JSC Kazincombank

Independent Auditor's Report and Financial Statements for the years ended 31 December 2010, 2009, 2008

JSC Kazincombank

Independent Auditor's Report and Financial Statements for the years ended 31 December 2010, 2009, 2008

BDO

CONTENTS

Statement of the Management's responsibility for the preparation of the financial statements for the years ended 31 December 2010, 2009, 2008

The Management presents the financial statements of JSC "KAZINCOMBANK" (hereinafter – "the Bank") for the years ended 31 December 2008, 2009 and 2010/

Responsibility of the Bank's Management

The Management of the Bank is responsible for preparation of the annual financial statements in accordance with the International Financial Reporting Standards (IFRSs and Interpretations) as issued by the International Accounting Standards Board.

The Management of the Bank prepares the annual financial statements that fairly present in all significant aspects the financial position of the Bank as well as profits and losses for the corresponding period.

In preparation of the financial statements the Management is responsible for:

- development and consistent applying of appropriate accounting policies;
- making prudent and reasonable accounting estimates and judgments;
- preparation of the financial statements on the assumption that the Bank will operate in the foreseeable future unless such assumption is not appropriate.

The Management of the Bank is also responsible for maintaining accounting records relevant to at any time prepare the information regarding the Banks' financial position. It is also responsible for protection of the Bank's assets and therefore for detecting and preventing of fraud and other abuses/

The Management of the Bank is responsible for designing, implementing and maintaining effective and reliable internal control in the Bank.

These financial statements are approved for issue and signed on behalf of the Board on 25 March 2011.

G.K. Zhaurova
Chairman of the Board

A.A. Dauletbekova
Chief Accountant

BDO

Tel.: +7(727) 228-14-01
228-25-81, 228-46-21
228-19-57, 299-60-12
Fax: +7(727) 250-13-04
298-27-09
audit@bdo.kz
www.bdo.kz
www.bdo.kz

Building 56 "A"
micro-region 6
Almaty city
Republic of Kazakhstan
050036

Licenses:

General State License on audit activity #0000276 issued by Ministry of Finance of RK dated 24.06.2004 (original license #0000001 AK Kazakhstanaudit was reregistered due to change of name to BDO Kazakhstanaudit).

"APPROVED"

Managing partner
General Director
BDO Kazakhstanaudit LLP

K.Kh. Koshkimbayev

АУДИТ

March 25, 2011

INDEPENDENT AUDITOR'S REPORT

To Shareholders of
KAZINCOMBANK JSC

We have audited the accompanying financial statements of KAZINCOMBANK JSC (hereinafter "the Bank"), which comprise the statement of financial position as at 31 December 2010, 2009 and 2008 and the 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 Financial Statements

Management of the Bank is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit

also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

We have not observed the inventory of cash as at 31 December 2010, 2009 and 2008 as it was prior to our appointment as the Bank's auditors. Due to the nature of this asset we were unable to check availability of cash through other audit procedures.

Qualified Opinion

In our opinion, except for the adjustments (if any) that might be required if we had checked availability of cash, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2010, 2009 and 2008 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Auditor
Qualifying Certificate #0000480 issued by Qualifying Commission of RK on attestation of auditors dated 12.10.1999

E.B. Kapayeva

JSC KAZINCOMBANK
Statement of Financial Position
31 December 2010, 2009, 2008

(in thousands of Tenge)	Note	31 December 2010	31 December 2009	31 December 2008
Assets				
Cash and cash equivalents	7	1,908,117	356,086	115,110
Due from other banks		1,770	1,782	1,450
Loans and advances to customers	8	2,855,035	1,356,941	951,734
Investment securities available for sale	9	326,299	-	-
Intangible assets	10	4,885	1,292	1,979
Fixed assets	10	608,428	589,622	554,219
Other financial assets	11	101,208	100,038	4,241
Other assets	12	25,017	1,341	1,396
Total assets		**5,830,759**	**2,407,102**	**1,630,129**
Liabilities				
Customer accounts	13	1,976,536	281,294	90,114
Subordinated debt	14	-	16,000	-
Deferred income tax liability	22	73,192	53,027	46,275
Current income tax liability		8,304	450	-
Other financial liabilities	15	9,475	2,547	2,447
Other liabilities	16	7,812	4,121	3,301
Total liabilities		**2,075,319**	**357,439**	**142,137**
Equity				
Share capital	17	3,322,900	1,647,900	1,142,900
Retained earnings		109,317	87,193	63,877
Other reserves/funds		323,223	314,570	281,215
Total equity		**3,755,440**	**2,049,663**	**1,487,992**
Total liabilities and equity		**5,830,759**	**2,407,102**	**1,630,129**

Approved for issue and signed on behalf of the Board on 25 March 2011.

G.K. Zhaurova
Chairman of the Board

A.A. Dauletbekova
Chief Accountant

The notes set out on pages 11 to 64 form an integral part of these financial statements.

JSC KAZINCOMBANK
Statement of Comprehensive Income
31 December 2010, 2009, 2008

(in thousands of Tenge)	Note	31 December 2010	31 December 2009	31 December 2008
Interest income	19	301,158	195,048	182,089
Interest expense	19	(2,652)	(313)	(443)
Net interest income		**298,506**	**194,735**	**181,646**
(Provision for)/recovery of loan and finance lease impairment	8	(7,675)	(11,944)	19,699
Net interest (expense)/income after provision for loan and finance lease impairment		**290,831**	**182,791**	**201,345**
Fee and commission income	20	61,782	29,243	24,287
Fee and commission expense	20	(5,011)	(5,513)	(4,542)
Gains less losses from trading in foreign currencies		8,750	5,778	5,797
Foreign exchange translation gains less losses		(309)	1,895	612
(Provision for)/recovery of credit related commitments		170	(118)	16
Other operating income		885	402	166
Administrative and other operating expenses	21	(294,583)	(189,119)	(209,152)
Profit before tax		**62,515**	**25,359**	**18,529**
Income tax (expense)/economy	22	(20,221)	(4,195)	10,200
Profit for the year		**42,294**	**21,164**	**28,729**
Other comprehensive income:				
Available-for-sale investments:				
- Gains less losses arising during the year		61	-	-
Revaluation of fixed assets, net of deferred income tax		-	33,839	-
Change in deferred tax due to change in tax rates		(11,578)	1,668	30,042
Other comprehensive income/(loss) for the year		(11,517)	35,507	30,042
Total comprehensive income for the year		**30,777**	**56,671**	**58,771**
Based and diluted earnings per share on the profit attributable to Bank's owners (tenge per share)		**215**	**167**	**251**
Weighted average number of shares		**196,401**	**126,915**	**114,290**

Approved for issue and signed on behalf of the Board on 25 March 2011.

G.K. Zhaurova
Chairman of the Board

A.A. Dauletbekova
Chief Accountant

(in thousands of Tenge)	Note	Share capital	Reserve capital	Revaluation reserve for fixed assets	Revaluation reserve for available for sale investments	Retained earnings	Total
Balance at 31 December 2007		**1,142,900**	**31,502**	**221,823**	**-**	**32,996**	**1,429,221**
Total comprehensive income for 2008							
Profit for the year		-	-	-	-	28,729	28,729
Other comprehensive income							
Fixed assets:							
- Change in deferred tax due to changes in tax rates	22	-	-	30,042	-	-	30,042
Total comprehensive income		**-**	**-**	**30,042**	**-**	**28,729**	**58,771**
Fixed assets:							
- Transfer to retain earning realised revaluation reserve		-	-	(2,152)	-	2,152	-
Balance at 31 December 2008		**1,142,900**	**31,502**	**249,713**	**-**	**63,877**	**1,487,992**
Total comprehensive income for 2009							
Profit for the year		-	-	-	-	21,164	21,164
Other comprehensive income							
Fixed assets:							
- Revaluation		-	-	33,839	-	-	33,839
- Change in deferred tax due to change in tax rates	22	-	-	1,668	-	-	1,668
Total comprehensive income		**-**	**-**	**35,507**	**-**	**21,164**	**56,671**
Shares issue	17	505,000	-	-	-	-	505,000
Fixed assets:							
- Transfer to retain earning from realised revaluation reserve		-	-	(2,152)	-	2,152	-
Balance at 31 December 2009		**1,647,900**	**31,502**	**283,068**	**-**	**87,193**	**2,049,663**

(in thousands of Tenge)	Note	Share capital	Reserve capital	Revaluation reserve for fixed assets	Revaluation reserve for available for sale investments	Retained earnings	Total
Balance at 31 December 2009		**1,647,900**	**31,502**	**283,068**	**-**	**87,193**	**2,049,663**
Total comprehensive income for 2010							
Profit for the year		-	-	-	-	42,294	42,294
Other comprehensive income							
Available for sale investments:							
- Fair value gains less losses	9	-	-	-	61	-	61
Fixed assets:							
- Change in deferred tax due to change in tax rates	22	-	-	(11,578)	-	-	(11,578)
Total comprehensive income		**-**	**-**	**(11,578)**	**61**	**42,294**	**30,777**
Shares issue		1,675,000	-	-	-	-	1,675,000
Formation of statutory reserve	18	-	22,730	-	-	(22,730)	-
Fixed assets:							
- Transfer to retain earning from realised revaluation reserve		-	-	(2,560)	-	2,560	-
Balance at 31 December 2010		**3,322,900**	**54,232**	**268,930**	**61**	**109,317**	**3,755,440**

Approved for issue and signed on behalf of the Board on 25 March 2011.

G.K. Zhaurova
Chairman of the Board

A.A. Dauletbekova
Chief Accountant

The notes set out on pages 11 to 64 form an integral part of these financial statements.

JSC KAZINCOMBANK
Statement of Cash Flows
31 December 2010, 2009, 2008

(in thousands of Tenge)	Note	31 December 2010	31 December 2009	31 December 2008
Cash flows from operating activities				
Interest received		183,836	276,623	111,894
Interest paid		(570)	(144)	(613)
Fees and commissions received		61,782	29,243	24,287
Fees and commissions paid		(987)	(5,442)	(4,489)
Income received from trading in foreign currencies		8,750	5,778	5,797
Other operating income received		885	402	166
Staff costs paid		(190,138)	(119,978)	(142,140)
Administrative and other operating expenses paid		(109,183)	(53,698)	(50,786)
Income tax paid		(3,780)	(2,760)	(4,783)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities		**(49,405)**	**130,024**	**(60,667)**
Changes in operating assets and liabilities				
Net decrease/(increase) in due from other banks		182	(451)	(1,433)
Net decrease in loans and advances to customers		(1,390,198)	(498,725)	113,699
Net (increase)/decrease in other financial assets		(1,170)	(95,797)	3,034
Net (increase)/decrease in other assets		(1,751)	(4,310)	(2,983)
Net increase in customer accounts		1,692,662	194,944	(112,763)
Net cash from/(used in) operating activities		**250,320**	**(274,315)**	**(61,113)**
Cash flows from investing activities				
Acquisition of investment securities available for sale		(324,487)	-	-
Acquisition of fixed assets	10	(28,431)	(3,502)	(1,544)
Acquisition of intangible assets	10	(4,560)	(169)	(865)
Net cash used in investing activities		**(357,478)**	**(3,671)**	**(2,409)**
Cash flows from financing activities				
Shares issuance		1,675,000	505,000	-
Subordinated debt		(16,000)	16,000	-
Net cash from financing activities		**1,659,000**	**521,000**	**-**
Effect of exchange rate changes on cash and cash equivalents		**189**	**(2,038)**	**14**
Net increase in cash and cash equivalents		**1,552,031**	**240,976**	**(63,508)**
Cash and cash equivalents at the beginning of the year	7	356,086	115,110	178,618
Cash and cash equivalents at the end of the year		**1,908,117**	**356,086**	**115,110**

Approved for issue and signed on behalf of the Board on 25 March 2011.

