Альфа·Банк

JSC SB ALFA-BANK

Financial Statements and Independent Auditor's Report 31 December 2009

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of JSC SB Alfa-Bank

We have audited the accompanying financial statements of JSC SB Alfa-Bank ("the Bank") which comprise the statement of financial position as of 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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.

PRICEWATERHOUSECOOPERS

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
29 March 2010

Approved by:

Zhanbota T. Bekenov
General Director of PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)

Signed by:

Svetlana I. Belokurova
Auditor in charge
(Qualified Auditor's Certificate №00000357 dated 21 February 1998)

JSC SB Alfa-Bank
Statement of Financial Position

(in thousands of Tenge)	Note	31 December 2009	31 December 2008
ASSETS			
Cash and cash equivalents	7	18,064,824	9,593,113
Due from other banks	8	493,173	683,895
Loans and advances to customers	9	13,699,304	16,402,168
Finance lease receivable	10	-	58,518
Investment securities available for sale	11	6,550,102	2,008,325
Investment securities held to maturity	12	4,381,780	-
Current income tax prepayment		264,525	-
Intangible assets	13	79,020	100,598
Premises and equipment	13	743,490	784,166
Other financial assets	14	119,362	23,424
Other assets	15	100,924	62,042
Non-current assets held for sale	16	21,349	-
TOTAL ASSETS		**44,517,853**	**29,716,249**
LIABILITIES			
Due to other banks	17	2,443,446	299,512
Customer accounts	18	31,972,765	20,836,118
Debt securities in issue	19	1,321,547	698,825
Current income tax liability		-	37,496
Deferred income tax liability	27	82,980	34,494
Other financial liabilities	20	222,616	133,523
Other liabilities	21	79,887	61,469
TOTAL LIABILITIES		**36,123,241**	**22,101,437**
EQUITY			
Share capital	22	1,022,185	1,022,185
Retained earnings		5,676,607	4,866,932
Other reserves	23	1,695,820	1,725,695
TOTAL EQUITY		**8,394,612**	**7,614,812**
TOTAL LIABILITIES AND EQUITY		**44,517,853**	**29,716,249**

Approved for issue and signed on behalf of the Board on 29 March 2010.

Smirnov D.F.
Chairman of the Board

Chernykh E. Yu.
Chief Accountant

«АЛЬФА-БАНКІ» АКЦИОНЕРЛІК КОММЕРЦИЯЛЫҚ БАНКІ
Альфа-Банк
АЛМАТЫ К.

(in thousands of Tenge)	Note	2009	2008
Interest income	24	3,042,469	3,291,717
Interest expense	24	(1,418,280)	(861,156)
Net interest income		**1,624,189**	**2,430,561**
Provision for loan and finance lease impairment	9,10	(2,532,250)	(526,790)
Net interest (expense)/income after provision for loan and finance lease impairment		**(908,061)**	**1,903,771**
Fee and commission income	25	1,015,521	882,648
Fee and commission expense	25	(147,589)	(91,476)
Gains less losses/(losses less gains) from financial derivatives		381,778	(183,368)
Gains less losses from trading in foreign currencies		333,527	300,717
Foreign exchange translation gains less losses		1,561,642	10,684
Recovery of/(provision for) credit related commitments	20	4,924	(4,220)
Other receivables provisions		(931)	-
Other operating income		7,207	5,218
Administrative and other operating expenses	26	(1,360,574)	(1,285,146)
Profit before tax		**887,444**	**1,538,828**
Income tax expense	27	(103,155)	(471,326)
Profit for the year		**784,289**	**1,067,502**
Other comprehensive income:			
Available-for-sale investments:			
- Gains less losses arising during the year		(306)	(749)
Revaluation of premises and equipment, net of deferred income tax		-	(322,831)
Income tax related to other comprehensive income		-	96,224
Change in deferred tax due to change in tax rates		(4,183)	86,773
Other comprehensive income for the year		(4,489)	(140,583)
Total comprehensive income for the year		**779,800**	**926,919**

(in thousands of Tenge)	Note	Share capital	Other reserves	Retained earnings	Total
Balance at 31 December 2007	**23**	**1,022,185**	**829,098**	**4,836,610**	**6,687,893**
Total comprehensive income for 2008					
Profit for the year		-	-	1,067,502	1,067,502
Other comprehensive income					
Available for sale investments:					-
- Fair value gains less losses		-	(749)	-	(749)
Premises and equipment:					
- Revaluation		-	(322,831)	-	(322,831)
- Change in deferred tax due to changes in tax rates		-	86,773	-	86,773
- Decrease in deferred tax due to revaluation		-	96,224	-	96,224
Total comprehensive income for 2008		**-**	**(140,583)**	**1,067,502**	**926,919**
Formation of statutory reserve		-	1,050,000	(1,050,000)	-
Premises and equipment:					
- Transfer to retain earning realised revaluation reserve		-	(12,820)	12,820	-
Balance at 31 December 2008	**22,23**	**1,022,185**	**1,725,695**	**4,866,932**	**7,614,812**
Total comprehensive income for 2009					
Profit for the year		-	-	784,289	784,289
Other comprehensive income					
Available for sale investments:					
- Fair value gains less losses		-	(5,806)	-	(5,806)
- Disposals		-	5,500	-	5,500
Premises and equipment:					
- Change in deferred tax due to change in tax rates		-	(4,183)	-	(4,183)
Total comprehensive income for 2009		**-**	**(4,489)**	**784,289**	**779,800**
Premises and equipment:					
- Transfer to retain earning from realised revaluation reserve		-	(31,732)	31,732	-
- Decrease in deferred tax due to realization of revaluation reserve		-	6,346	(6,346)	-
Balance at 31 December 2009	**22,23**	**1,022,185**	**1,695,820**	**5,676,607**	**8,394,612**

(in thousands of Tenge)	Note	2009	2008
Cash flows from operating activities			
Interest received		2,877,229	3,097,523
Interest paid		(1,358,693)	(698,212)
Fees and commissions received		955,330	881,971
Fees and commissions paid		(147,589)	(91,716)
Income received from financial derivatives		256,872	-
Income received from trading in foreign currencies		338,249	300,717
Other operating income received		7,207	5,218
Staff costs paid		(904,983)	(809,200)
Administrative and other operating expenses paid		(315,655)	(332,742)
Income tax paid		(360,873)	(468,175)
Cash flows from operating activities before changes in operating assets and liabilities		**1,347,094**	**1,885,384**
Changes in operating assets and liabilities			
Net decrease/(increase) in due from other banks		213,250	(672,200)
Net decrease in loans and advances to customers		813,894	662,297
Net decrease in finance lease receivable		58,518	74,867
Net (increase)/decrease in other financial assets		(3,085)	2,405
Net (increase)/decrease in other assets		(2,767)	224
Net increase/(decrease) in due to other banks		2,151,112	(445,489)
Net increase in customer accounts		11,092,604	3,261,007
Net increase/(decrease) in other financial liabilities		139,012	(19,094)
Net increase in other liabilities		781	-
Net cash from operating activities		**15,810,413**	**4,749,401**
Cash flows from investing activities			
Acquisition of investment securities available for sale	11	(24,971,790)	(19,168,201)
Proceeds from disposal/redemption of investment securities available for sale	11	20,577,912	17,869,344
Acquisition of investments held to maturity	12	(4,349,895)	-
Acquisition of premises and equipment	13	(33,019)	(54,321)
Prepaid capital expenditures	15	(9,210)	(29,357)
Acquisition of intangible assets	13	(1,768)	(70,669)
Net cash used in investing activities		**(8,787,770)**	**(1,453,204)**
Cash flows from financing activities			
Issuance of bonds on domestic market		600,000	672,590
Net cash from financing activities		**600,000**	**672,590**
Effect of exchange rate changes on cash and cash equivalents		**849,068**	**(8,451)**
Net increase in cash and cash equivalents		**8,471,711**	**3,960,336**
Cash and cash equivalents at the beginning of the year	7	**9,593,113**	**5,632,777**
Cash and cash equivalents at the end of the year	7	**18,064,824**	**9,593,113**

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2009 for JSC SB Alfa-Bank (the "Bank").

