-	1,629
TOTAL FINANCIAL ASSETS	961,492	35,048	135,839	1,132,379
FINANCIAL LIABILITIES				
Due to banks and financial institutions	81,686	15,132	94,230	191,048
Customer and banks accounts	675,175	1,016	-	676,191
Debt securities issued	27,537	349	127,068	154,954
Other financial liabilities	1,698	34	38	1,770
Subordinated bonds	37,244	-	-	37,244
TOTAL FINANCIAL LIABILITIES	823,340	16,531	221,336	1,061,207
NET POSITION	138,152	18,517	(85,497)	

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department performs management of these risks through analysis of asset and liability maturity and performance of money market transactions for current liquidity support and cash flow optimization. The Financial Department determines the optimum structure of balance and limits on liquidity ratios. Gap-positions are approved by the Assets and Liabilities Management Committee ("ALMC"). The Financial Department performs monitoring of liquidity ratios.

This table does not reconcile to the consolidated statement of financial position as a result of property, equipment and intangible assets, current income tax assets, deferred income tax assets, other assets, deferred income tax liabilities and other liabilities being excluded.

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date. The presentation below is based upon the information provided internally to key management personnel of the entity.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
FINANCIAL ASETS								
Cash and cash equivalents	0.47%	150,936	8,480	-	-	-	-	159,416
Financial assets at fair value through profit or loss	2.78%	86	80	2,094	5,284	2,368	-	9,912
Investments available-for-sale	2.57%	4,559	32,054	32,470	17,986	11,857	-	98,926
Investments held to maturity	2.40%	10,081	71,677	65,275	14,180	2,599	-	163,812
Due from banks	1.61%	763	-	886	-	-	-	1,649
Loans to customers and banks	6.23%-10.90%	130,873	42,100	121,602	304,430	100,451	-	699,456
Total interest bearing financial assets		297,298	154,391	222,327	341,880	117,275	-	1,133,171
Cash and cash equivalents		49,747	-	-	-	-	-	49,747
Financial assets at fair value through profit or loss		-	1	1	218	3,048	315	3,583
Investments available-for-sale		-	-	-	-	-	1,250	1,250
Other financial assets		2,162	-	-	-	-	-	2,162
Total financial assets		349,207	154,392	222,328	342,098	120,323	1,565	1,189,913
FINANCIAL LIABILITIES								
Due to banks and financial Institutions	7.32%	12,820	3,141	24,267	79,198	27,288	-	146,714
Customer and banks accounts	7.64%-8.05%	49,377	41,940	166,443	297,653	4,346	-	559,759
Debt securities issued	8.16%	7,381	37,323	14,799	83,999	10,389	-	153,891
Subordinated bonds	8.38%	330	114	2,294	6,789	26,087	-	35,614
Total interest bearing financial liabilities		69,908	82,518	207,803	467,639	68,110	-	895,978
Due to banks and financial institutions		207	-	-	-	-	-	207
Customer and banks accounts		236,623	-	-	-	-	-	236,623
Other financial liabilities		3,899	-	-	737	-	-	4,636
Contingent liabilities		10,958	12,864	11,157	22,835	76	-	57,890
Total financial liabilities		321,595	95,382	218,960	491,211	68,186	-	1,195,334
Liquidity gap		27,612	59,010	3,368	(149,113)	52,137	1,565	
Interest sensitivity gap		227,390	71,873	14,524	(125,759)	49,165	-	
Cumulative interest sensitivity gap		227,390	299,263	313,787	188,028	237,193	237,193	
Cumulative interest sensitivity gap as a percentage of total financial assets		19.11%	25.15%	26.37%	15.80%	19.93%	19.93%	