G.K. Zhaurova
Chairman of the Board

A.A. Dauletbekova
Chief Accountant

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2010 for JSC KAZINCOMBANK (the "Bank"). In addition there are comparative figures for 2009 and 2008.

The Bank was established as commercial bank and as a joint stock company and was set up in accordance with the requirements of the legislation of the Republic of Kazakhstan. The Bank registered and is domiciled in the Republic of Kazakhstan.

The Bank works since March 1992 and was established as private bank "Meken". In April 1996 the Bank was reorganised in closed joint stock company "Alash". In May 2005 the Bank was reregistered in joint stock company in accordance with the requirements of the legislation of the Republic of Kazakhstan. On 22 August 2005 the Bank was renamed as JSC "Kazakhstan Innovational Commercial Bank" or JSC "KAZINCOMBANK".

As at 31 December 2010, 2009 and 2008 the Bank had the following shareholders:

	2010	**2009**	**2008**
Shareholder	**Share ,%**	**Share ,%**	**Share ,%**
JSC Temirtauskiy Electrometallurgicheskiy Kombinat	31.69 %	63.90 %	92.13 %
Yelgeldin Zhumazhan Maidanovich	7.57 %	-	-
Yermembetov Azat Shinasilovich	7.57 %	-	-
Velton Ltd	7.45 %	-	-
Intertrans C.A. Ltd	7.40 %	-	-
Alemtradingcommerc Ltd	7.34 %	-	-
Mukhazhanov Rustem Muratovich	7.05 %	-	-
Lyukhudzyaev Farid	6.03 %	-	-
Aksanova Zhanar Erstovna	3.91 %	-	-
Aliyarova Adina Yesenzholovna	3.91 %	-	-
Nurlanuly Damir	3.76 %	-	-
Niyazov Rustam Abduganievich	3.61 %	30.65 %	-
Committee of State property and privatization of Ministry of finance RK	2.11%	4.25 %	6.12 %
Mukhamed\yarov Temirkhan Zhalgasovich	0.26 %	0.53 %	0.76 %
Safin Emil Bulatovich	0.17 %	0.34 %	0.50 %
Safina Khalima Abdrakhmanova	0.17 %	0.33 %	0.49 %
Total	**100 %**	**100 %**	**100 %**

The owner of JSC Temirtauskiy Electrometallurgicheskiy Kombinat is the Committee of State property and privatization of Ministry of finance RK with the share 89.9999% in 2010, 2009 and 2008.

Principal activity. The Bank's principal business activity is commercial and retail banking operations within the Republic of Kazakhstan. The Bank has operated under a full banking license reissued by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "Agency") on 1 October 2010.

The Bank has its main office located in Karaganda and operates through branches in Karaganda (since July 1997), in Shimkent (since May 2010) and in Almaty (since December 2010). The average number of the Bank's employees during the year was 77 (2009: 56; 2008:53).

Registered address and place of business. The Bank's registered address is:

Karaganda, Bukhar Zhyrau street, 47.
The Republic of Kazakhstan.

1 Introduction (continued)

Presentation currency. These financial statements are presented in thousands of Kazakhstani Tenge ("Tenge").

2 Operating Environment of the Bank

Whilst there have been improvements in recent years in the economic situation in the Republic of Kazakhstan, the economy of Kazakhstan continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, a low level of liquidity in the public and private debt and equity markets and lack of market conformity and transparency.

Additionally, the banking sector in Kazakhstan is particularly impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. These prospects for future economic stability in Kazakhstan in 2011-2012 are largely dependent upon the effectiveness of a range of measures undertaken by the Government. There remains the possibility of unpredictable changes in the financial and economic environment that may have an adverse effect on the Bank's operations.

It is unable to predict all developments which could have an impact on the banking sector and the wider economy and consequently what effect, if any, they could have on the future financial position of the Bank. The amount of provision for impaired loans is based on management's appraisals of these assets at the end of the reporting period after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

The Bank's borrowers were adversely affected by the financial and economic environment, which in turn has had an impact on their ability to repay the amounts owed. Deteriorating economic conditions for borrowers were reflected in revised estimates of expected future cash flows in impairment assessments.

The market in Kazakhstan for many types of collateral, especially real estate, has been severely affected by the volatile global financial markets, resulting in a low level of liquidity for certain types of assets. As a result, the actual realisable value on future foreclosure may differ from the value ascribed in estimating allowances for impairment.

It is unable to reliably determine the effects on the Bank's future financial position of any potential further deterioration in the liquidity of the financial markets and the increased volatility in the currency and equity markets. Management believes it is taking all the necessary measures to support the sustainability and development of the Bank's business in the current circumstances.

3 Summary of Significant Accounting Policies

Basis of Preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, revaluation of fixed assets, assets held for sale and available-for-sale financial assets. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going concern. Management prepared these financial statements on a going concern basis. In making this judgment management considered the Bank's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent financial crisis on future operations of the Bank.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

3 Summary of Significant Accounting Policies (continued)

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Valuation techniques such as discounted cash flows models or models based on recent arms length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes *transaction costs*. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset t o market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Initial recognition of financial instruments. Derivatives are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

3 Summary of Significant Accounting Policies (continued)

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Bank commits to deliver a financial asset. All other purchases are recognised on the date when the Bank becomes a contractual party of the agreement related to such financial instrument.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include mandatory reserve deposits with the National Bank of Republic of Kazakhstan (hereinafter "NBRK") and all interbank placements and short-term NBRK notes with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Reserve assets required to cover minimal reserve requirements. Reserve assets required to cover minimal reserve requirements with the NBRK represent non-interest bearing deposits which are available to finance the Bank's day to day operations and hence are considered as part of cash and cash equivalents for the purposes of the statement of cash flow.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost.

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

When impaired financial assets are renegotiated and the renegotiated terms and conditions differ substantially from the previous terms, the new asset is initially recognised at its fair value.

Impairment of financial assets carried at amortised cost. Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The primary factors that the Bank considers whether a financial asset is impaired is its overdue status and realisability of related collateral, if any. The following other principal criteria are also used to determine that there is objective evidence that an impairment loss has occurred:

- any instalment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by borrower's financial information that the bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- the value of collateral significantly decreases as a result of deteriorating market conditions.

Impairment losses are always recognised through an allowance account to write down the asset's carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the original effective interest rate of the asset. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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 recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss for the year.

3 Summary of Significant Accounting Policies (continued)

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to fully or partially recover the asset have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to impairment loss account in profit or loss for the year.

Credit related commitments. The Bank enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment. At each balance sheet date, the commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at reporting date.

Investment securities available for sale. This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Bank classifies investments as available for sale at initial recognition.

Investment securities available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss for the year. Dividends on available-for-sale equity instruments are recognised in profit or loss for the year when the Bank's right to receive payment is established and it is probable that the dividends will be collected. All other elements of changes in the fair value are deferred in other comprehensive income until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed from other comprehensive income to profit or loss.

Impairment losses are recognised in profit or loss for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss for the year – is removed from other comprehensive income to profit or loss for the year. Impairment losses on equity instruments are not reversed and any subsequent gains are recognized in other comprehensive income. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss for the year.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements") which effectively provide a lender's return to the counterparty are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds.

Securities purchased under agreements to resell ("reverse repo agreements") which effectively provide a lender's return to the Bank are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

3 Summary of Significant Accounting Policies (continued)

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Fixed assets. Fixed assets are stated at cost, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises of the Bank are subject to revaluation with sufficient frequency to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation surplus in equity; all other decreases are charged to profit and loss for the year. The revaluation reserve for fixed assets included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Bank. In the latter case, the amount of the surplus realised is the difference between depreciation based on the revaluated carrying amount of the asset and depreciation based on the asset's original cost.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of fixed assets items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of fixed assets. If any such indication exists management estimates the recoverable amount, which is determined as the higher of an asset fair value less cost to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year, to the extend it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expense).

Depreciation. Land is not depreciated. Depreciation on other items of fixed assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful lives as follows:

	Useful life
Premises	100 years
Computer Equipment	5 years
Other assets	2-14 years

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets. All of the Bank's intangible assets have definite useful life and primarily include capitalised computer software.

3 Summary of Significant Accounting Policies (continued)

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of five years.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss for the year (rental expense) on a straight-line basis over the period of the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the reporting date. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit.

Deferred tax assets and liabilities are measured at tax rates enacted or substantively enacted at the reporting date which are expected to apply to the period when the temporary differences will reverse or the deferred tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Provisions for liabilities and charges. Provisions for liabilities and charges are liabilities of uncertain timing or amount. Provisions are recorded in the financial statements, when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

3 Summary of Significant Accounting Policies (continued)

Income and expense recognition. Interest income and expense are recorded for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, (for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents). Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, and which are earned on execution of the underlying transaction, are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the Bank operates. The Bank's functional currency and presentation currency is the national currency of the Republic of Kazakhstan, Tenge ("Tenge").

Monetary assets and liabilities are translated into bank's functional currency at the official exchange rate of the NBRK at the respective reporting date. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into bank's functional currency at year-end official exchange rates of the NBRK are recognised in profit or loss for the year. Translation at year-end rates does not apply to non-monetary items that are measured at historical costs. Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.

At 31 December 2010 the principal rate of exchange used for translating foreign currency balances was USD 1 = Tenge 147.5 (2009: USD 1 = Tenge 148.46 2008: USD 1 = Tenge 120.79), Euro 1 = Tenge 196.88 (2009: Euro 1 = Tenge 213.95; 2008: Euro 1 =170.24 Tenge).

Fiduciary assets. Assets held by the Bank in its own name, but on the account of third parties, are not reported in the statement of financial position. Commissions received from fiduciary activities are shown in fee and commission income.

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Earning per share. Earning per share are determined by dividing the profit or loss attributable to owners of the Bank by the weighted average number of participating share outstanding during the reporting year.

3 Summary of Significant Accounting Policies (continued)

Staff costs and related contributions. Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Bank. The Bank has no legal or constructive obligation to make pension or similar benefit payments beyond payments to the statutory defined contribution scheme.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the profit or loss for the year, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or 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 portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Reversals of impairment provisions. The Bank reversed loan impairment provisions of Tenge 385 thousand (2009: Tenge 197 thousand; 2008: Tenge 19 thousand) primarily as a result of the financial condition of its borrowers and repayment of borrowings.

Tax legislation. Kazakhstani tax, currency and customs legislation is subject to varying interpretations. Refer to Notes 22 and 26.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IAS 39 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 29.

Valuation of premises. Property occupied by the Bank is stated at fair value based on reports prepared by a local valuation company. Due to the nature of the premises, the fair value of the property is estimated based on market approach, which considers demand and supply principle as well as substitution principle. For market approach applying information about similar properties (which comparable by usage, size and location) deals (concluded in similar conditions, such as time and term of payment) is necessary.

Using the method of market approach estimation of fair value is based on sales comparison approach. The method of sales comparison approach considers analysis of recent sales and prices of similar properties for estimation the most probable sale price.

5 Adoption of New or Revised Standards and Interpretations

(a) Standards effective for annual periods beginning on or after 1 January 2010

The following new standards and interpretations became effective for the Group from 1 January 2010.

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets should be recognised in profit or loss when the entity settles the dividend payable. IFRIC 17 did not have an impact on the Bank's financial statements.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 did not have an impact on the Bank's financial statements.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the previous standard required the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary has to be measured at its fair value. Bank believes that this revised standard did not have an impact on the Bank's financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure non-controlling interests using the previous IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer has to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer has to recognise a liability for any contingent purchase consideration at the acquisition date. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. The revised IFRS 3 did not have a material impact on these financial statements.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The amendments did not have a material impact on these financial statements.