The Bank was established on 9 December 1994, incorporated and is domiciled in the Republic of Kazakhstan. The Bank is a joint stock company and was set up in accordance with the requirements of the legislation of the Republic of Kazakhstan. The Bank's immediate parent company is OJSC "Alfa-Bank" (Russia) (the "Shareholder") (2008: OJSC "Alfa-Bank"). The Bank's ultimate parent company is ABH Holding SA ("ABHH"), a Luxembourg registered company, owned by individuals. Mr. Fridman, Mr. Khan and Mr. Kuzmichev collectively control and own a 77.07 percent interest in ABHH.

On 29 June 2009 ABH Financial Limited, which is hundred percent indirect controlling shareholder of OJSC "Alfa-Bank" (Russia), concluded a call option agreement with ABHH, its ultimate shareholder, whereby ABHH received a right to acquire for a fixed consideration, and at any time until 29 June 2014, shares representing a 100% interest in JSC SB Alfa-Bank Kazakhstan. This agreement effectively transferred to ABHH all potential voting rights and economic benefits relating to the Bank.

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 21 December 2007.

The Bank has its main office located in Almaty and operates through a branch in Astana and three representative offices in Ekibastuz, Karaganda and Ust-Kamenogorsk. The average number of the Bank's employees during the year was 240 (2008: 188).

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

Almaty, Masanchi St., 57-A
The Republic of Kazakhstan

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 2010-2011 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.

Management 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.

2 Operating Environment of the Bank (Continued)

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.

Management 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 premises and equipment, 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.

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.

3 Summary of Significant Accounting Policies (Continued)

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.

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.

3 Summary of Significant Accounting Policies (Continued)

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.

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, except for the commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangements and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. 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.

3 Summary of Significant Accounting Policies (Continued)

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.

Investment securities held to maturity. This classification includes quoted non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank has both the intention and ability to hold to maturity. Management determines the classification of investment securities held to maturity at their initial recognition and reassesses the appropriateness of that classification at the end of each reporting period. Investment securities held to maturity are carried at amortised cost.

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.

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.

Premises and equipment. Premises and equipment 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

3 Summary of Significant Accounting Policies (Continued)

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 premises 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 premises and equipment 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 premises and equipment. 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 premises and equipment 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	25 years
Office and Computer Equipment	2-5 years
Other assets	2-10 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.

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, eg 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.

Finance leases. Where the Bank is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

3 Summary of Significant Accounting Policies (Continued)

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in profit or loss for the year.

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 finance lease receivables. The bank uses the same principal criteria to determine whether there is objective evidence that an impairment loss has occurred as for loans carried at amortised cost. Impairment losses are recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows (which exclude future credit losses that have not been incurred) discounted at the interest rates implicit in the finance leases. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Non-current assets classified as held for sale. Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as 'non-current assets held for sale' if their carrying amount will be recovered principally through a sale transaction within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Bank's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets or disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale premises and equipment are not depreciated. Reclassified non-current financial instruments are not subject to the write down to the lower of their carrying amount and fair value less costs to sell.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

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.

Debt securities in issue. Debt securities in issue include bonds issued by the Bank. Debt securities are stated at amortised cost. If the Bank purchases its own debt securities in issue, they are 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 arising from early retirement of debt.

3 Summary of Significant Accounting Policies (Continued)

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements and currency swaps are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year. The Bank does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instrument when their risks and characteristics are not closely related to those of the host contact.

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.

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.

3 Summary of Significant Accounting Policies (Continued)

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 2009 the principal rate of exchange used for translating foreign currency balances was USD 1 = Tenge 148.46 (2008: USD 1 = Tenge120.79), 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.

Changes in presentation. Where necessary, corresponding figures have been adjusted to conform to the presentation of the current year amounts.

Management considered materiality and concluded that it is sufficient for the Bank to present such information only in those notes that have been impacted by a reclassification and state in the financial statements that the other notes have not been impacted by the reclassification. The omission of the notes to the additional opening statement of financial position is therefore, in management's view, not material.

The reclassifications in the statement of financial position had an impact on information in Note 14 "Other financial assets", Note 15 "Other assets", Note 20 "Other financial liabilities" and Note 21 "Other liabilities" and had no impact on any other captions in the statement of financial position and related note disclosures. The changes in presentation adopted in 2009 did not have any impact on the statement of financial position and the Bank therefore does not present in the notes information as of 1 January 2008.

Commission income receivable previously presented as other assets in the amount of Tenge 1,145 thousand is classified as other financial assets for the purposes of comparability with the presentation for the year 2009. Commission fee payable and accrued operating expenses previously presented as other liabilities in the amount of Tenge 16,518 thousand were classified as other financial liabilities for the purposes of comparability with the presentation for the year 2009.

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:

Held-to-maturity financial assets. Management applies judgement in assessing whether financial assets can be categorised as held-to-maturity, in particular (a) its intention and ability to hold the assets to maturity and (b) whether the assets are quoted in an active market. If the Bank fails to keep these investments to maturity other than in certain specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value rather than amortised cost. If the entire class of held-to-maturity investments is tainted, the carrying amount would decrease by Tenge 2,729 thousand (31 December 2008: Tenge nil) with a corresponding entry in other comprehensive income.

"Active market" exists if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Bank considers a market for a particular financial instrument as active if trades in the instrument occur on more than within 90 percent of the trading days.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

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.

To the extent that the cash flow on repayment of the principal of loans provided for increases by 7 percent, the provision would be approximately Tenge 300,443 thousand (31 December 2008: Tenge 5,257 thousand) lower. Should the cash flow decrease by 7 percent the provision would be approximately Tenge 212,821 thousand (31 December 2008: Tenge 20,597 thousand) higher.

Reversals of impairment provisions. The Bank reversed loan impairment provisions of Tenge 717,597 thousand (2008: Tenge 338,730 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 27 and 31.

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 35.

Valuation of premises. Property occupied by the Bank is stated at fair value based on reports prepared by an independent valuation company. Due to the nature of the premises, the fair value of the property is estimated based on sales comparison approach and the income capitalisation method, where the value is estimated from the expected market rental income streams from similar properties and capitalisation yields. The method considers net income generated by comparable property, capitalised to determine the value for property which is subject to the valuation.

The principal assumptions underlying the estimation of the fair value are those related to the possible market rentals and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Bank and those reported by the market. The impact on the aggregate valuations of reasonably possible changes in these assumptions, with all other variables held constant, is as follows:

- The capitalisation rate was assumed to be 11 - 11.5 percent (2008: 11.57 - 12.7 percent). Should this capitalisation rate increase by 1 percentage point (2008: 1 percentage point), the carrying value of the premises would be Tenge 51,526 thousand lower (2008: Tenge 46,516 thousand lower).
- Possible property rental income was assumed to be Tenge 95,353 thousand (2008: Tenge 124,555 thousand) per annum. Should this rental income decrease by 10 percent (2008: 10 percent), the carrying value of the premises would be Tenge 61,190 thousand lower (2008: Tenge 100,115 thousand lower).