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
FINANCIAL ASETS								
Cash and cash equivalents	0.42%	60,128	43,898	25	-	-	-	104,051
Financial assets at fair value through profit or loss	6.45%	1,613	3	906	4,469	545	-	7,536
Investments available-for-sale	3.05%	149,319	43	212	5,853	8,931	-	164,358
Investments held to maturity	7.42%	507	2,438	18,856	18,700	3,665	-	44,166
Due from banks	0.56%	84	501	115	-	-	-	700
Loans to customers and banks	6.30% - 14.95%	78,603	32,571	115,939	308,908	129,494	-	665,515
Total interest bearing financial assets		290,254	79,454	136,053	337,930	142,635	-	986,326
Cash and cash equivalents		141,378	-	-	-	-	-	141,378
Financial assets at fair value through profit or loss		422	-	-	420	1,608	418	2,868
Investments available-for-sale		-	-	-	-	-	178	178
Other financial assets		1,629	-	-	-	-	-	1,629
Total financial assets		433,683	79,454	136,053	338,350	144,243	596	1,132,379
FINANCIAL LIABILITIES								
Due to banks and financial institutions	5.91%	35,068	4,814	11,506	71,564	67,611	-	190,563
Customer and banks accounts	7.44%	85,968	26,638	107,803	283,633	4,300	-	508,342
Debt securities issued	7.63%	3,228	459	7,023	128,466	15,778	-	154,954
Subordinated bonds	8.54%	-	104	2,342	1,946	32,852	-	37,244
Total interest bearing financial liabilities		124,264	32,015	128,674	485,609	120,541	-	891,103
Due to banks and financial institutions		485	-	-	-	-	-	485
Customer and banks accounts		167,849	-	-	-	-	-	167,849
Other financial liabilities		1,743	-	27	-	-	-	1,770
Contingent liabilities		14,590	19,269	7,915	15,380	5,250	-	62,404
Total financial liabilities		308,931	51,284	136,616	500,989	125,791	-	1,123,611
Liquidity gap		124,752	28,170	(563)	(162,639)	18,452	596	
Interest sensitivity gap		165,990	47,439	7,379	(147,679)	22,094	-	
Cumulative interest sensitivity gap		165,990	213,429	220,808	73,129	95,223	95,223	
Cumulative interest sensitivity gap as a percentage of total financial assets		14.66%	18.85%	19.50%	6.46%	8.41%	8.41%	

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the statement of financial position under the effective interest rate method.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2010 Total
FINANCIAL LIABILITIES							
Due to banks and financial institutions	7.32%	14,768	5,492	27,087	104,591	12,131	164,069
Customer and banks accounts	7.64% -8.05%	53,569	60,275	236,965	335,933	9,522	696,264
Debt securities issued	8.16%	7,897	37,891	19,339	105,617	11,752	182,496
Subordinated bonds	8.38%	330	180	4,674	17,956	33,816	56,956
Total interest bearing financial liabilities		76,564	103,838	288,065	564,097	67,221	1,099,785
Due to banks and financial institutions		207	-	-	-	-	207
Customer and banks accounts		236,624	-	-	-	-	236,624
Other financial liabilities		3,899	-	-	737	-	4,636
Total financial liabilities		317,294	103,838	288,065	564,834	67,221	1,341,252
Derivative financial instruments		-	-	37	1,814	8,454	10,305

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2009 Total
FINANCIAL LIABILITIES							
Due to banks and financial institutions	5.91%	37,059	7,963	24,396	158,543	50,498	278,459
Customer and banks accounts	7.44%	91,809	33,502	132,496	319,715	4,820	582,342
Debt securities issued	7.63%	9,263	1,336	19,273	202,132	10,907	242,911
Subordinated bonds	8.54%	-	190	4,895	22,957	33,525	61,567
Total interest bearing financial liabilities		138,131	42,991	181,060	703,347	99,750	1,165,279
Due to banks and financial institutions		485	-	-	-	-	485
Customer and banks accounts		167,849	-	-	-	-	167,849
Other financial liabilities		1,770	-	-	-	-	1,770
Total financial liabilities		308,235	42,991	181,060	703,347	99,750	1,335,383
Derivative financial instruments		-	-	975	3,129	7,901	12,005

The timing of cash outflows has been prepared on the following basis:

Derivative financial instruments

Contractual payments for derivative financial instruments are determined based on gross settlements due to initial and final exchange of notional amounts and applicable interest rates in accordance with the terms of these financial instruments.

Prepayable liabilities

Where a financial liability can be prepaid by the counterparty, the cash outflow has been included at the earliest date on which the counterparty can require repayment regardless whether or not such early repayment results in penalty. If the repayment of financial liability is trigged by, or is subject to, specific criteria such as market price hurdles being reached, it is included at the earliest possible that the conditions could be fulfilled without considering probability of the conditions being met.