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009).

5 Adoption of New or Revised Standards and Interpretations (continued)

The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment did not have a material impact on these financial statements.

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The revised standard did not have a material impact on these financial statements.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments did not have a material impact on these financial statements.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. In addition, the amendments clarifying classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary published as part of the Annual Improvements to International Financial Reporting Standards, which were issued in May 2008, are effective for annual periods beginning on or after 1 July 2009. The amendments did not have a material impact on these financial statements.

Unless otherwise stated above, the amendments and interpretations did not have any significant effect on the Group's consolidated financial statements.

(b) Amendments to standards adopted before their effective date

The Bank adopted the amendment to IAS 1, *Presentation of Financial Statements*, which was issued in May 2010 as part of the Annual Improvements to International Financial Reporting Standards. The amendment clarifies the requirements for the presentation and content of the statement of changes in equity. Reconciliation between the carrying amount at the beginning and the end of the period for each component of equity must be presented in the statement of changes in equity, but its content is simplified by allowing an analysis of other comprehensive income by item for each component of equity to be presented in the notes.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Bank's accounting periods beginning on or after 1 January 2011 or later periods and which the Bank has not early adopted:

Classification of Rights Issues - Amendment to IAS 32 (issued on 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Bank does not expect the amendments to have any material effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. The Bank does not expect the amendments to have any material effect on its financial statements.

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). This IFRIC clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in profit or loss based on the fair value of the equity instruments compared to the carrying amount of the debt. The Bank does not expect IFRIC 19 to have any material effect on its financial statements.

Prepayments of a Minimum Funding Requirement – Amendment to IFRIC 14 (effective for annual periods beginning on or after 1 January 2011). This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 related to voluntary pension prepayments when there is a minimum funding requirement. The Bank does not expect the amendments to have any material effect on its financial statements.

Limited exemption from comparative IFRS 7 disclosures for first-time adopters - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 July 2010). Existing IFRS preparers were granted relief from presenting comparative information for the new disclosures required by the March 2009 amendments to IFRS 7, *Financial Instruments: Disclosures*. This amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendment to IFRS 7. The Bank does not expect the amendments to have any effect on its financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 issued in November 2009 replaces those parts of IAS 39 relating to the classification and measurement of financial assets. IFRS 9 was further amended in October 2010 to address the classification and measurement of financial liabilities. Key features of the standard are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.

6 New Accounting Pronouncements (continued)

- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated as at fair value through profit or loss in other comprehensive income.

While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted. The Bank is considering the implications of the standard, the impact on the Bank and the timing of its adoption by the Bank.

Disclosures—Transfers of Financial Assets – Amendments to IFRS 7 (issued in October 2010 and effective for annual periods beginning on or after 1 July 2011.). The amendment requires additional disclosures in respect of risk exposures arising from transferred financial assets. The amendment includes a requirement to disclose by class of asset the nature, carrying amount and a description of the risks and rewards of financial assets that have been transferred to another party yet remain on the entity's balance sheet. Disclosures are also required to enable a user to understand the amount of any associated liabilities, and the relationship between the financial assets and associated liabilities. Where financial assets have been derecognised but the entity is still exposed to certain risks and rewards associated with the transferred asset, additional disclosure is required to enable the effects of those risks to be understood. The amendment is not expected to have any impact on the Bank's financial statements.

Improvements to International Financial Reporting Standards (issued in May 2010 and effective from 1 January 2011). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: IFRS 1 was amended (i) to allow previous GAAP carrying value to be used as deemed cost of an item of property, plant and equipment or an intangible asset if that item was used in operations subject to rate regulation, (ii) to allow an event driven revaluation to be used as deemed cost of property, plant and equipment even if the revaluation occurs during a period covered by the first IFRS financial statements and (iii) to require a first-time adopter to explain changes in accounting policies or in the IFRS 1 exemptions between its first IFRS interim report and its first IFRS financial statements; IFRS 3 was amended (i) to require measurement at fair value (unless another measurement basis is required by other IFRS standards) of non-controlling interests that are not present ownership interest or do not entitle the holder to a proportionate share of net assets in the event of liquidation, (ii) to provide guidance on acquiree's share-based payment arrangements that were not replaced or were voluntarily replaced as a result of a business combination and (iii) to clarify that the contingent considerations from business combinations that occurred before the effective date of revised IFRS 3 (issued in January 2008) will be accounted for in accordance with the guidance in the previous version of IFRS 3; IFRS 7 was amended to clarify certain disclosure requirements, in particular (i) by adding an explicit emphasis on the interaction between qualitative and quantitative disclosures about the nature and extent of financial risks, (ii) by removing the requirement to disclose carrying amount of renegotiated financial assets that would otherwise be past due or impaired, (iii) by replacing the requirement to disclose fair value of collateral by a more general requirement to disclose its financial effect, and (iv) by clarifying that an entity should disclose the amount of foreclosed collateral held at the reporting date and not the amount obtained during the reporting period; IAS 27 was amended by clarifying the transition rules for amendments to IAS 21, 28 and 31 made by the revised IAS 27 (as amended in January 2008); IAS 34 was amended to add additional examples of significant events and transactions requiring disclosure in a condensed interim financial report, including transfers between the levels of fair value hierarchy, changes in classification of financial assets or changes in business or economic environment that affect the fair values of the entity's financial instruments; and IFRIC 13 was amended to clarify measurement of fair value of award credits.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Bank's financial statements.

7 Cash and Cash Equivalents

(in thousands of Tenge)	31 December 2010	31 December 2009	31 December 2008
Cash on hand	70,960	32,227	33,123
Cash balances with the NBRK (other than mandatory reserve deposits)	1,806,759	264,087	78,527
Mandatory cash balances with NBRK	29,628	4,222	1,804
Correspondent accounts with other banks	770	5,854	1,706
NBRK notes with maturity less than three months	-	49,875	-
Provision for correspondent accounts with other banks impairment	-	(179)	(50)
Total cash and cash equivalents	**1,908,117**	**356,086**	**115,110**

NBRK notes for the amount of Tenge 49,875 thousand will mature in February 2010.

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings as follows at 31 December 2010.

(in thousands of Tenge)	Cash balances with the NBRK, including mandatory reserves	Correspondent accounts with other banks	Total
Neither past due nor impaired			
Cash balances with the NBRK	1,836,387	-	1,836,387
- B- to Baa	-	770	770
Total cash and cash equivalents, excluding cash on hand	**1,836,387**	**770**	**1,837,157**

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings as follows at 31 December 2009.

(in thousands of Tenge)	Cash balances with the NBRK, including mandatory reserves	Correspondent accounts with other banks	NBRK notes with maturity less than three months	Total
Neither past due nor impaired				
Cash balances with the NBRK	268,309	-	49,875	318,184
- B- to Baa	-	5,675	-	5,675
Total cash and cash equivalents, excluding cash on hand	**268,309**	**5,675**	**49,875**	**323,859**

7 Cash and Cash Equivalents (continued)

The credit quality of cash and cash equivalents balances may be summarised based on Moody's ratings as follows at 31 December 2008.

(in thousands of Tenge)	**Cash balances with the NBRK, including mandatory reserves**	**Correspondent accounts with other banks**	**Total**
Neither past due nor impaired			
Cash balances with the NBRK	80,331	-	80,331
- B- to Baa	-	1,656	1,656
Total cash and cash equivalents, excluding cash on hand	**80,331**	**1,656**	**81,987**

Interest rate analysis of cash and cash equivalents is disclosed in Note 24. The information on related party balances is disclosed in Note 29. Fair value of cash and cash equivalents is disclosed in Note 27.

8 Loans and Advances to Customers

(in thousands of Tenge)	**31 December 2010**	**31 December 2009**	**31 December 2008**
Corporate loans	2,840,753	1,371,180	962,459
Loans to individuals	83,729	47,148	38,521
Gross loans and advances to customers	**2,924,482**	**1,418,328**	**1,000,980**
Less: Provision for loan impairment	(69,447)	(61,387)	(49,246)
Total loans and advances to customers	**2,855,035**	**1,356,941**	**951,734**

Movements in the provision for loan impairment during 2010, 2009 and 2008 are as follows:

(in thousands of Tenge)	**Corporate loans**	**Loans to individuals**	**Total**
Provision for loan impairment at 1 January 2010	**(57,991)**	**(3,396)**	**(61,387)**
Provision for loan impairment created during the year	(134,189)	(2,438)	(136,627)
Recovery of provision for loan impairment during the year	123,747	5,205	128,952
Recovery of provision for loans previously classified as impaired	-	(385)	(385)
Provision for loan impairment at 31 December 2010	**(68,433)**	**(1,014)**	**(69,447)**

The provision for impairment during 2010 differs from the amount presented in profit or loss for the year due to tenge 385 thousand recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

8 Loans and Advances to Customers (continued)

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Provision for loan impairment at 1 January 2009	**(48,834)**	**(412)**	**(49,246)**
Provision for loan impairment created during the year	(51,618)	(3,560)	(55,178)
Recovery of provision for loan impairment during the year	42,461	773	43,234
Recovery of provision for loans previously classified as impaired	-	(197)	(197)
Provision for loan impairment at 31 December 2009	**(57,991)**	**(3,396)**	**(61,387)**

The provision for impairment during 2009 differs from the amount presented in profit or loss for the year due to Tenge 197 thousand recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Provision for loan impairment at 1 January 2008	**(140,732)**	**(261)**	**(140,993)**
Provision for loan impairment created during the year	(87,925)	(721)	(88,646)
Recovery of provision for loan impairment during the year	108,323	22	108,345
Amounts written off during the year as uncollectible	71,500	567	72,067
Recovery of provision for loans previously classified as impaired	-	(19)	(19)
Provision for loan impairment at 31 December 2008	**(48,834)**	**(412)**	**(49,246)**

The provision for impairment during 2008 differs from the amount presented in profit or loss for the year due to Tenge 20 thousand recovery of amounts previously written off as uncollectible. The amount of the recovery was credited directly to the provisions line in profit or loss for the year.

АУДИТОРСКИХ ОТЧЁТОВ

8 Loans and Advances to Customers (continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

(in thousands of Tenge)	31 December 2010 Amount	%	31 December 2009 Amount	%	31 December 2008 Amount	%
Wholesale trade	1,825,781	62%	1,033,711	73%	658,220	66%
Mining	304,359	10%	181,872	13%	132,156	13%
Construction	266,880	9%	-	-	823	-
Crude oil and natural gas production	192,371	7%	-	-	-	-
Services providing	183,139	6%	-	-	-	-
Individuals	83,729	3%	44,701	3%	38,521	4%
Non-metallic mineral production	20,013	1%	-	-	-	-
Electricity production and transfer	20,009	1%	-	-	-	-
Computers	16,772	1%	-	-	-	-
Research and development	6,934	-	155,597	11%	171,260	17%
Furniture and other production	3,010	-	-	-	-	-
Metallic production	1,485	-	-	-	-	-
Retail trade	-	-	2,447	-	-	-
Total loans and advances to customers (before impairment)	**2,924,482**	**100%**	**1,418,328**	**100%**	**1,000,980**	**100%**

At 31 December 2010 the Bank had 15 borrowers (31 December 2009: 6 borrowers; 31 December 2008: 6 borrowers) with aggregated amount of issued loans to each borrower above Tenge 50,000 thousand. The total aggregate amount of these loans was Tenge 2,442,801 thousand (31 December 2009: Tenge 1,367,389 thousand; 31 December 2008: Tenge 961,917 thousand) or 83.5 percent of the gross loan portfolio (31 December 2009: 96.4 percent: 31 December 2008: 96.1 percent).