5 Adoption of New or Revised Standards and Interpretations

Certain new standards and interpretations became effective for the Bank from 1 January 2009:

IFRS 8, Operating Segments. The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The adoption of IFRS 8 did not have any significant effect on the Bank's financial statements.

IAS 23, Borrowing Costs, revised in March 2007. The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that is not carried at fair value and that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognised as an expense using the effective interest method. The adoption of IFRS 23 did not have any significant effect on the Bank's financial statements.

IAS 1, Presentation of Financial Statements (revised in September 2007). The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Bank has elected to present a single statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Bank 's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

Improvements to International Financial Reporting Standards (issued in May 2008). In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. These amendments did not have an impact on the Bank's financial statements.

***Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment*.** The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The amendment did not have an impact on the Bank's financial statements.

Vesting Conditions and Cancellations - Amendment to IFRS 2, Share-based Payment. The amendment clarified that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment did not have an impact on the Bank's financial statements.

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

IFRIC 13, Customer Loyalty Programmes. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This amendment did not have an impact on the Bank's financial statements.

IFRIC 15, Agreements for the Construction of Real Estate. The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. This amendment did not have an impact on the Bank's financial statements.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate - IFRS 1 and IAS 27 Amendment, issued in May 2008. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss for the year rather than as a recovery of the investment. This amendment did not have an impact on the Bank's financial statements.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009. The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment did not have an impact on the Bank's financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation. The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 did not have an impact on the Bank's financial statements.

The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability. The Bank is not eligible to apply the IFRS for SMEs due to the public accountability of its banking business.

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 2010 or later periods and which the Bank has not early adopted:

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 will be recognised in profit or loss for the year when the entity settles the dividend payable. IFRIC 17 is not relevant to the Bank's operations because it does not distribute non-cash assets to owners.

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 is not expected to have any impact on the Bank's financial statements.

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.

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 settles its debt by issuing its own equity instruments. 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. IFRIC 19 is not expected to have any impact on the Bank's financial statements.

IAS 27, Consolidated and Separate Financial Statements (revised in January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require 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 current standard requires 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 will have to be measured at its fair value. The Bank does not expect the amended standard to have a material effect on its 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 will allow entities to choose to measure non-controlling interests using the existing 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 will have 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 will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be 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. IFRS 3 is not relevant to the Bank as it does not expect a business combination to occur.

6 New Accounting Pronouncements (Continued)

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, early adoption is allowed). 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 is not expected to have any impact on the Bank's financial statements as the Bank does not apply hedge accounting.

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 Bank concluded that the revised standard does not have any effect on its 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 Bank does not expect the amendments to have any material effect on its 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 will not have any impact on the Bank’s 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. The Bank does not expect the amendments to have any material effect on its financial statements.

6 New Accounting Pronouncements (Continued)

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.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features 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.
- 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.

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 2009**	**31 December 2008**
Cash on hand	705,583	465,952
Cash balances with the NBRK (other than mandatory reserve deposits)	2,042,060	1,048,146
Mandatory cash balances with NBRK	635,884	479,510
Correspondent accounts and overnight placements with other banks:	4,706,145	5,990,902
- Kazakhstan	373	473
- Other countries	4,705,772	5,990,429
NBRK notes with maturity less than three months	9,974,987	1,608,438
Placements with other banks with original maturities of less than three months	165	165
Total cash and cash equivalents	**18,064,824**	**9,593,113**

NBRK notes for the amount of Tenge 9,974,987 thousand will mature in February - March 2010.

7 Cash and Cash Equivalents (Continued)

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

(in thousands of Tenge)	Cash balances with the NBRK, including mandatory reserves	Correspon-dent accounts and overnight placements	Placements with other banks	NBRK notes with maturity less than three months	Total
Neither past due nor impaired					
- AA- to AA+ rated	-	819,296	-	-	819,296
- A- to A+ rated	-	3,664,123	-	-	3,664,123
- BBB- to BBB+ rated	2,677,944	-	-	9,974,987	12,652,931
- BB- to BB+ rated	-	-	-	-	-
- B- to B+ rated	-	35,806	165	-	35,971
- Unrated	-	186,920	-	-	186,920
Total cash and cash equivalents, excluding cash on hand	**2,677,944**	**4,706,145**	**165**	**9,974,987**	**17,359,241**

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

(in thousands of Tenge)	Cash balances with the NBRK, including mandatory reserves	Correspon-dent accounts and overnight placements	Placements with other banks	NBRK notes with maturity less than three months	Total
Neither past due nor impaired					
- AA- to AA+ rated	-	5,002,822	-	-	5,002,822
- A- to A+ rated	-	581,005	-	-	581,005
- BBB- to BBB+ rated	1,527,656	-	-	1,608,438	3,136,094
- BB- to BB+ rated	-	-	-	-	-
- B- to B+ rated		395,663	165	-	395,828
- Unrated	-	11,412	-	-	11,412
Total cash and cash equivalents, excluding cash on hand	**1,527,656**	**5,990,902**	**165**	**1,608,438**	**9,127,161**

Interest rate analysis of cash and cash equivalents is disclosed in Note 29. The information on related party balances is disclosed in Note 35. Fair value of cash and cash equivalents is disclosed in Note 33.

8 Due from other banks

(in thousands of Tenge)	Note	31 December 2009	31 December 2008
Short-term placements with other banks with original maturities of more than three months	33	493,173	683,895
Total due from other banks		**493,173**	**683,895**

The placements as of 31 December 2009 and 2008 were made only with OJSC "Alfa-Bank" (Russia) assigned with B+ credit rating by Standards & Poors rating agency.

Amounts due from other banks are not collateralised and not impaired as at 31 December 2009.

Interest rate analysis of due from other banks is disclosed in Note 29. The information on related party balances is disclosed in Note 35. Fair value of due from other banks is disclosed in Note 33.

9 Loans and Advances to Customers

(in thousands of Tenge)	31 December 2009	31 December 2008
Corporate loans	17,255,901	17,335,847
Loans to individuals	119,067	204,268
Gross loans and advances to customers	**17,374,968**	**17,540,115**
Less: Provision for loan impairment	(3,675,664)	(1,137,947)
Total loans and advances to customers	**13,699,304**	**16,402,168**

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

(in thousands of Tenge)	Note	2009	2008
Provision for loan impairment at 1 January		**1,137,947**	**578,602**
Provision for loan impairment created during the year		3,273,540	898,100
Recovery of provision for loan impairment during the year		(717,597)	(338,730)
Amounts written off during the year as uncollectible		-	(25)
Transfer to non-current assets held for sale	16	(18,226)	-
Provision for loan impairment at 31 December		**3,675,664**	**1,137,947**

9 Loans and Advances to Customers (Continued)

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

(in thousands of Tenge)	31 December 2009 Amount	%	31 December 2008 Amount	%
Wholesale trade	6,451,836	37	4,467,866	26
Production	3,337,014	19	4,685,331	27
Transportation	2,005,560	12	2,169,572	12
Mining	986,088	6	1,635,858	9
Rent	897,909	5	1,009,350	6
Agriculture	751,249	4	-	-
Research and development	702,676	4	-	-
Construction	410,024	2	239,982	1
Post and communication	408,653	2	-	-
Hotel services	362,234	2	1,225,582	7
Individuals	119,066	1	204,268	1
Publishing	117,990	1	113,328	1
Crude oil and natural gas production	-	-	606,316	3
Other	824,669	5	1,182,662	7
Total loans and advances to customers	**17,374,968**	**100**	**17,540,115**	**100**

At 31 December 2009 the Bank had eleven borrowers (31 December 2008: twelve borrowers) with aggregated amount of issued loans to each borrower above Tenge 500,000 thousand. The total aggregate amount of these loans was Tenge 9,713,534 thousand (31 December 2008: Tenge 11,186,712 thousand) or 55.9 percent of the gross loan portfolio (31 December 2008: 63.8 percent).