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed in 2010.

The Group is exposed to interest rate risks as entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Financial Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Group monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Interest rate sensitivity

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Financial Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The impact on profit before tax is the effect of the assumed changes in interest rate on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2010 and 2009 and the effect of revaluation instruments with fixed rates accounted at fair value. The impact on equity is the effect of the assumed changes in interest rate due to changes in retained earnings and the effect of revaluation investments available-for-sale securities with fixed rates.

Impact on profit before tax based on asset values as at 31 December 2010 and 2009:

	As at 31 December 2010		**As at 31 December 2009**	
	Interest rate +1.5%	**Interest rate -0.5%**	**Interest rate +1.5%**	**Interest rate -1.5%**
Financial assets:				
Financial assets at fair value through profit or loss	(1)	1	(116)	130
Investments available-for-sale	5	(2)	7	(7)
Investments held to maturity	98	(33)	129	(129)
Financial liabilities:				
Due to banks and financial institutions	(1,003)	334	(1,777)	1,777
Net impact on profit before tax	(901)	300	(1,757)	1,771

Impact on shareholders equity:

	As at 31 December 2010		As at 31 December 2009	
	Interest rate +1.5%	Interest rate -0.5%	Interest rate +1.5%	Interest rate -1.5%
Financial assets:				
Investments available-for-sale	(1,685)	600	(1,529)	1,649
Net impact on shareholders equity	(1,685)	600	(1,529)	1,649

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Treasury Department performs currency risk management through management of open currency position, which enables the Group to minimize losses from significant fluctuations of exchange rates of national and foreign currencies. The Financial Department determines limits on open currency positions, arbitrary positions and stop-loss. All limits and restrictions are approved by the ALMC. The Financial Department performs monitoring of the Group's currency position with the aim to match the requirements of the NBRK.

The Group's exposure to foreign currency exchange rate risk as at 31 December 2010 is presented in the table below:

	KZT	USD 1 USD = 147.50 KZT	EUR 1 EUR = 196.88 KZT	JPY 1 JPY= 1.81 KZT	Other currency	31 December 2010 Total
Financial assets						
Cash and cash equivalents	66,940	108,819	32,031	3	1,370	209,163
Financial assets at fair value through profit or loss	7,518	2,575	218	1	3,183	13,495
Investments available-for-sale	95,545	4,628	3	-	-	100,176
Investments held to maturity	163,812	-	-	-	-	163,812
Due from banks	2	1,647	-	-	-	1,649
Loans to customers and banks	397,148	281,488	11,242	-	9,578	699,456
Other financial assets	1,095	451	212	-	404	2,162
Total financial assets	732,060	399,608	43,706	4	14,535	1,189,913
Financial liabilities						
Due to banks and financial institutions	38,380	105,556	2,115	-	870	146,921
Customer and banks accounts	576,893	173,128	41,560	7	4,794	796,382
Debt securities issued	31,934	111,113	-	10,470	374	153,891
Other financial liabilities	1,560	1,699	1,306	-	71	4,636
Subordinated bonds	35,614	-	-	-	-	35,614
Total financial liabilities	684,381	391,496	44,981	10,477	6,109	1,137,444
OPEN POSITION	47,679	8,112	(1,275)	(10,473)	8,426	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2010:

	KZT	USD 1 USD = 147.50 KZT	EUR 1 EUR = 196.88 KZT	JPY 1 JPY= 1.81 KZT	Other currency	31 December 2010 Total
Accounts receivable on spot and derivative contracts	-	135	-	11,366	-	11,501
Accounts payable on spot and derivative contracts	-	(9,988)	-	-	-	(9,988)
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	-	(9,853)	-	11,366	-	1,513
TOTAL OPEN POSITION	47,679	(1,741)	(1,275)	893	8,426	

Group's exposure to foreign currency exchange rate risk as at 31 December 2009 is presented in the tables below:

	KZT	USD 1 USD = 148.46 KZT	EUR 1 EUR = 213.95 KZT	JPY 1 JPY= 1.610 KZT	Other currency	31 December 2009 Total
Financial assets						
Cash and cash equivalents	102,523	94,632	46,761	28	1,485	245,429
Financial assets at fair value through profit or loss	6,600	2,219	-	6	1,579	10,404
Investments available-for-sale	159,945	4,515	76	-	-	164,536
Investments held to maturity	44,015	151	-	-	-	44,166
Due from banks	116	584	-	-	-	700
Loans to customers and banks	314,175	337,903	10,546	-	2,891	665,515
Other financial assets	909	450	239	6	25	1,629
Total financial assets	628,283	440,454	57,622	40	5,980	1,132,379
Financial liabilities						
Due to banks and financial institutions	68,332	117,313	4,901	-	502	191,048
Customer and banks accounts	428,539	193,092	52,606	-	1,954	676,191
Debt securities issued	32,593	113,025	49	9,274	13	154,954
Other financial liabilities	1,020	6	630	-	114	1,770
Subordinated bonds	37,244	-	-	-	-	37,244
Total financial liabilities	567,728	423,436	58,186	9,274	2,583	1,061,207
OPEN POSITION	60,555	17,018	(564)	(9,234)	3,397	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2009:

	KZT	USD 1 USD = 148.46 KZT	EUR 1 EUR = 213.95 KZT	JPY 1 JPY= 1.610 KZT	Other currency	31 December 2009 Total
Accounts receivable on spot and derivative contracts	-	-	-	9,660	-	9,660
Accounts payable on spot and derivative contracts	-	(7,781)	-	-	-	(7,781)
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	-	(7,781)	-	9,660	-	1,879
TOTAL OPEN POSITION	60,555	9,237	(564)	426	3,397	

Currency risk sensitivity

The ALMC and Investment Committee controls currency risk by management of the open currency position on the estimated basis of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of the NBRK.

A VaR calculation is used to determine the Group's exposure to currency risk, and is based on statistical data for previous periods Historical VaR assuming the following:

- benchmark data – average KASE rate used by the Group to recalculate currency positions;
- length of period – one year from the calculation date (252 working days);
- confidence interval – 95%; and
- positions are assessed for each risk currency, i.e. those which are more than 5% of the Group's equity.

The aim of this method is to assess the risk of a potential negative revaluation of the Group's open currency positions in order to ensure effective management of market currency risks.

The table below indicates the currencies in which the Group had significant exposure as at 31 December 2010 and 2009 and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate with all other variables held constant on the consolidated income statement. A negative amount in the table reflects a potential net reduction in the consolidated income statement, while a positive amount reflects a net potential increase.

Impact on net profit and equity based on asset values as at 31 December 2010 and 2009:

	As at 31 December 2010		**As at 31 December 2009**	
	KZT/USD +7.0%	**KZT/USD -7.0%**	**KZT/USD +11.2%**	**KZT/USD -11.2%**
Impact on profit or loss	568	(568)	1,906	(1,906)
Change in income tax accrual	114	(114)	381	(381)
Impact on equity after tax	454	(454)	1,525	(1,525)

	As at 31 December 2010		**As at 31 December 2009**	
	KZT/EUR +8.7%	**KZT/EUR -8.7%**	**KZT/EUR +12.6%**	**KZT/EUR -12.6%**
Impact on profit or loss	(111)	111	(71)	71
Change in income tax accrual	(22)	22	(14)	14
Impact on equity after tax	(89)	89	(57)	57

	As at 31 December 2010		**As at 31 December 2009**	
	KZT/JPY +12.9%	**KZT/JPY -12.9%**	**KZT/JPY +10.9%**	**KZT/JPY -10.9%**
Impact on profit or loss	(1,356)	1,356	(1,007)	1,007
Change in income tax accrual	(271)	271	(201)	201
Impact on equity after tax	(1,085)	1,085	(806)	806

Limitations of sensitivity analysis

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

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

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

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

The table below represents an analysis of sensitivity to price risk based on the balance sheet position for investments in securities at the reporting date.

The results of the analysis of the sensitivity of the Groups profit before tax for the year to changes in prices of securities on a simplified scenario of 10% symmetrical increase or decrease in all securities prices for 2010 and 2009, respectively, are given in the table below:

	31 December 2010		**31 December 2009**	
	10% increase in equity securities price	**10% decrease in equity securities price**	**10% increase in equity securities price**	**10% decrease in equity securities price**
Impact on profit or loss before tax	34	(34)	42	(42)