Information about collateral at 31 December 2010 is as follows:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Unsecured loans	**30,009**		**30,009**
Loans collateralised by:			
- equipment	1,008,907	-	1,008,907
- inventory	925,188	-	925,188
- real estate	424,255	48,702	472,957
- third party guarantees	392,384	30,699	423,083
- cash deposits	16,772	-	16,772
- other	43,238	4,328	47,566
Total loans and advances to customers	**2,840,753**	**83,729**	**2,924,482**

8 Loans and Advances to Customers (continued)

Information about collateral at 31 December 2009 is as follows:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Unsecured loans	-	-	-
Loans collateralised by:			
- equipment	711,843	-	711,843
- inventory	659,337	-	659,337
- real estate	-	26,780	26,780
- third party guarantees	-	13,924	13,924
- other	-	6,444	6,444
Total loans and advances to customers	**1,371,180**	**47,148**	**1,418,328**

Information about collateral at 31 December 2008 is as follows:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Loans collateralised by:			
- equipment	432,596	-	432,596
- inventory	409,977	-	409,977
- real estate	-	30,321	30,321
- third party guarantees	-	5,696	5,696
- other	119,886	2,504	122,390
Total loans and advances to customers	**962,459**	**38,521**	**1,000,980**

8 Loans and Advances to Customers (continued)

Analysis by credit quality of loans outstanding at 31 December 2010 is as follows::

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Current and not impaired			
- Loans to medium size entities	1,180,026	-	1,180,026
- Loans to small entities	233,714	-	233,714
- Loans to individuals	-	75,456	75,456
Total current and not impaired	**1,413,740**	**75,456**	**1,489,196**
Loans individually determined to be impaired (gross)			
- not past due	1,420,079	4,390	1,424,469
- less than 30 days overdue	-	3,883	3,883
- 30 to 90 days overdue	6,934	-	6,934
Total individually impaired loans (gross)	**1,427,013**	**8,273**	**1,435,286**
Total	**2,840,753**	**83,729**	**2,924,482**
Less impairment provisions	(68,433)	(1,014)	(69,447)
Total loans and advances to customers	**2,772,320**	**82,715**	**2,855,035**

1) Large borrowers determined as the borrowers with outstanding debt above 10 percent of equity (or Tenge 375,787 thousand), 2) medium size borrowers with outstanding debt from 5 to 10 percent of equity (or from Tenge 187,893 thousand to Tenge 375,787 thousand), 3) small borrowers with outstanding debt below 5 percent of equity (or Tenge 187,893 thousand).

Fair value of collateral in respect of loans individually determined to be impaired at 31 December 2010 was as follows:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Fair value of collateral - individually impaired loans			
- inventory	1,478,072	-	1,478,072
- equipment	1,007,589	-	1,007,589
- real estate	-	5,666	5,666
- third party guarantees	-	5,216	5,216
Total	**2,485,661**	**10,882**	**2,496,543**

During 2010 the Bank did not provide loans at rates below market.

8 Loans and Advances to Customers (continued)

Analysis by credit quality of loans outstanding at 31 December 2009 is as follows:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Current and not impaired			
- Large borrowers with credit history over two years	374,358	-	374,358
- Loans to medium size entities	181,888	-	181,888
- Loans to individuals	-	41,538	41,538
Total current and not impaired	**556,246**	**41,538**	**597,784**
Loans individually determined to be impaired (gross)			
- not past due	814,934	1,973	816,907
- 91 to 180 days overdue	-	3,637	3,637
Total individually impaired loans (gross)	**814,934**	**5,610**	**820,544**
Total	**1,371,180**	**47,148**	**1,418,328**
Less impairment provisions	(57,991)	(3,396)	(61,387)
Total loans and advances to customers	**1,313,189**	**43,752**	**1,356,941**

1) Large borrowers determined as the borrowers with outstanding debt above 10 percent of equity (or Tenge 203,256 thousand), 2) medium size borrowers with outstanding debt from 5 to 10 percent of equity (or from Tenge 101,628 thousand to Tenge 203,256 thousand), 3) small borrowers with outstanding debt below 5 percent of equity (or Tenge 101,628 thousand).

Fair value of collateral in respect of loans individually determined to be impaired at 31 December 2009 was as follows:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Fair value of collateral - individually impaired loans			
- inventory	1,320,572	-	1,320,572
- equipment	464,500	-	464,500
- real estate	-	13,152	13,152
- third party guarantees	-	1,446	1,446
Total	**1,785,072**	**14,598**	**1,799,670**

During 2009 the Bank did not provide loans at rates below market.

8 Loans and Advances to Customers (continued)

Analysis by credit quality of loans outstanding at 31 December 2008 is as follows:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Current and not impaired			
- Loans to medium size entities	132,157	-	132,157
- Loans to small entities	823	-	823
- Loans to individuals	-	33,955	33,955
Total current and not impaired	**132,980**	**33,955**	**166,935**
Loans individually determined to be impaired (gross)			
- not past due	829,479	810	830,289
- less than 30 days overdue	-	3,756	3,756
Total individually impaired loans (gross)	**829,479**	**4,566**	**834,045**
Total	**962,459**	**38,521**	**1,000,980**
Less impairment provisions	(48,834)	(412)	(49,246)
Total loans and advances to customers	**913,625**	**38,109**	**951,734**

1) Large borrowers determined as the borrowers with outstanding debt above 10 percent of equity (or Tenge 147,296 thousand), 2) medium size borrowers with outstanding debt from 5 to 10 percent of equity (or from Tenge 73,635 thousand to Tenge 147,269 thousand), 3) small borrowers with outstanding debt below 5 percent of equity (or Tenge 73,635 thousand).

Fair value of collateral in respect of loans individually determined to be impaired at 31 December 2008 was as follows:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Fair value of collateral - individually impaired loans			
- equipment	667,780	-	667,780
- inventory	408,000	-	408,000
- other assets	149,600	-	149,600
- real estate	-	13,152	13,152
Total	**1,255,380**	**13,152**	**1,238,532**

During 2008 the Bank did not provide loans at rates below market.

8 Loans and Advances to Customers (continued)

Fair value of pledge disclosed represents the estimated amount, which can be received by the legal owners of these assets. Management considers the loans secured by pledges as impaired, since there is an uncertainty in respect of final receipt of pledge in the current economic circumstances. The impairment provisions reflect the possibility of the fact that management will not be able to restore the impairment in full by pledge sale.

Fair values of real estate, production equipment, inventory and other assets were determined by the Bank through the use of professional property appraisers. For the estimated fair value of loans and advances to customers refer to Note 27.

Interest rate analysis of loans and advances to customers is disclosed in Note 24. The information on related party balances is disclosed in Note 29.

9 Investment Securities Available for Sale

(in thousands of Tenge)	**31 December 2010**	**31 December 2009**	**31 December 2008**
Government securities of the Ministry of Finance of the Republic of Kazakhstan	200,550	-	-
Corporate bonds	125,749	-	-
Total investment securities available for sale	**326,299**	**-**	**-**

Analysis by credit quality of investment securities classified as available at 31 December 2010 is as follows.

(in thousands of Tenge)	**Government securities of the Ministry of Finance of the Republic of Kazakhstan**	**Corporate bonds**	**Total**
Neither past due nor impaired			
- BBB rated	-	125,749	125,749
- Unrated	200,550	-	200,550
Total neither past due nor impaired	**200,550**	**125,749**	**326,299**

The credit ratings are based on Fitch's ratings.

The movements in investment securities available for sale are as follows:

(in thousands of Tenge)	**2010**	**2009**	**2008**
Carrying amount at 1 January	-	-	-
Fair value gains less losses	61	-	-
Interest income accrued	1,559	-	-
Interest income received	192	-	-
Purchases	324,487	-	-
Carrying amount at 31 December	**326,299**	**-**	**-**

9 Investment Securities Available for Sale (continued)

Credit quality of investments into securities issued by Ministry of Finance of the Republic of Kazakhstan is associated with sovereign credit rating of the country that represented BBB+/Stable/A-2 as of 31 December 2010, BBB/Stable/A-3 as of 31 December 2009, BBB/Negative/A-3 as of 31 December 2008 according to rating of Standard and Poor's.

Government securities of the Ministry of Finance of the Republic of Kazakhstan – are bonds with the nominal value of Tenge 1,000 with the maximum maturity of 3,091 days. Yield to maturity on these bonds was an average of 5.6 percent as at 31 December 2010.

10 Fixed and Intangible Assets

(in thousands of Tenge)	Premises and land	Office and computer equip-ment	Vehicles	Equip-ment and other	Total fixed assets	Intangible assets	Total
Cost or valuation at 31 December 2007	**557,814**	**12,366**	**4,278**	**27,120**	**601,578**	**16,951**	**618,529**
Additions	-	535	-	1,009	1,544	865	2,409
Disposals	-	(1,255)	-	(1,251)	(2,506)	(621)	(3,127)
Cost or valuation at 31 December 2008	**557,814**	**11,646**	**4,278**	**26,878**	**600,616**	**17,195**	**617,811**
Additions	-	399	1,894	1,209	3,502	169	3,671
Disposals	-	(356)	(2,930)	(662)	(3,948)	-	(3,948)
Revaluation	21,421	-	-	-	21,421	-	21,421
Cost or valuation at 31 December 2009	**579,235**	**11,689**	**3,242**	**27,425**	**621,591**	**17,364**	**638,955**
Additions	-	10,519	-	17,912	28,431	4,560	32,991
Disposals	-	(1,794)	-	(940)	(2,734)	(447)	(3,181)
Cost or valuation at 31 December 2010	**579,235**	**20,414**	**3,242**	**44,397**	**647,288**	**21,477**	**668,765**
Accumulated amortisation at 31 December 2007	**(10,347)**	**(7,885)**	**(2,225)**	**(19,615)**	**(40,072)**	**(14,708)**	**(54,780)**
Amortisation charge	(4,994)	(1,600)	(428)	(1,809)	(8,831)	(1,129)	(9,960)
Disposals	-	1,255	-	1,251	2,506	621	3,127
Accumulated amortisation at 31 December 2008	**(15,341)**	**(8,230)**	**(2,653)**	**(20,173)**	**(46,397)**	**(15,216)**	**(61,613)**
Amortisation charge	(4,995)	(1,338)	(376)	(1,736)	(8,445)	(856)	(9,301)
Disposals	-	356	2,002	662	3,020	-	3,020
Written-off on revaluation	19,853	-	-	-	19,853	-	19,853
Accumulated amortisation at 31 December 2009	**(483)**	**(9,212)**	**(1,027)**	**(21,247)**	**(31,969)**	**(16,072)**	**(48,041)**
Amortisation charge	(5,403)	(2,040)	(324)	(1,858)	(9,625)	(967)	(10,592)
Disposals	-	1,794	-	940	2,734	447	3,181
Accumulated amortisation at 31 December 2010	**(5,886)**	**(9,458)**	**(1,351)**	**(22,165)**	**(38,860)**	**(16,592)**	**(55,452)**
Carrying amount at 31 December 2008	**542,473**	**3,416**	**1,625**	**6,705**	**554,219**	**1,979**	**556,198**
Carrying amount at 31 December 2009	**578,752**	**2,477**	**2,215**	**6,178**	**589,622**	**1,292**	**590,914**
Carrying amount at 31 December 2010	**573,349**	**10,956**	**1,891**	**22,232**	**608,428**	**4,885**	**613,313**

10 Fixed and Intangible Assets (continued)

Premises and land were revalued at the end of 2009 and 2005 by independent firms of professional appraisers, who holds a recognised and relevant professional qualification and who has recent experience in valuation of assets of similar location and category. Sales comparison approach and income capitalization method and expenditure approach were used as the basis for the appraisal of land and premises. When applying the market value, the observable active market prices were used for evaluation.