Information about collateral at 31 December 2009 is as follows:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
Unsecured loans	**891,607**	**6,242**	**897,849**
Loans collateralised by:	**16,364,294**	**112,825**	**16,477,119**
- third party guarantees	5,803,493	1,639	5,805,132
- real estate other than residential	5,268,299	-	5,268,299
- cash deposits	1,889,267	100,101	1,989,368
- inventory	1,172,366	-	1,172,366
- factored accounts receivable	814,707	-	814,707
- vehicles	630,347	891	631,238
- production equipment	262,330	-	262,330
- residential real estate	162,576	4,818	167,394
- other	360,909	5,376	366,285
Total loans and advances to customers	**17,255,901**	**119,067**	**17,374,968**

9 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2008 is as follows:

(in thousands of Tenge)	**Corporate loans**	**Loans to individuals**	**Total**
Unsecured loans	**632,773**	**236**	**633,009**
Loans collateralised by:	**16,703,074**	**204,032**	**16,907,106**
- real estate other than residential	5,444,633	-	5,444,633
- third party guarantees	4,660,691	1,455	4,662,146
- factored accounts receivable	1,750,794	-	1,750,794
- residential real estate	1,725,890	116,702	1,842,592
- inventory	1,255,437	-	1,255,437
- vehicles	645,689	-	645,689
- cash deposits	617,406	85,168	702,574
- production equipment	206,523	-	206,523
- other	396,011	707	396,718
Total loans and advances to customers	**17,335,847**	**204,268**	**17,540,115**

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	6,142,157	-	6,142,157
- Large new borrowers	1,568,024	-	1,568,024
- Loans to medium size entities	1,766,593	-	1,766,593
- Loans to small entities	377,229	-	377,229
- Loans to individuals	-	112,778	112,778
Total current and not impaired	**9,854,003**	**112,778**	**9,966,781**
Loans individually determined to be impaired (gross)			
- not past due	4,018,161	5,926	4,024,087
- less than 30 days overdue	-	11	11
- 30 to 90 days overdue	1,818,920	25	1,818,945
- 91 to 180 days overdue	800,000	-	800,000
- 181 to 360 days overdue	-	43	43
- over 360 days overdue	764,817	284	765,101
Total individually impaired loans (gross)	**7,401,898**	**6,289**	**7,408,187**
Less impairment provisions	(3,675,091)	(573)	(3,675,664)
Total loans and advances to customers	**13,580,810**	**118,494**	**13,699,304**

As of 31 December 2009 amount of provision created under renegotiated loans constituted Tenge 1,090,603 thousand (31 December 2008: nil).

9 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			
- Large borrowers with credit history over two years	7,915,028	-	7,915,028
- Large new borrowers	3,927,452	-	3,927,452
- Loans to medium size entities	862,134	-	862,134
- Loans to small entities	308,092	-	308,092
- Loans to individuals	-	202,317	202,317
Total current and not impaired	**13,012,706**	**202,317**	**13,215,023**
Loans individually determined to be impaired (gross)			
- not past due	3,937,760	1,667	3,939,427
- less than 30 days overdue	153,454	-	153,454
- 30 to 90 days overdue	231,927	7	231,934
- 91 to 180 days overdue	-	3	3
- 181 to 360 days overdue	-	2	2
- over 360 days overdue	-	272	272
Total individually impaired loans (gross)	**4,323,141**	**1,951**	**4,325,092**
Less impairment provisions	(1,137,225)	(722)	(1,137,947)
Total loans and advances to customers	**16,198,622**	**203,546**	**16,402,168**

The Bank's policy in respect of quality of loans provides the following criteria: large borrowers determined as the borrowers with outstanding debt above Tenge 148,460 thousand (USD 1,000,000), medium size borrowers with outstanding debt from Tenge 50,000 thousand to Tenge 148,460 thousand, small borrowers with outstanding debt below Tenge 50,000 thousand.

The Bank does not have past due but not impaired loans at 31 December 2009 and 31 December 2008.

9 Loans and Advances to Customers (Continued)

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**
Fair value of collateral - individually impaired loans	
- real estate	5,890,502
- production equipment	4,238,296
- inventory	1,630,316
- residential real estate	231,841
- vehicles	154,078
Total	**12,145,033**

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**
Fair value of collateral - individually impaired loans	
- vehicles	645,690
- inventory	330,697
- real estate	259,267
- production equipment	206,523
- residential real estate	147,789
- cash deposits	17,406
- other assets	122,510
Total	**1,729,882**

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 change the title and come into possession of pledge related to outstanding loans. Despite the difficulties in come into possession of pledge, management of the Bank will try to achieve repayment of outstanding loans by all possible measures available.

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 33.

Interest rate analysis of loans and advances to customers is disclosed in Note 29. The information on related party balances is disclosed in Note 35.

10 Finance Lease Receivable

Finance lease payments receivable (gross investment in the leases) and their present values are as follows:

(in thousands of Tenge)	**Due in 1 year**	**Due between 1 and 5 years**	**Total**
Finance lease payments receivable at 31 December 2008	**66,737**	**-**	**66,737**
Unearned finance income	(2,752)	-	(2,752)
Impairment loss provision	(5,467)	-	(5,467)
Present value of lease payments receivable at 31 December 2008	**58,518**	**-**	**58,518**

Finance lease receivables of Tenge 58,518 thousand as of 31 December 2008 are represented by leases of equipment. For the estimated fair value of finance lease receivable refer to Note 33.

Movements in the impairment provision for finance lease portfolio during 2009 and 2008 are as follows:

(in thousands of Tenge)	**2009**	**2008**
Provision for impairment of finance lease portfolio at 1 January	**5,467**	**32,353**
Recovery of impairment provision during the year	(5,467)	(32,353)
Provision created during the year	-	5,467
Provision for impairment of finance lease portfolio at 31 December	**-**	**5,467**

11 Investment Securities Available for Sale

(in thousands of Tenge)	31 December 2009	31 December 2008
Government securities of the Ministry of Finance of the Republic of Kazakhstan	4,062,007	-
Notes of NBRK	2,488,095	2,008,325
Total investment securities available for sale	**6,550,102**	**2,008,325**

Credit quality of investments into securities issued by NBRK and Ministry of Finance of the Republic of Kazakhstan is associated with sovereign credit rating of the country that represented BBB/Stable/A-3 as of 31 December 2009 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 10, Tenge 100 and Tenge 1,000 with the maximum maturity of 1,461 days. Yield to maturity on these bonds was an average of 4.12 percent as at 31 December 2009.

The Notes of the NBRK are discount notes redeemable at par value of Tenge 100 within 183 days from the issue date (31 December 2008: 182 days). The notes mature in February 2010 for the amount of Tenge 1,993,150 thousand and in May 2010 for the amount of Tenge 494,945 thousand (31 December 2008: in January 2009 in the amount of Tenge 990,212 thousand and in May 2009 in the amount of Tenge 1,018,113 thousand) and have a yield to maturity of 2.23 percent (31 December 2008: 6.46 percent).

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

(in thousands of Tenge)	2009	2008
Carrying amount at 1 January	**2,008,325**	**569,106**
Fair value gains less losses	(306)	(749)
Interest income accrued	152,160	141,111
Purchases	24,971,790	19,168,201
Disposals and redemption of current investment securities available for sale	(20,577,912)	(17,869,344)
Foreign exchange differences on debt securities	(3,955)	-
Carrying amount at 31 December	**6,550,102**	**2,008,325**

Investment securities available for sale include securities pledged under sale and repurchase agreements fair value of which at 31 December 2009 is Tenge 3,630,617 thousand (31 December 2008: nil). The counterparty does not have any right to sell or encumber these investment securities.

Interest rate analysis of investment securities available for sale is disclosed in Note 29.

12 Investment Securities Held to Maturity

(In thousands of Tenge)	31 December 2009	31 December 2008
Corporate bonds	2,407,380	-
Notes of NBRK	1,974,400	-
Total investment securities held to maturity	**4,381,780**	**-**

Presented below is the information on movements in investment securities held to maturity portfolio.

(in thousands of Tenge)	Note	2009	2008
Carrying amount at 1 January		**-**	**-**
Additions		4,349,895	-
Interest income accrual	24	37,219	-
Interest income received		(9,369)	-
Exchange differences		4,035	-
Carrying amount at 31 December		**4,381,780**	-

Analysis by credit quality of investment securities classified as held to maturity at 31 December 2009 is as follows:

(in thousands of Tenge)	NBRK notes	Corporate bonds	Total
Neither past due nor impaired			
- BBB- to BBB+ rated	1,974,400	231,121	2,205,521
- BB- to BB+ rated	-	2,023,746	2,023,746
- Unrated	-	152,513	152,513
Total neither past due nor impaired	**1,974,400**	**2,407,380**	**4,381,780**

The credit ratings are based on Standard & Poor’s ratings.

Refer to Note 33 for the disclosure of the fair value of each class of investment securities held to maturity. Interest rate analysis of investment securities held to maturity is disclosed in Note 29.

13 Premises, Equipment and Intangible Assets

(in thousands of Tenge)	Note	Premises and land	Office and computer equip-ment	Other fixed assets	Total premises and equip-ment	Computer software licences
Cost or valuation at 1 January 2008		1,023,508	90,751	143,104	1,257,363	129,312
Accumulated depreciation/amortisation		(1,097)	(59,123)	(60,151)	(120,371)	(77,768)
Carrying amount at 1 January 2008		**1,022,411**	**31,628**	**82,953**	**1,136,992**	**51,544**
Additions		220	18,949	35,152	54,321	70,669
Disposals		-	(15)	(240)	(255)	(1)
Revaluation		(374,469)	-	-	(374,469)	-
Depreciation/amortisation charge	26	(51,818)	(13,300)	(18,943)	(84,061)	(21,614)
Written-off on revaluation		51,638	-	-	51,638	-
Carrying amount at 31 December 2008		**647,982**	**37,262**	**98,922**	**784,166**	**100,598**
Cost or valuation at 31 December 2008		649,259	105,145	175,998	930,402	194,798
Accumulated depreciation/amortisation		(1,277)	(67,883)	(77,076)	(146,236)	(94,200)
Carrying amount at 31 December 2008		**647,982**	**37,262**	**98,922**	**784,166**	**100,598**
Additions		3,883	8,494	20,642	33,019	1,768
Disposals		(143)	(62)	(338)	(543)	-
Depreciation/amortisation charge	26	(35,608)	(15,418)	(22,126)	(73,152)	(23,346)
Carrying amount at 31 December 2009		**616,114**	**30,276**	**97,100**	**743,490**	**79,020**
Cost or valuation at 31 December 2009		652,993	108,988	193,149	955,130	189,124
Accumulated depreciation/amortisation		(36,879)	(78,712)	(96,049)	(211,640)	(110,104)
Carrying amount at 31 December 2009		**616,114**	**30,276**	**97,100**	**743,490**	**79,020**

Premises and land were revalued at the end of 2009 and 2008 by an independent firm 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 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. In 2009 the revaluation amount was not recognized in the financial statements due to the insignificant changes in the market value of premises and land in comparison to the prior year.

Included in the above carrying amount is Tenge 561,244 thousand (31 December 2008: Tenge 592,976 thousand) representing revaluation surplus relating to premises and land of the Bank. At 31 December 2009 the carrying amount of premises and land would have been Tenge 30,680 thousand (31 December 2008: Tenge 33,124 thousand) had the assets been carried at cost less depreciation.

14 Other Financial Assets

(in thousands of Tenge)	Note	31 December 2009	31 December 2008
Commission income accrued		61,336	1,145
Foreign exchange forward contracts	32,33	31,100	-
Debtors on guarantees		14,846	12,079
Investments		10,200	10,200
Foreign exchange swap contracts	32,33	1,880	-
Total other financial assets		**119,362**	**23,424**

Included in investments are shares of Central Depository JSC and Processing Center JSC in accordance with the requirements of regulatory bodies. The investments are accounted at cost.

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

(in thousands of Tenge)	Trade receivables	Investments at cost	Derivatives	Total
Neither past due nor impaired				
- Collected or settled after the end of the reporting period	76,182	-	32,980	109,162
- Not due at the date of authorisation of the financial statements for issue	-	10,200	-	10,200
Total neither past due nor impaired	**76,182**	**10,200**	**32,980**	**119,362**

Analysis by credit quality of other financial assets outstanding at 31 December 2008 is as follows:

(in thousands of Tenge)	Trade receivables	Investments at cost	Total
Neither past due nor impaired			
- Collected or settled after the end of the reporting period	13,224	-	13,224
- Not due at the date of authorisation of the financial statements for issue	-	10,200	10,200
Total neither past due nor impaired	**13,224**	**10,200**	**23,424**

Fair value of other financial assets is disclosed in Note 33.

15 Other Assets

(in thousands of Tenge)	31 December 2009	31 December 2008
Prepayment for software	40,975	31,765
Prepayments for services	29,253	18,035
Prepayments for other taxes	21,544	5,243
Inventories	7,576	5,991
Other	1,576	1,008
Total other assets	**100,924**	**62,042**

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

16 Non-Current Assets Held for Sale

(in thousands of Tenge)	31 December 2009	31 December 2008
Premises and equipment	21,349	-
Total non-current asset held for sale	**21,349**	**-**

Included in non-current assets held for sale are premises and equipment in the amount of Tenge 21,349 thousand (31 December 2008: Tenge nil) that was a collateral provided by a borrower and recognized by the Bank as a repayment of the loan.

In November 2009 the management approved the assets sales plan. The Bank carries out the active marketing actions on sales of these assets and plans to complete the sales by June 2010.

17 Due to Other Banks

(in thousands of Tenge)	Note	31 December 2009	31 December 2008
Sale and repurchase agreements with other bank	31	2,443,261	-
Correspondent accounts and overnight placements of other banks		185	7,280
Short-term placements of other banks		-	292,232
Total due to other banks		**2,443,446**	**299,512**

The Bank had pledged its investment securities available for sale in amount of Tenge 3,630,617 thousand for sale and repurchase agreement with other banks that represent notes of NBRK and government securitises of the Ministry of Finance of the Republic of Kazakhstan. Investment securities available for sale were disclosed in the Note 11.

Interest rate analysis of due to other banks is disclosed in Note 29. The information on related party balances is disclosed in Note 35. Fair value of due to other banks is disclosed in Note 33.