Included in the above carrying amount is Tenge 299,940 thousand (31 December 2009: Tenge 302,318 thousand; 31 December 2008: Tenge 263,013 thousand) representing revaluation surplus relating to premises and land of the Bank. At 31 December 2010 the carrying amount of premises and land would have been Tenge 273,409 thousand (31 December 2009: Tenge 276,434 thousand; 31 December 2008: Tenge 279,460 thousand) had the assets been carried at cost less depreciation.

11 Other Financial Assets

(in thousands of Tenge)	31 December 2010	31 December 2009	31 December 2008
Investments	100,030	100,030	-
Other debtors	1,178	8	4,241
Total other financial assets	**101,208**	**100,038**	**4,241**

Included in investments are shares of JSC Almaty's financial Center. The investments are accounted at cost.

Analysis by credit quality of other financial assets outstanding at 31 December 2010 is as follows:

(in thousands of Tenge)	Investments at cost	Other	Total
Neither past due nor impaired			
- Collected or settled after the end of the reporting period	-	1,178	1,178
- Not due at the date of authorisation of the financial statements for issue	100,030	-	100,030
Total neither past due nor impaired	**100,030**	**1,178**	**101,208**

Analysis by credit quality of other financial assets outstanding at 31 December 2009 is as follows:

(in thousands of Tenge)	Investments at cost	Other	Total
Neither past due nor impaired			
- Collected or settled after the end of the reporting period	-	8	8
- Not due at the date of authorisation of the financial statements for issue	100,030	-	100,030
Total neither past due nor impaired	**100,030**	**8**	**100,038**

As of 31 December 2008 Other Financial assets amounted to Tenge 4,241 thousand settled after the end of the reporting period.

12 Other Assets

(in thousands of Tenge)	31 December 2010	31 December 2009	31 December 2008
Prepayments for services	22,678	769	885
Prepayments for other taxes	77	61	82
Inventories	2,262	416	429
Other	-	95	-
Total other assets	**25,017**	**1,341**	**1,396**

It is expected that entire amount of other assets as at 31 December 2010 will be settled during 2011 (31 December 2009: during 2010; 31 December 2008: during 2009).

13 Customer Accounts

(in thousands of Tenge)	31 December 2010	31 December 2009	31 December 2008
State and public organisations			
- Current/settlement accounts	27,385	249,508	58,317
Other legal entities			
- Current/settlement accounts	1,649,526	20,033	19,758
- Term deposits	280,787	414	265
Individuals			
- Current/settlement accounts	-	9,461	10,079
- Term deposits	18,838	1,878	1,695
Total customer accounts	**1,976,536**	**281,294**	**90,114**

As of 31 December 2010 term deposits of individuals represent cash, which is hold by the Bank as collateral for loans granted.

13 Customer Accounts (continued)

Economic sector concentrations within customer accounts are as follows:

(in thousands of Tenge)	31 December 2010 Amount	%	31 December 2009 Amount	%	31 December 2008 Amount	%
Wholesale trade	1,053,069	53%	2,768	1%	2,771	3%
Construction	320,678	16%	3,219	1%	293	1%
Insurance	200,072	10%	-	-	-	-
Electricity production and transfer	110,050	6%	-	-	-	-
Services	92,416	5%	8,297	3%	5,143	6%
Financial intermediation	38,914	2%	248,879	88%	56,815	63%
Education	36,207	2%	-	-	-	-
Public health	23,005	1%	-	-	-	-
Public associations	21,692	1%	70	-	43	-
Individuals	18,837	1%	11,339	4%	11,774	13%
Mining	17,336	1%	3,542	1%	7,295	8%
Individual services	12,560	1%	12	-	38	-
Retail trade	12,153	1%	78	-	128	-
Computers	6,158	-	2,145	1%	934	1%
Non-metallic mineral production	4,460	-	-	-	-	-
Publishing	2,489	-	634	1%	943	1%
Research and development	1,760	-	51	-	1,946	2%
Equipment and machine production	1,586	-	-	-	-	-
Metallic production	1,246	-	-	-	-	-
Other	1,848	-	260	-	1,991	2%
Total customer accounts	**1,976,536**	**100%**	**281,294**	**100%**	**90,114**	**100%**

At 31 December 2010 the Bank had twenty two customers with balances above Tenge 14,000 thousand (31 December 2009: one customer with balances above Tenge 5,000 thousand; 31 December 2008: two customers with balances above Tenge 4,000 thousand). The aggregate balance of these customers was Tenge 1,769,008 thousand (31 December 2009: Tenge 5,712 thousand; 31 December 2008: Tenge 11,439 thousand) or 89.73 percent (31 December 2009: 17.62 percent; 31 December 2008: 34.35 percent) of total customer accounts.

14 Subordinated debt

As of 31 December 2009 subordinated debt amounted to Tenge 16,000 thousand comprised liability to one of the Bank's shareholder, which provided this amount to the Bank in December 2009 on the interest-free basis for five years. This loan was planned to be used as capital support. Due to the shareholders change in 2010 the Bank cancelled the subordinated debt agreement and repayed the loan to the shareholder.

15 Other Financial Liabilities

Other financial liabilities comprise the following:

(in thousands of Tenge)	31 December 2010	31 December 2009	31 December 2008
Accounts payable	5,132	2,228	2,199
Commissions accrued	4,343	319	248
Total other financial liabilities	**9,475**	**2,547**	**2,447**

16 Other Liabilities

Other liabilities comprise the following:

(in thousands of Tenge)	31 December 2010	31 December 2009	31 December 2008
Taxes other than on income payable	4,934	2,536	1,839
Accrued employee costs	2,817	1,553	1,450
Other	61	32	12
Total other liabilities	**7,812**	**4,121**	**3,301**

17 Share Capital

As at 31 December 2010, 31 December 2009 and 31 December 2008 the share capital structure was as follows:

(In thousands of Tenge except for number of shares)	Number of outstanding shares	Ordinary shares
At 1 January 2008	**114,290**	**1,142,900**
At 31 December 2008	**114,290**	**1,142,900**
Shares issuance	50,500	505,000
At 31 December 2009	**164,790**	**1,647,900**
Shares issuance	167,500	1,675,000
At 31 December 2010	**332,290**	**3,322,900**

Nominal registered amount of the Bank's issued share capital was Tenge 3,322,900 thousand as at 31 December 2010 (31 December 2009: Tenge 1,647,900 thousand; 31 December 2008: Tenge 1,142,900 thousand). At 31 December 2010, 2009 and 2008 all of the Bank's outstanding shares were authorised, issued and fully paid in.

Authorised share capital comprised 2,000,000 ordinary shares as of 31 December 2010 (31 December 2009: 500,000 ordinary shares; 31 December 2008: 150,000 ordinary shares).

All ordinary shares have a nominal value of Tenge 10 per share (31 December 2009: Tenge 10 per share; 31 December 2008: Tenge 10 per share) and rank equally. Each share carries one vote.

18 Reserve capital

In accordance with the local legislation and regulations of the NBRK, the Bank makes an appropriation from retained earnings to statutory reserve fund for unforeseeable risks and future losses. Statutory reserve fund can only be distributed through the approval of a formal shareholders' meeting.

19 Interest Income and Expense

(in thousands of Tenge)	31 December 2010	31 December 2009	31 December 2008
Interest income			
Loans and advances to customers	299,313	194,750	181,334
Investment securities available for sale	1,814	134	723
Reverse REPO transaction	24	-	-
Correspondent accounts in other banks	7	6	10
Due from other banks	-	-	22
NBRK notes with maturity less than three months	-	158	-
Total interest income	**301,158**	**195,048**	**182,089**
Interest expense			
Term deposits	2,494	199	347
Current/settlement accounts	158	114	96
Total interest expense	**2,652**	**313**	**443**
Net interest income/negative profit margin	**298,506**	**194,735**	**181,646**

20 Fee and Commission Income and Expense

(in thousands of Tenge)	2010	2009	2008
Fee and commission income			
- Cash transactions	18,066	6,164	5,546
- Transactions on sale and purchase of foreign currency	10,250	8,944	6,270
- Settlement transactions	18,920	13,656	12,089
- Guarantees issued	12,666	61	8
- Other	1,880	418	374
Total fee and commission income	**61,782**	**29,243**	**24,287**
Fee and commission expense			
- Settlement transactions	4,891	5,431	4,482
- Other	120	82	60
Total fee and commission expense	**5,011**	**5,513**	**4,542**
Net fee and commission income	**56,771**	**23,730**	**19,745**

21 Administrative and Other Operating Expenses

(in thousands of Tenge)	2010	2009	2008
Staff costs	191,402	120,081	143,553
Administrative expenses	46,995	26,703	25,357
Amortisation of fixed assets	9,625	8,445	8,831
Taxes other than on income	7,805	7,265	5,162
Rent expenses	6,551	219	146
Communication expense	5,039	4,188	4,385
Transportation	3,394	1,123	1,791
Advertising and marketing services	3,350	1,726	1,601
Professional services	1,381	5,573	5,716
Stationery	1,342	517	571
Business trip expenses	1,115	287	1,927
Amortisation of intangible assets	967	856	1,130
Professional membership fee	463	434	182
Insurance expense	308	212	183
Staff trainings	115	137	310
Representative expenses	64	58	41
Other	14,667	11,295	8,266
Total administrative and other operating expenses	**294,583**	**189,119**	**209,152**

22 Income Taxes

Income tax expense comprises the following:

(in thousands of Tenge)	2010	2009	2008
Current income tax expense	11,634	3,210	4,783
Deferred tax expense / (credit)	8,587	985	(14,983)
Income tax expense for the year	**20,221**	**4,195**	**(10,200)**

In accordance with the new tax legislation accepted in November 2010 and effective from 1 January 2011 income tax rate is fixed at 20 percent rather than to be reduced to 17.5 percent in 2013 and 15 percent in 2014 in accordance with the tax legislation, which was valid since 1 January 2010.

The income tax rate applicable to the majority of the Bank's income in 2010 is 20 percent (2009: 20 percent; 2008: 30 percent). A reconciliation between the expected and the actual taxation charge is provided below.

22 Income Taxes (continued)

(in thousands of Tenge)	2010	2009	2008
IFRS profit before tax	**62,515**	**25,359**	**18,529**
Theoretical tax charge at statutory rate 20% (2009: 20%; 2008: 30%)	12,503	5,072	5,559
Tax effect of items which are not deductible or assessable for taxation purposes:			
- Non-taxable income	414	41	1,973
- Reduction in opening deferred taxes resulting from reduction of tax rate	7,304	(918)	(17,732)
Income tax expense for the year	**20,221**	**4,195**	**(10,200)**

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting and income tax purposes. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20 percent (2009: the differences were recorded at 20 percent, except for differences arising due to premises revaluation recorded at the rate of 15 percent; 2008: the differences were recorded at 20 percent, except for differences arising due to premises revaluation recorded at the rate of 15 percent).

АУДИТОРСКИХ ОТЧЕТОВ

22 Income Taxes (continued)

(in thousands of Tenge)	2010	2009	2008
Tax effect of deductible temporary differences			
Loans and advances to customers	589	-	-
Other financial liabilities	820	-	-
Accrued employee costs	561	305	286
Taxes payable	-	8	98
Gross deferred tax asset	**1,970**	**313**	**384**
Tax effect of taxable temporary differences			
Fixed and intangible assets	75,162	53,340	46,659
Gross deferred tax liability	**75,162**	**53,340**	**46,659**
Net deferred tax liability	**73,192**	**53,027**	**46,275**
At 1 January	**53,027**	**46,275**	**91,300**
Charged directly to equity – revaluation of fixed assets	-	7,435	-
Charged directly to equity – effect of change in tax rates	11,578	(1,668)	(30,042)
Charged to comprehensive income	8,587	985	(14,983)
At 31 December	**73,192**	**53,027**	**46,275**

At 31 December 2010 the deferred income tax liabilities in the amount of Tenge 75,162 thousand (2009: Tenge 53,340; 2008: Tenge 46,659 thousand) were expected to be settled within more than 12 months.