18 Customer Accounts

(in thousands of Tenge)	31 December 2009	31 December 2008
State and public organisations		
- Current/settlement accounts	466,790	227,659
- Term deposits	156,859	1,330
Other legal entities		
- Current/settlement accounts	12,964,574	12,126,102
- Term deposits	9,904,081	2,823,699
Individuals		
- Current/demand accounts	2,859,072	1,819,615
- Term deposits	5,621,389	3,837,713
Total customer accounts	**31,972,765**	**20,836,118**

State and public organisations exclude government owned profit oriented businesses.

18 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

(in thousands of Tenge)	31 December 2009 Amount	31 December 2009 %	31 December 2008 Amount	31 December 2008 %
Individuals	8,480,461	27	5,343,769	26
Construction	8,122,914	25	5,385,100	26
Insurance	4,789,223	15	885,489	4
Wholesale trade	3,322,966	10	2,892,194	14
Services	2,206,794	7	2,551,835	12
Mining	1,553,070	5	597,543	3
Research and development	652,642	2	799,624	4
Real estate	448,093	2	251,201	1
Public organizations	394,012	1	145,095	1
Financial intermediation	391,635	1	99,279	-
Retail trade	338,289	1	518,061	2
Metal production	306,939	1	193,600	1
Production of equipment	251,006	1	103,961	-
Energy production	157,359	1	711,024	3
Publishing	127,417	-	120,219	1
Transport	72,610	-	106,428	1
Other	357,335	1	131,696	1
Total customer accounts	**31,972,765**	**100**	**20,836,118**	**100**

At 31 December 2009 the Bank had nine customers (31 December 2008: four customers) with balances above Tenge 500,000 thousand. The aggregate balance of these customers was Tenge 14,504,017 thousand (31 December 2008: Tenge 6,065,056 thousand) or 45.36 percent (31 December 2008: 29.96 percent) of total customer accounts.

Interest rate analysis of customer accounts is disclosed in Note 29. The information on related party balances is disclosed in Note 35. For the estimated fair value of customer accounts refer to Note 33.

19 Debt securities in issue

(in thousands of Tenge)	31 December 2009	31 December 2008
Bonds issued on domestic market	1,321,547	698,825
Total bonds issued on domestic market	**1,321,547**	**698,825**

Bonds issued on domestic market are denominated in Tenge and mature in March 2011, have coupon rate of 12 percent and yield to maturity of 12.41 percent (31 December 2008: are denominated in Tenge and mature in March 2011, have coupon rate of 12 percent and yield to maturity of 12.38 percent).

Information on fair value of bonds issued on domestic market is disclosed in Note 33. Interest rate analysis of bonds issued on domestic market is disclosed in Note 29.

20 Other Financial Liabilities

Other financial liabilities comprise the following:

(in thousands of Tenge)	Note	31 December 2009	31 December 2008
Creditors on letters of credit		139,012	-
Accounts payable		72,844	25,913
Foreign exchange forward contracts	32, 33	10,635	102,561
Provision for credit related commitments	31	125	5,049
Total other financial liabilities		**222,616**	**133,523**

Information on fair value of other financial liabilities is disclosed in Note 33.

Movements in provisions for credit related commitments are as follows:

(in thousands of Tenge)	2009	2008
Carrying amount at 1 January	**5,049**	**829**
Provisions created	2,867	4,220
Reversal of provisions stated in profit or loss	(7,791)	-
Carrying amount at 31 December	**125**	**5,049**

Provisions in the amount of Tenge 125 thousand were created for losses incurred on financial guarantees and commitments to extend credit to borrowers whose financial conditions deteriorated. The balance at 31 December 2009 is expected to be utilised by the end of 2010.

The information on related party balances is disclosed in Note 35.

21 Other Liabilities

Other liabilities comprise the following:

(in thousands of Tenge)	31 December 2009	31 December 2008
Accrued employee costs	55,946	38,679
Taxes other than on income payable	12,020	5,804
Prepayments	10,967	16,986
Other	954	-
Total other liabilities	**79,887**	**61,469**

All of the above liabilities are expected to be settled within the next twelve months.

22 Share Capital

As at 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 in thousands	Ordinary shares	Share premium	Total
At 31 December	**100,000**	**1,000,000**	**22,185**	**1,022,185**

Nominal registered amount of the Bank's issued share capital was Tenge 1,000,000 thousand as at 31 December 2009 (31 December 2008: Tenge 1,000,000 thousand). At 31 December 2009, all of the Bank's outstanding shares were authorised, issued and fully paid in.

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

Share premium represents the excess of contributions received over the nominal value of shares issued.

23 Other Reserves

	Revaluation reserve for		Reserve capital	Total reserves
(in thousands of Tenge)	Available for sale securities	Premises and equipment		
At 31 December 2007	**(4,253)**	**683,351**	**150,000**	**829,098**
Statutory reserve fund	-	-	1,050,000	1,050,000
Revaluation	(749)	(322,831)	-	(323,580)
Realised revaluation reserve	-	(12,820)	-	(12,820)
Change in deferred tax due to changes in tax rates	-	86,773	-	86,773
Change in deferred tax due to revaluation	-	96,224	-	96,224
At 31 December 2008	**(5,002)**	**530,697**	**1,200,000**	**1,725,695**
Net revaluation during the year	(5,806)	-	-	(5,806)
Realised revaluation reserve	5,500	(31,732)	-	(26,232)
Decrease in deferred tax due to realization of revaluation reserve	-	6,346	-	6,346
Change in deferred tax due to changes in tax rates	-	(4,183)	-	(4,183)
At 31 December 2009	**(5,308)**	**501,128**	**1,200,000**	**1,695,820**

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.

24 Interest Income and Expense

(in thousands of Tenge)	2009	2008
Interest income		
Loans and advances to customers	2,600,608	2,869,527
Investment securities available for sale	152,160	141,111
Due from other banks	110,555	213,942
Term deposits placed with NBRK	95,458	-
Investment securities held to maturity	37,219	-
NBRK notes with maturity less than three months	31,517	8,307
Correspondent accounts with other banks	11,752	44,558
Finance lease receivables	2,879	14,272
Reverse repo transactions	321	-
Total interest income	**3,042,469**	**3,291,717**
Interest expense		
Term deposits of legal entities	695,262	183,412
Term deposits of individuals	390,053	288,966
Current/settlement accounts	194,599	294,476
Bond issued on domestic market	111,105	35,413
Direct repo transactions	15,196	1,647
Long-term loans from other banks	9,833	16,155
Term placements of other banks	2,021	41,087
Short-term borrowings from other banks	211	-
Total interest expense	**1,418,280**	**861,156**
Net interest income	**1,624,189**	**2,430,561**

Interest income accrued on impaired loans and advances in 2009 is Tenge 949,172 thousand (2008: Tenge 605,790 thousand).

The information on related party transactions is disclosed in Note 35.

25 Fee and Commission Income and Expense

(in thousands of Tenge)	2009	2008
Fee and commission income		
- Settlement transactions	399,248	360,043
- Transactions on sale and purchase of foreign currency	272,528	251,758
- Cash transactions	190,326	187,591
- Commission for loan origination for other banks	57,385	-
- VISA	26,114	25,899
- Encashment services	17,114	13,779
- Payment card transactions	11,519	4,600
- Guarantees issued	7,407	12,951
- Provision of safes	5,937	4,497
- Letters of credit	2,872	4,586
- Other	25,071	16,944
Total fee and commission income	**1,015,521**	**882,648**
Fee and commission expense		
- Deposits Guarantee Fund	79,286	24,239
- Settlement transactions	22,344	24,896
- VISA	20,631	-
- Payment cards	15,713	32
- Cash transactions	5,851	36,553
- Other	3,764	5,756
Total fee and commission expense	**147,589**	**91,476**
Net fee and commission income	**867,932**	**791,172**

The information on related party transactions is disclosed in Note 35.