23 Segment Analysis

Starting from 1 January 2009, the Bank prepares its segment analysis in accordance with IFRS 8, *Operating segments*, which replaced IAS 14, *Segment reporting*. Comparatives were adjusted to conform to the presentation of current period amounts.

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the operating decision makers and for which discrete financial information is available. The operating decision maker is the person or group of persons who allocates resources and assesses the performance for the entity. The operating decision makers of the Bank are the Management Board of the Bank. The Management Board regularly uses for operational decision making and resource allocation financial information based on IFRS.

23 Segment Analysis (continued)

(a) Description of products and services from which each reportable segment derives its revenue

The Bank is organised on the basis of one main business segment – corporate banking which represents direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products. The Bank also has retail banking which represents private banking services, private customer current accounts, savings, deposits and consumer loans. However, retail banking compromises less than ten percent of total revenue and total assets.

Segment information for the reportable segments for the year ended 31 December 2010 is set out below:

(in thousands of Tenge)	Corporate banking	All other segments	31 December 2010
Assets			
Loans and advances to customers	2,772,319	82,716	2,855,035
Investments in securities	326,299	-	326,299
Cash and deposits	1,909,887	-	1,909,887
Other financial assets	101,208	-	101,208
Total reportable segment assets	**5,109,713**	**82,716**	**5,192,429**
Liabilities			
Customer accounts	1,957,698	18,838	1,976,536
Other financial liabilities	9,475	-	9,475
Total reportable segment liabilities	**1,967,173**	**18,838**	**1,986,011**
2010:			
Interest income from loans	292,642	8,516	301,158
Interest expense from customer accounts	(1,207)	(1,445)	(2,652)
Net interest (loss)/income	**291,435**	**7,071**	**298,506**
Recovery of/(provision for) loan impairment	(10,442)	2,767	(7,675)
Net interest (loss)/income after recovery of/(provision for) loan portfolio impairment	**280,993**	**9,838**	**290,831**
Fee and commission income from reportable segments	59,253	2,529	61,782
Fee and commission expense from reportable segments	(5,011)	-	(5,011)
Gains less losses from trading in foreign currencies	8,750	-	8,750
Foreign exchange translation gains less losses	(309)	-	(309)
Recovery of provision for credit related commitments	170	-	170
Administrative and other operating expenses	(268,765)	-	(268,765)
Segment result	**75,081**	**12,367**	**87,448**

23 Segment Analysis (continued)

Segment information for the reportable segments for the year ended 31 December 2009 is set out below:

(in thousands of Tenge)	Corporate banking	All other segments	31 December 2009
Assets			
Loans and advances to customers	1,313,188	43,753	1,356,941
Cash and deposits	357,868	-	357,868
Other financial assets	100,038	-	100,038
Total reportable segment assets	**1,771,094**	**43,753**	**1,814,847**
Liabilities			
Customer accounts	269,956	11,338	281,294
Other financial liabilities	2,547	-	2,547
Total reportable segment liabilities	**272,503**	**11,338**	**283,841**
2009:			
Interest income from loans	188,251	6,499	194,750
Interest expense from customer accounts	(114)	(199)	(313)
Net interest (loss)/income	**188,137**	**6,300**	**194,437**
Provision for loan impairment	(9,157)	(2,787)	(11,944)
Net interest (loss)/income after recovery of/(provision for) loan portfolio impairment	**178,980**	**3,513**	**182,493**
Fee and commission income from reportable segments	29,243	-	29,243
Fee and commission expense from reportable segments	(5,513)	-	(5,513)
Gains less losses from trading in foreign currencies	5,778	-	5,778
Foreign exchange translation gains less losses	1,895	-	1,895
Provision for credit related commitments	(118)	-	(118)
Administrative and other operating expenses	(170,062)	-	(170,062)
Segment result	**40,203**	**3,513**	**43,716**

23 Segment Analysis (continued)

Segment information for the reportable segments for the year ended 31 December 2008 is set out below:

(in thousands of Tenge)	Corporate banking	All other segments	31 December 2008
Assets			
Loans and advances to customers	913,625	38,109	951,734
Cash and deposits	116,560	-	116,560
Other financial assets	4,241	-	4,241
Total reportable segment assets	**1,034,426**	**38,109**	**1,072,535**
Liabilities			
Customer accounts	78,340	11,774	90,114
Other financial liabilities	2,447	-	2,447
Total reportable segment liabilities	**80,787**	**11,774**	**92,561**
2008:			
Interest income from loans	175,498	5,836	181,334
Interest expense from customer accounts	(96)	(347)	(443)
Net interest (loss)/income	**175,402**	**5,489**	**180,891**
Provision for loan impairment	20,398	(699)	19,699
Net interest (loss)/income after recovery of/(provision for) loan portfolio impairment	**195,800**	**4,790**	**200,590**
Fee and commission income from reportable segments	24,287	-	24,287
Fee and commission expense from reportable segments	(4,542)	-	(4,542)
Gains less losses from trading in foreign currencies	5,797	-	5,797
Foreign exchange translation gains less losses	612	-	612
Provision for credit related commitments	16	-	16
Administrative and other operating expenses	(190,007)	-	(190,007)
Segment result	**31,963**	**4,790**	**36,753**

The cash management is performed by Treasury Department to support liquidity of the Bank as a whole. Related income and expense is associated with interbank placements and transactions on correspondent accounts.

23 Segment Analysis (continued)

(b) Reconciliation of income and expenses, assets and liabilities for reportable segments:

(in thousands of Tenge)	31 December 2010	31 December 2009	31 December 2008
Total reportable segment assets	**5,192,429**	**1,814,847**	**1,072,535**
Fixed assets	608,428	589,622	554,219
Other assets	29,902	2,633	3,375
Total Assets	**5,830,759**	**2,407,102**	**1,630,129**
Total reportable segment liabilities	**1,986,011**	**283,841**	**92,561**
Deferred income tax liability	73,192	53,027	46,275
Other liabilities	16,116	4,571	3,301
Total Liabilities	**2,075,319**	**341,439**	**142,137**

(in thousands of Tenge)	2010	2009	2008
Total segment result	**87,448**	**43,716**	**36,753**
Other operating income	885	700	921
Administrative and other operating expenses	(25,818)	(19,057)	(19,145)
Profit before tax	**62,515**	**25,359**	**18,529**
Income tax expense	(20,221)	(4,195)	10,200
Total Income	**42,294**	**21,164**	**28,729**

The Bank's income is generated in Kazakhstan. Geographical areas of operations of the Bank have been reported in Note 24 of these financial statements based on the ultimate domicile of the counterparty, i.e. based on economic risk rather than legal risk of the counterparty. The Bank has no customers which represent 10 percent of more of the total revenues generated in 2010 and 2008. In 2009 revenues from customers which represent 10% of more of the total revenues are as follows.

(in thousands of Tenge)	Corporate banking
2009	
Company A	60,317
Company B	31,218
Company C	32,823
Company D	24,669
Total income for 2009	**149,027**

24 Financial Risk Management

Risk management underlies the banking and is the essential part of the Bank's activities. The risk management function within the Bank is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment.

The Bank developed the policy and procedures to manage the credit risk, including placing limits on the loan portfolio concentration and establishing credit committees, which actively monitor credit risk of the Bank. Bank's Credit Policy is considered and approved by the Board of Directors.

The Bank controls the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

In addition the Bank has the following concentration limits based on the total amount of finance arrangement of the borrower/group of borrowers:

- limits on the risk concentration;
- limits on collateral concentration;
- limits on industry concentration;
- limits on geographical concentration.

The Bank established several credit committees which are responsible for approving credit limits for borrowers:

- The Board of Directors reviews and approves limits above Tenge 700,000 thousand and meets when necessity arises. It is also responsible for issuing guidance to the credit committee;

- The Management Board reviews and approves limits from Tenge 60,000 to 700,000 thousand and meets when necessity arises;

- The credit committee of the Bank's Head office reviews and approves credit limits below Tenge 60,000 thousand and meets when necessity arises.

Loan applications originated by the relevant client relationship managers are passed on to the Credit Committee for approval of credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

In order to monitor credit risk exposures, the Bank has established a Credit Risk Monitoring Department. Monitoring is performed by means of regular reviews of reports that are produced by the credit department's officers based on a structured analysis focusing on the following:

- customer's business and financial performance;
- compliance with intended use of the credit product;
- adequacy of collateral, and
- deteriorating creditworthiness.

24 Financial Risk Management (continued)

As a result of the monitoring, the Credit risk monitoring department prepares monthly reports that include any necessity to review the internal rating of the borrower. Reports are submitted to the Credit Department and Risk department for final disposition.

The Bank's credit department reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers appropriate to provide ageing and other information about credit risk.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

In the light of current economic environment, the Bank reviews the fair values of all collaterals on the market on a quarterly basis.

Market risk. The Bank is exposed to market risks. Market risks arise from open positions in (a) currency, (b) interest rate, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. Currency is a risk of origination of expenses (losses) as the result of change of foreign currency exchange rates in the normal course of the Bank's operation. The danger of expenses (losses) arises due to revaluation of the Bank's positions by currencies in value terms. The Bank has assets and liabilities in different foreign currencies. Currency risk arises when existent or forecasted assets in some currency exceed or less than existent or forecasted liabilities in the same currency.

The Bank manages the currency risk by placing limits on open currency positions of financial instruments, maturities and types of currencies, which are controlled on the regular basis, reconsidered and approved by the authorized body of the Bank.

Set limits on the level of exposure by currencies are monitored on a daily basis. The table below summarises the Bank's exposure to foreign currency exchange rate risk at the balance sheet date as of 31 December 2010:

			At 31 December 2010
(in thousands of Tenge)	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
Tenge	5,058,444	(1,985,737)	3,072,707
US Dollars	25,632	(206)	25,426
Euros	8,196	(63)	8,133
Russian Roubles	127	(5)	122
Total	**5,092,399**	**(1,986,011)**	**3,106,388**

24 Financial Risk Management (continued)

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the balance sheet date as of 31 December 2009:

			At 31 December 2010
(in thousands of Tenge)	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
Tenge	1,696,193	(296,728)	1,399,465
US Dollars	15,183	(2,167)	13,016
Russian Roubles	2,281	(876)	1,405
Euros	1,160	(70)	1,090
Total	**1,714,817**	**(299,841)**	**1,414,976**

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the balance sheet date as of 31 December 2008:

			At 31 December 2010
(in thousands of Tenge)	**Monetary financial assets**	**Monetary financial liabilities**	**Net balance sheet position**
Tenge	1,057,973	(91,462)	966,511
US Dollars	13,772	(351)	13,421
Euros	444	(748)	(304)
Russian Roubles	346	-	346
Total	**1,072,535**	**(92,561)**	**979,974**

The above analysis includes only monetary assets and liabilities. The Bank believes that investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the reporting date, with all other variables held constant:

			Impact on profit or loss
(in thousands of Tenge)	**31 December 2010**	**31 December 2009**	**31 December 2008**
US Dollars strengthening by 5% (2009: 7%, 2008: 10%)	1,271	911	1,342
US Dollars weakening by 5% (2009: 7%, 2008: 10%)	(1,271)	(911)	(1,342)
Euro strengthening by 15% (2009: 15%, 2008: 13%)	1,220	163	(40)
Euro weakening by 15% (2009: 15%, 2008: 13%)	(1,220)	(163)	40
Russian Rouble strengthening by 10% (2009:5%, 2008: 5%)	12	70	17
Russian Rouble weakening by 10% (2009:5%, 2008: 5%)	(12)	(70)	(17)
Total effect of strengthening	**2,503**	**1,145**	**1,320**
Total effect of weakening	**(2,503)**	**(1,145)**	**(1,320)**

24 Financial Risk Management (continued)

The Bank's exposure to currency risk at the end of the reporting period is not representative of the typical exposure during the year. The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied to the average exposure to currency risk during the year, with all other variables held constant:

	Impact on profit or loss		
(in thousands of Tenge)	**Average exposure during 2010**	**Average exposure during 2009**	**Average exposure during 2008**
US Dollars strengthening by 5% (2009: 7%, 2008: 10%)	(5)	53	(4)
US Dollars weakening by 5% (2009: 7%, 2008: 10%)	5	(53)	4
Euro strengthening by 15% (2009: 15%, 2008: 13%)	6	17	7
Euro weakening by 15% (2009: 15%, 2008: 13%)	(6)	(17)	(7)
Russian Rouble strengthening by 10% (2009: 5%, 2008: 5%)	2	4	(2)
Russian Rouble weakening by 10% (2009: 5%, 2008: 5%)	(2)	(4)	2
Total effect of strengthening	**3**	**74**	**1**
Total effect of weakening	**(3)**	**(74)**	**(1)**

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken and controls their maintenance on a regular basis.