26 Administrative and Other Operating Expenses

(in thousands of Tenge)	Note	2009	2008
Staff costs		922,250	835,418
Depreciation of premises and equipment	13	73,152	84,061
Administrative expenses		60,697	69,931
Communication expense		40,539	41,031
Taxes other than on income		26,876	39,847
Software support expense		25,857	25,430
Professional services		25,441	36,408
Amortisation of software and other intangible assets	13	23,346	21,614
Cash collection expenses		22,304	16,783
Business trip expenses		14,784	13,545
Operating lease expense		14,664	13,007
Advertising and marketing services		12,614	17,946
Professional membership fee		9,167	9,228
Representative expenses		7,154	-
Transportation		6,716	18,807
Insurance expense		6,443	5,620
Stationery		4,138	3,502
Staff trainings		665	2,861
Other		63,767	30,107
Total administrative and other operating expenses		**1,360,574**	**1,285,146**

Included in staff costs are statutory social tax of Tenge 66,657 thousand and social security payments of Tenge 12,355 thousand (2008: Tenge 48,018 and 6,893 thousand, respectively).

27 Income Taxes

Income tax expense comprises the following:

(in thousands of Tenge)	2009	2008
Current income tax expense	58,852	545,426
Deferred tax expense / (credit)	44,303	(74,100)
Income tax expense for the year	**103,155**	**471,326**

On 10 December 2008, the new tax code and accompanying legislative acts were signed by the President of the Republic of Kazakhstan. The new tax code became effective from 1 January 2009. Key changes include: reduction of the corporate income tax rate from 30 percent to 20 percent in 2009, 17.5 percent in 2013, and 15 percent in 2014. The impact of the change in tax rate presented above represents the effect of applying the reduced tax rate to deferred tax balances at 31 December 2008.

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

27 Income Taxes (Continued)

(in thousands of Tenge)	2009	2008
IFRS profit before tax	**887,444**	**1,538,828**
Theoretical tax charge at statutory rate (2009: 20%; 2008: 30%)	177,489	461,648
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Withholding tax	(6,193)	-
- Non-taxable income	(62,619)	(25,272)
- Non-deductible expenses	14,071	15,426
- Other non temporary differences	(13,104)	(7,307)
- Non-deductible interest expense	-	494
- Recovery of non-deductible provision for impairment of loans and advances to customers	(6,489)	(1,976)
- Reduction in opening deferred taxes resulting from reduction of tax rate	-	28,313
Income tax expense for the year	**103,155**	**471,326**

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 except differences raised due to revaluation of premises recorded at 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).

27 Income Taxes (Continued)

(In thousands of Tenge)	31 December 2008	Credited/(Charged) To profit or loss: Amortization of revaluation reserve	Credited/(Charged) To profit or loss: Other	Credited/(Charged) directly to equity: Reva-luation	Credited/(Charged) directly to equity: Effect of Change in tax rates	31 December 2009
Tax effect of deductible temporary differences						
Accruals	12,109	-	(2,123)	-	-	9,986
Loan impairment provision	54,746	-	(54,746)	-	-	-
Gross deferred tax asset	**66,855**	**-**	**(56,869)**	**-**	**-**	**9,986**
Tax effect of taxable temporary differences						
Revaluation reserve of premises	91,121	(6,346)	-	-	4,183	88,958
Fixed assets without revaluation	10,228	-	(6,220)	-	-	4,008
Gross deferred tax liability	**101,349**	**(6,346)**	**(6,220)**	**-**	**4,183**	**92,966**
Net deferred tax liability	**34,494**	**(6,346)**	**50,649**	**-**	**4,183**	**82,980**

(In thousands of Tenge)	31 December 2007	Credited/(Charged) to profit or loss: Amortization of revaluation reserve	Credited/(Charged) to profit or loss: Other	Credited/(Charged) directly to equity: Reva-luation	Credited/(Charged) directly to equity: Effect of change in tax rates	31 December 2008
Tax effect of deductible temporary differences						
Accruals	7,144	-	4,965	-	-	12,109
Fixed assets	10,534	-	(10,534)	-	-	-
Loan impairment reserve	-	-	54,746	-	-	54,746
Gross deferred tax asset	**17,678**	**-**	**49,177**	**-**	**-**	**66,855**
Tax effect of taxable temporary differences						
Revaluation reserve of premises	309,269	(35,151)	-	(96,224)	(86,773)	91,121
Fixed assets without revaluation	-	-	10,228	-	-	10,228
Gross deferred tax liability	**309,269**	**(35,151)**	**10,228**	**(96,224)**	**(86,773)**	**101,349**
Net deferred tax liability	**291,591**	**(35,151)**	**(38,949)**	**(96,224)**	**(86,773)**	**34,494**

At 31 December 2009 the deferred income tax liabilities in the amount of Tenge 84,775 thousand (2008: Tenge 91,121 thousand) were expected to be settled within more than 12 months.

28 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 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.

(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 debit cards, 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 2009 is set out below:

In thousands of Tenge	**Corporate banking**	**All other segments**	**31 December 2009**
Assets			
Loans and advances to customers	13,580,810	118,494	13,699,304
Investments in securities	10,931,882	-	10,931,882
Cash and deposits	18,557,997	-	18,557,997
Other financial assets	119,362	-	119,362
Non-current assets held for sale	21,349	-	21,349
Total reportable segment assets	**43,211,400**	**118,494**	**43,329,894**
Liabilities			
Customer accounts	23,492,304	8,480,461	31,972,765
Due to other banks	2,443,446	-	2,443,446
Debt securities in issue	1,321,547	-	1,321,547
Other financial liabilities	222,616	-	222,616
Total reportable segment liabilities	**27,479,913**	**8,480,461**	**35,960,374**

28 Segment Analysis (Continued)

In thousands of Tenge	Corporate banking	All other segments	Total
2009:			
Interest income from loans and financial lease	2,578,041	25,446	2,603,487
Interest expense from customer accounts	(695,262)	(390,053)	(1,085,315)
Net interest (loss)/income	**1,882,779**	**(364,607)**	**1,518,172**
Recovery of/(provision for) loan impairment	(2,532,399)	149	(2,532,250)
Net interest (loss)/income after recovery of/(provision for) loan portfolio impairment	**(649,620)**	**(364,458)**	**(1,014,078)**
Interest income from cash management	438,982	-	438,982
Interest expense from cash management	(332,965)	-	(332,965)
Fee and commission income from reportable segments	977,888	37,633	1,015,521
Fee and commission expense from reportable segments	(31,959)	(115,630)	(147,589)
Gains less losses from financial derivatives	381,778	-	381,778
Gains less losses from trading in foreign currencies	333,527	-	333,527
Foreign exchange translation gains less losses	1,561,642	-	1,561,642
Recovery of provision for credit related commitments	4,924	-	4,924
Other receivables provisions	(931)	-	(931)
Administrative and other operating expenses	(1,072,215)	-	(1,072,215)
Segment result	**1,611,051**	**(442,455)**	**1,168,596**

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	16,198,622	203,546	16,402,168
Finance lease receivable	58,518	-	58,518
Investments in securities	2,008,325	-	2,008,325
Cash and deposits	10,277,008	-	10,277,008
Other financial assets	23,424	-	23,424
Total reportable segment assets	**28,565,897**	**203,546**	**28,769,443**
Liabilities			
Customer accounts	15,178,790	5,657,328	20,836,118
Due to other banks	299,512	-	299,512
Debt securities in issue	698,825	-	698,825
Other financial liabilities	133,523	-	133,523
Total reportable segment liabilities	**16,310,650**	**5,657,328**	**21,967,978**