The Bank applies gap analysis for interest rate risk management. The Bank combines financial assets and financial liabilities into periods of maturity or contractual repricing, whichever occurs earlier, and identifies the gap. The positive gap implies that increase in interest rates for this particular maturity would lead to increase of net interest income (decrease of interest rates would lead to decrease of net interest income). The negative gap implies that increase in interest rates for this particular maturity would lead to decrease of net interest income (decrease of interest rates would lead to increase of net interest income).

When interest rates are expected to increase the Bank increases maturity of borrowings; reduces fixed rate loans; reduces maturity of investment portfolio; disposes of securities; and recalls credit lines.

When interest rates are expected to decrease the Bank decreases maturity of borrowings; increases share of fixed rate loans; invests in securities with longer maturity; and extends credit lines.

Also the bank monitors interest rates for the similar instruments at the market and evaluate probable exposures on weekly basis.

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

24 Financial Risk Management (continued)

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
31 December 2010.						
Total financial assets	2,114,291	853,903	1,062,857	1,061,348	100,030	5,192,429
Total financial liabilities	1,751,011	35,000	200,000	-	-	1,986,011
Net interest sensitivity gap at 31 December 2010.	**363,280**	**818,903**	**862,857**	**1,061,348**	**100,030**	**3,206,418**
31 December 2009.						
Total financial assets	487,573	270,084	366,934	590,226	100,030	1,814,847
Total financial liabilities	282,421	720	-	16,700	-	299,841
Net interest sensitivity gap at 31 December 2009.	**205,152**	**269,364**	**366,934**	**573,526**	**100,030**	**1,515,006**
31 December 2008.						
Total financial assets	160,076	123,829	514,700	273,930	-	1,072,535
Total financial liabilities	91,141	-	-	1,420	-	92,561
Net interest sensitivity gap at 31 December 2008.	**68,935**	**123,829**	**514,700**	**272,510**	**-**	**979,974**

At 31 December 2010, If interest rates at that date had been 25 basis points (2009: 25 basic points, 2008: 50 basis points) higher with all other variables held constant, profit for the year would have been Tenge 7,324 thousand (2009: Tenge 3,504 thousand, 2008: Tenge 4,571 thousand higher) higher, mainly as a result of higher interest income on variable interest assets.

At 31 December 2010, if interest rates at that date had been 25 basis points (2009: 25 basis points, 2008: 50 basis points) lower with all other variables held constant, other components of equity would have been Tenge 7 324 thousand (2009: Tenge 3,504 thousand, 2008: Tenge 4,571 thousand) lower, mainly as a result of an decrease of interest income on variable interest assets, including the fair value of fixed rate financial assets classified as available for sale.

The Banks monitors interest rates for the financial instruments. The table below summarises interest rates based on reports reviewed by the Bank's key management personnel:

			2010
In % p.a.	Tenge	USD	Other
Assets			
Cash and cash equivalents	-	-	0.15
Loans and advances to customers	16.93	-	-
Investment securities available for sale	6.10	-	-
Liabilities			
Customer accounts			
- term deposits of legal entities	7.29	-	-
- term deposits of individuals	11.00	-	-

24 Financial Risk Management (continued)

In % p.a.	Tenge	USD	2009 Other
Assets			
Cash and cash equivalents	-	-	0.15
Loans and advances to customers	19.61	-	-
Investment securities available for sale	2.80	-	-
Liabilities			
Customer accounts			
- term deposits of legal entities	-	-	-
- term deposits of individuals	11.00	2.50	-

In % p.a.	Tenge	USD	2008 Other
Assets			
Cash and cash equivalents	-	-	0.15
Loans and advances to customers	19.5	-	-
Investment securities available for sale	5.76	-	-
Liabilities			
Customer accounts			
- Current and settlement accounts	2.00	-	-
- term deposits of legal entities	-	-	-
- term deposits of individuals	11.00	6.00	-

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency.

Geographical risk concentrations. The geographical concentration of the Bank's financial assets and liabilities at 31 December 2010 is set out below:

(in thousands of Tenge)	Note	Kazakhstan	OECD	Other countries	Total
Financial assets					
Cash and cash equivalents		1,907,347	643	127	1,908,117
Due from other banks		1,770	-	-	1,770
Loans and advances to customers		2,855,035	-	-	2,855,035
Investment securities available for sale		326,299	-	-	326,299
Other financial assets		101,208	-	-	101,208
Total financial assets		**5,191,659**	**643**	**127**	**5,192,429**
Financial liabilities					
Customer accounts		1,976,536	-	-	1,976,536
Other financial liabilities		9,437	33	5	9,475
Total financial liabilities		**1,985,973**	**33**	**5**	**1,986,011**
Net position on financial instruments		**3,205,686**	**610**	**122**	**3,206,418**
Credit related commitments	26	**805,919**	**-**	**-**	**-**

24 Financial Risk Management (continued)

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2009 is set out below:

(in thousands of Tenge)	Note	Kazakhstan	OECD	Other countries	Total
Financial assets					
Cash and cash equivalents		350,411	3,394	2,281	356,086
Due from other banks		1,782	-	-	1,782
Loans and advances to customers		1,356,941	-	-	1,356,941
Other financial assets		100,038	-	-	100,038
Total financial assets		**1,809,172**	**3,394**	**2,281**	**1,814,847**
Financial liabilities					
Customer accounts		281,294	-	-	281,294
Subordinated debt		16,000	-	-	16,000
Other financial liabilities		2,507	35	5	2,547
Total financial liabilities		**299,801**	**35**	**5**	**299,841**
Net position on financial instruments		**1,509,371**	**3,359**	**2,276**	**1,515,006**
Credit related commitments	26	**13,876**	**-**	**-**	**-**

The geographical concentration of the Bank's assets and liabilities at 31 December 2008 is set out below:

(in thousands of Tenge)	Note	Kazakhstan	OECD	Other countries	Total
Financial assets					
Cash and cash equivalents		113,453	1,312	345	115,110
Due from other banks		1,450	-	-	1,450
Loans and advances to customers		951,734	-	-	951,734
Other financial assets		4,241	-	-	4,241
Total financial assets		**1,070,878**	**1,312**	**345**	**1,072,535**
Financial liabilities					
Customer accounts		90,114	-	-	90,114
Other financial liabilities		2,447	-	-	2,447
Total financial liabilities		**92,561**	**-**	**-**	**92,561**
Net position on financial instruments		**978,317**	**1,312**	**345**	**979,974**
Credit related commitments	26	**2,500**	**-**	**-**	**-**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand and fixed assets have been allocated based on the country in which they are physically held.

24 Financial Risk Management (continued)

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10 percent of net assets, industry concentration, geographical concentration, etc.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Bank.

The Bank seeks to maintain a stable funding base comprising primarily amounts due to other banks, corporate and retail customer deposits and invest the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury and Risk Departments.

The table below shows liabilities at 31 December 2010 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows and gross loan commitments. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis in accordance with contract terms of financial instruments at 31 December 2010 is as follows:

(in thousands of Tenge)	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**From 12 months to 5 years**	**Total**
Liabilities					
Customer accounts	1,677,771	31,205	238,722	28,838	1,976,536
Other financial liabilities	9,475	-	-	-	9,475
Undrawn credit lines	805,919	-	-	-	805,919
Guarantees issued	48,341	110,117	971,809	41,598	1,171,865
Total potential future payments for financial obligations	**2,541,506**	**141,322**	**1,210,531**	**70,436**	**3,963,795**

24 Financial Risk Management (continued)

The maturity analysis in accordance with contract terms of financial instruments at 31 December 2009 is as follows:

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Total
Liabilities					
Customer accounts	279,558	-	908	828	281,294
Other financial liabilities	2,547	-	-	-	2,547
Undrawn credit lines	13,876	-	-	-	13,876
Total potential future payments for financial obligations	**295,981**	**-**	**908**	**828**	**297,717**

The maturity analysis of financial liabilities in accordance with contract terms at 31 December 2008 is as follows:

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Total
Liabilities					
Customer accounts	88,534	-	-	1,580	90,114
Other financial liabilities	2,447	-	-	-	2,447
Undrawn credit lines	2,500	-	-	-	2,500
Total potential future payments for financial obligations	**93,481**	**-**	**-**	**1,580**	**95,061**

24 Financial Risk Management (continued)

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors expected maturities, which may be summarised as follows at 31 December 2010:

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
31 December 2010						
Cash and cash equivalents	1,908,117	-	-	-	-	1,908,117
Due from other banks	-	1,770	-	-	-	1,770
Loans and advances to customers	156,886	298,708	1,337,402	1,050,519	11,520	2,855,035
Investment securities available for sale	200,550	125,749	-	-	-	326,299
Other financial assets	101,208	-	-	-	-	101,208
Total financial assets	**2,366,761**	**426,227**	**1,337,402**	**1,050,519**	**11,520**	**5,192,429**
Customer accounts	1,677,771	31,205	238,722	28,838	-	1,976,536
Other financial liabilities	9,475	-	-	-	-	9,475
Total financial liabilities	**1,687,246**	**31,205**	**238,722**	**28,838**	**-**	**1,986,011**
Net liquidity gap at 31 December 2010	**679,515**	**395,022**	**1,098,680**	**1,021,681**	**11,520**	**3,206,418**

The analysis by expected maturities may be summarised as follows at 31 December 2009:

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
31 December 2009						
Cash and cash equivalents	356,086	-	-	-	-	356,086
Due from other banks	-	1,782	-	-	-	1,782
Loans and advances to customers	131,694	88,649	546,343	583,190	7,065	1,356,941
Other financial assets	8	-	-	100,030	-	100,038
Total financial assets	**487,788**	**90,431**	**546,343**	**683,220**	**7,065**	**1,814,847**
Customer accounts	279,558	-	908	828	-	281,294
Subordinated debt	-	-	-	16,000	-	16,000
Other financial liabilities	2,547	-	-	-	-	2,547
Total financial liabilities	**282,105**	**-**	**908**	**16,828**	**-**	**299,841**
Net liquidity gap at 31 December 2009	**205,683**	**90,431**	**545,435**	**666,392**	**7,065**	**1,515,006**

24 Financial Risk Management (continued)

The analysis by expected maturities may be summarised as follows at 31 December 2008:

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	Over 5 years	Total
31 December 2008						
Cash and cash equivalents	115,110	-	-	-	-	115,110
Due from other banks	-	1,450	-	-	-	1,450
Loans and advances to customers	41,858	80,521	555,455	263,502	10,398	951,734
Other financial assets	4,241	-	-	-	-	4,241
Total financial assets	**161,209**	**81,971**	**555,455**	**263,502**	**10,398**	**1,072,535**
Customer accounts	88,534	-	-	1,580	-	90,114
Other financial liabilities	2,447	-	-	-	-	2,447
Total financial liabilities	**90,981**	**-**	**-**	**1,580**	**-**	**92,561**
Net liquidity gap at 31 December 2008	**70,228**	**81,971**	**555,455**	**261,922**	**10,398**	**979,974**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

25 Management of Capital

The Bank's objectives when managing capital are (a) to comply with the capital requirements set by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "Agency"), (b) to safeguard the Bank's ability to continue as a going concern. Compliance with capital adequacy ratios set by the Agency is monitored monthly in accordance with the guidelines set by the Agency. The reports outlining their calculation reviewed and signed by the Bank's Chairman and Chief Accountant are filed with the Agency on a monthly basis.

The Bank's regulatory capital as managed by the Bank's Asset and Liability Committee is divided into two tiers:

Tier 1 capital: capital (net of any book values of the treasury shares), additional capital, retained earnings and reserves created by appropriations of retained earnings of previous period, perpetual agreements. The book value of intangible assets (except for licensed software), previous and this period's losses are deducted in arriving at Tier 1 capital; and

Tier 2 capital: current period net profits, qualifying subordinated loan capital and perpetual instruments, collective impairment allowances and unrealized gains arising on the fair valuation of fixed assets and securities.

25 Management of Capital (continued)

Under the current capital requirements set by the Agency banks have to maintain a minimum level of regulatory capital and capital adequacy ratios (K1-1 – a ratio of Tier 1 capital to total assets at or above the required minimum of 6 percent (2009: 6 percent, 2008: 6 percent) and K2 - a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum of 12 percent (2009: 12 percent, 2008: 12 percent). Starting from 1 July 2009 an additional ratio of tier 1 capital to the risk-weighted assets (K1-2) of 6 percent has been introduced.

The table below presents the regulatory capital on the basis of the Bank's reports presented to the Agency:

(in thousands of Tenge)	31 December 2010	31 December 2009	31 December 2008
Tier 1 capital			
Share capital	3,322,900	1,647,900	1,142,900
Share premium	-	-	-
Provisions	54,232	31,502	31,502
Intangible assets	-	-	-
Retained earnings of prior years according to the Agency rules	58,180	58,180	38,397
Total tier 1 capital	**3,435,312**	**1,737,582**	**1,212,799**
Tier 2 capital			
Retained earnings according to the Agency rules	52,328	22,730	19,783
Revaluation	270,229	272,245	240,111
Subordinated debt	-	16,000	-
Total 2 tier capital	**322,557**	**310,975**	**259,894**
Total regulatory capital	**3,757,869**	**2,048,557**	**1,472,693**

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of, and reflecting an estimate of credit, market, operational and other risks associated with, each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

26 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Bank may be received. On the basis of its own estimates and internal professional advice management is of the opinion that no material losses will be incurred in respect of claims and accordingly no provision has been made in these financial statements.

Tax legislation. Kazakhstani tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities.

The Kazakhstani tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

26 Contingencies and Commitments (continued)

Kazakhstani tax legislation does not provide definitive guidance in certain areas. From time to time, the Bank adopts interpretations of such uncertain areas that reduce the overall tax rate of the Bank. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

(in thousands of Tenge)	**31 December 2010**	**31 December 2009**	**31 December 2008**
Guarantees issued	1,171,865	-	-
Undrawn credit lines	805,919	13,876	2,500
Less: provision for credit related commitments	-	-	-
Total credit related commitments	**805,919**	**13,876**	**2,500**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Fair value of credit related commitments was nil at 31 December 2010, 2009 and 2008. Credit related commitments are denominated in currencies as follows:

(in thousands of Tenge)	**31 December 2010**	**31 December 2009**	**31 December 2008**
Tenge	805,919	13,876	2,500
Total	**805,919**	**13,876**	**2,500**

27 Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

27 Fair Value of Financial Instruments (continued)

The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distressed sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

(a) Fair values of financial instruments carried at amortised cost.

Fair values of financial assets carried at amortized cost are as follows:

(in thousands of Tenge)	31 December 2010 Carrying value	31 December 2010 Fair value	31 December 2009 Carrying value	31 December 2009 Fair value	31 December 2008 Carrying value	31 December 2008 Fair value
Financial assets carried at amortised cost						
Cash and cash equivalents	1,908,117	1,908,117	356,086	356,086	115,110	115,110
Due from other banks	1,770	1,770	1,782	1,782	1,450	1,450
Loans and advances to customers	2,855,035	2,893,968	1,356,941	1,408,633	951,734	993,902
Other financial assets						
- Investments	100,030	100,030	100,030	100,030	-	-
Total financial assets carried at amortised cost	**4,864,952**	**4,903,885**	**1,814,839**	**1,866,531**	**1,068,294**	**1,110,462**

Fair values of financial liabilities carried at amortized cost are as follows:

(in thousands of Tenge)	31 December 2010 Carrying value	31 December 2010 Fair value	31 December 2009 Carrying value	31 December 2009 Fair value	31 December 2008 Carrying value	31 December 2008 Fair value
Financial liabilities carried at amortised cost						
Customer accounts	1,976,536	1,976,536	281,294	281,294	90,114	90,114
Other financial liabilities						
- Accounts payable	5,132	5,132	2,228	2,228	2,199	2,199
- Commissions accrued	4,343	4,343	319	319	248	248
Total financial liabilities carried at amortised cost	**1,986,011**	**1,986,011**	**283,841**	**283,841**	**92,561**	**92,561**

27 Fair Value of Financial Instruments (continued)

(b) Analysis by fair value hierarchy of financial instruments carried at fair value.

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorised are as follows:

(in thousands of Tenge)	31 December 2010 Quoted price in an active market (Level 1)	31 December 2009 Quoted price in an active market (Level 1)	31 December 2008 Quoted price in an active market (Level 1)
Financial assets			
Investment securities available for sale			
State securities	200,550	-	-
Corporate bonds	125,749	-	-
Total financial assets carried at fair value	**326,299**	**-**	**-**

(c) The methods and assumptions applied in determining fair values

The methods and assumptions applied in determining fair values. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Bank used valuation techniques.

Financial instruments carried at fair value. Investment securities available for sale are carried on in the statement of financial position at their fair value. Fair values were determined based on quoted market prices.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Customer accounts. Customer accounts are carried at amortised cost. Fair values were determined based on average market rates.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Their fair values are based on observable market prices.

28 Reconciliation of Classes of Financial Instruments with Measurement Categories

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition and Measurement*, the Bank classifies financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets. The following table provides a reconciliation of classes of financial assets with these measurement categories at 31 December 2010:

(in thousands of Tenge)	Loans and receivables	Available-for-sale assets	Total
Financial assets			
Cash and cash equivalents	1,908,117	-	1,908,117
Due from other banks	1,770	-	1,770
Loans and advances to customers:			
- Corporate loans	2,772,321	-	2,772,321
- Loans to individuals	82,714	-	82,714
Investment securities available for sale	-	326,299	326,299
Other financial assets	101,208	-	101,208
Total financial assets	**4,866,130**	**326,299**	**5,192,429**
Non-financial assets	**638,330**	**-**	**638,330**
Total assets	**5,504,460**	**326,299**	**5,830,759**

The following table provides a reconciliation of classes of financial assets with these measurement categories at 31 December 2009:

(in thousands of Tenge)	Loans and receivables	Available-for-sale assets	Total
Financial assets			
Cash and cash equivalents	356,086	-	356,086
Due from other banks	1,782	-	1,782
Loans and advances to customers:			
- Corporate loans	1,313,189	-	1,313,189
- Loans to individuals	43,752	-	43,752
Investment securities available for sale	100,038	-	100,038
Total financial assets	**1,814,847**	**-**	**1,814,847**
Non-financial assets	**592,255**	**-**	**592,255**
Total assets	**2,407,102**	**-**	**2,407,102**

28 Reconciliation of Classes of Financial Instruments with Measurement Categories (continued)

The following table provides a reconciliation of classes of financial assets with these measurement categories at 31 December 2008:

(in thousands of Tenge)	**Loans and receivables**	**Available-for-sale assets**	**Total**
Financial assets			
Cash and cash equivalents	115,110	-	115,110
Due from other banks	1,450	-	1,450
Loans and advances to customers:			
- Corporate loans	913,625	-	913,625
- Loans to individuals	38,109	-	38,109
Investment securities available for sale	4,241	-	4,241
Total financial assets	**1,072,535**	**-**	**1,072,535**
Non-financial assets	**557,594**	**-**	**557,594**
Total assets	**1,630,129**	**-**	**1,630,129**

29 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2010, 2009 and 2008, the outstanding balances with related parties were as follows:

	31 December 2010			**31 December 2009**			**31 December 2008**	
(in thousands of Tenge)	**Share-holders**	**Mem-bers of the Board**	**Other**	**Parent compa-ny**	**Mem-bers of the Board**	**Other**	**Parent compa-ny**	**Other**
Gross amount of loans and advances to customers (contractual interest rate: 2010: 12-21%, 2009: 12-21%; 2008: 15-20%)	304,359	20,078	27,618	177,410	2,560	4,210	132,157	2,506
Customer accounts (contractual interest rate: nil)	17,309	-	3,105	2,474	-	1,574	6,641	21
Other liabilities	-	-	1,788	-	-	17,531	-	1,647

Other related parties comprise subsidiaries of direct and parent company and members of Board of Directors.

29 Related Party Transactions (continued)

The income and expense items with related parties for the year 2010, 2009 and 2008 were as follows:

	2010			2009			2008		
(in thousands of Tenge)	**Share-holders**	**Mem-bers of the Board**	**Other**	**Parent compa-ny**	**Mem-bers of the Board**	**Other**	**Parent compa-ny**	**Mem-bers of the Board**	**Other**
Interest income	47,985	1,270	1,187	31,405	380	590	27,665	227	13
Commission income	12,219	-	429	11,570	-	589	9,640	-	913
Gain less loss from operations with foreign currency	4,206	-	149	3,218	-	1,396	5,509	-	-
Administrative and other operating expenses	-	-	17,619	-	-	16,768	-	-	10,932

At 31 December 2010, 2009 and 2008 the Bank had no other rights and obligations in respect of related parties except guarantees issued and accepted from members of the Board:

(in thousands of Tenge)	**31 December 2010**	**31 December 2009**	**31 December 2008**
Guarantees received by the Bank at the year end	22,140	11,489	9,499

Aggregate amounts lent to and repaid by related parties during 2010, 2009 and 2008 were:

	2010	**2009**	**2008**
(in thousands of Tenge)	**Members of the Board**	**Members of the Board**	**Members of the Board**
Amounts lent to related parties during the period	21,000	-	700
Amounts repaid by related parties during the period	3,641	969	7,215

The Bank's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

In 2010, the remuneration of members of the Board comprised salaries, discretionary bonuses and other short-term benefits totalling to Tenge 36,803 thousand (2009: Tenge 19,202 thousand, 2008: Tenge 56,085 thousand).

30 Subsequent Events

There were no significant subsequent events after the reporting date.