28 Segment Analysis (Continued)

In thousands of Tenge	Corporate banking	All other segments	Total
2008:			
Interest income from loans	2,848,352	35,447	2,883,799
Interest expense from customer accounts	(183,412)	(288,966)	(472,378)
Net interest (loss)/income	**2,664,940**	**(253,519)**	**2,411,421**
Provision for loan impairment	(526,321)	(469)	(526,790)
Net interest (loss)/income after recovery of/(provision for) loan portfolio impairment	**2138,619**	**(253,988)**	**1,884,631**
Interest income from cash management	407,918	-	407,918
Interest expense from cash management	(388,778)	-	(388,778)
Fee and commission income from reportable segments	852,149	30,499	882,648
Fee and commission expense from reportable segments	(67,205)	(24,271)	(91,476)
Losses less gains from financial derivatives	(183,368)	-	(183,368)
Gains less losses from trading in foreign currencies	300,717	-	300,717
Foreign exchange translation gains less losses	10,684	-	10,684
Provision for credit related commitments	(4,220)	-	(4,220)
Administrative and other operating expenses	(1,001,149)	-	(1,001,149)
Segment result	**2,065,367**	**(247,760)**	**1,817,607**

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.

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

In thousands of Tenge	31 December 2009	31 December 2008
Total reportable segment assets	**43,329,894**	**28,769,443**
Current income tax prepayment	264,525	-
Fixed assets	822,510	884,764
Other assets	100,924	62,042
Total Assets	**44,517,853**	**29,716,249**
Total reportable segment liabilities	**35,960,374**	**21,967,978**
Current income tax liability	-	37,496
Deferred income tax liability	82,980	34,494
Other liabilities	79,887	61,469
Total Liabilities	**36,123,241**	**22,101,437**

28 Segment Analysis (Continued)

In thousands of Tenge	2009	2008
Total segment result	**1,168,596**	**1,817,607**
Other operating income	7,207	5,218
Administrative and other operating expenses	(288,359)	(283,997)
Profit before tax	**887,444**	**1,538,828**
Income tax expense	(103,155)	(471,326)
Total Income	**784,289**	**1,067,502**

The Bank's income is generated in Kazakhstan. Geaographical areas of operations of the Bank have been reported in Note 29 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 2009 (2008: nil).

29 Financial Risk Management

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. Refer to Note 31.

The Bank structures 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 USD 5 million, which is approximately Tenge 742,300 thousand and meets when necessity arises. It is also responsible for issuing guidance to the credit committee;

29 Financial Risk Management (Continued)

- The credit committee reviews and approves credit limits below USD 5 million, which is approximately Tenge 742,300 thousand and meets weekly.

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.

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 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 as disclosed in Note 9.

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 reviewes 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 management tries to keep currency positions close to zero and the maximum permitted limits are determined as follows:

- 4,000 thousand US dollars, that represent Tenge 593,840 thousand;
- 300 thousand EUR, that represent Tenge 64,185 thousand.

The Bank determines foreign currency limits for each type of transactions. If the position exceeds established limits the Bank conclude derivative transactions.

29 Financial Risk Management (Continued)

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:

	31 December 2009				31 December 2008			
(In thousands of Tenge)	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net balance sheet position**	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net balance sheet position**
Tenge	27,196,560	(19,661,976)	280,980	7,815,564	14,583,055	(14,923,316)	6,829,000	6,488,739
US Dollars	10,818,567	(11,009,910)	(258,635)	(449,978)	12,422,431	(5,241,806)	(6,866,039)	314,586
Euros	4,702,609	(4,704,080)	-	(1,471)	1,081,859	(1,119,416)	-	(37,557)
Russian Roubles	560,077	(566,122)	-	(6,045)	671,872	(683,433)	-	(11,561)
Pound Sterling	5,621	(5,537)	-	84	9	(7)	-	2
Other	13,031	(12,749)	-	282	17	-	-	17
Total	**43,296,465**	**(35,960,374)**	**22,345**	**7,358,436**	**28,759,243**	**(21,967,978)**	**(37,039)**	**6,754,226**

Derivatives in each column represents the fair value, at the reporting date, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 32.

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 2009**	**31 December 2008**
US Dollars strengthening by 7% (2008: 10%)	(31,498)	24,906
US Dollars weakening by 7% (2008: 10%)	31,498	(31,454)
Euro strengthening by 15% (2008: 13%)	(221)	(4,882)
Euro weakening by 15% (2008: 13%)	221	4,882
Russian Rouble strengthening by 5% (2008: 5%)	(302)	578
Russian Rouble weakening by 5% (2008: 5%)	302	(578)
Pound Sterling strengthening by 6% (2008: 5%)	5	-
Pound Sterling weakening by 6% (2008: 5%)	(5)	-
Swiss Franc strengthening by 5% (2008: 5%)	(5)	-
Swiss Franc weakening by 5% (2008: 5%)	5	-
Total effect of strengthening	**(32,021)**	**20,602**
Total effect of weakening	**32,021**	**(27,150)**

29 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 2009**	**Average exposure during 2008**
US Dollars strengthening by 7% (2008: 10%)	102,128	(9,728)
US Dollars weakening by 7% (2008: 10%)	(102,128)	(7,077)
Euro strengthening by 15% (2008: 13%)	(244)	2,069
Euro weakening by 15% (2008: 13%)	244	(2,069)
Russian Rouble strengthening by 5% (2008: 5%)	1,606	2,210
Russian Rouble weakening by 5% (2008: 5%)	(1,606)	(2,210)
Pound Sterling strengthening by 6% (2008: 5%)	3	111
Pound Sterling weakening by 6% (2008: 5%)	(3)	(111)
Swiss Franc strengthening by 5% (2008: 5%)	-	(5)
Swiss Franc weakening 5% (2008: 5%)	-	5
Total effect of strengthening	**103,493**	**(5,343)**
Total effect of weakening	**(103,493)**	**(11,462)**

Interest rate risk. Interest rate risk is defined as exposure of the Bank's financial condition to adverse movements in interest rates. 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 monitors on a weekly basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

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.

29 Financial Risk Management (Continued)

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.

(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 2009						
Total financial assets	19,756,091	14,321,540	4,122,792	5,097,922	10,200	43,308,545
Total financial liabilities	(19,168,340)	(7,901,740)	(6,563,105)	(2,327,189)	-	(35,960,374)
Net interest sensitivity gap at 31 December 2009	**587,751**	**6,419,800**	**(2,440,313)**	**2,770,733**	**10,200**	**7,348,171**
31 December 2008						
Total financial assets	12,314,717	8,442,348	2,413,116	5,589,062	10,200	28,769,443
Total financial liabilities	(14,967,361)	(2,431,369)	(2,936,249)	(1,632,999)	-	(21,967,978)
Net interest sensitivity gap at 31 December 2008	**(2,652,644)**	**6,010,979**	**(523,133)**	**3,956,063**	**10,200**	**6,801,465**

If interest rates at that date had been 25 basis points (2008: 50 basis points) higher with all other variables held constant, profit for the year would have been Tenge 289 thousand higher (2008: Tenge 2,228 thousand higher), mainly as a result of higher interest income on variable interest assets.

At 31 December 2009, if interest rates at that date had been 50 basis points lower (2008: 50 basis points lower) with all other variables held constant, other components of equity would have been Tenge 15,185 thousand (2008: nil) lower, mainly as a result of an decrease in the fair value of fixed rate financial assets classified as available for sale.

29 Financial Risk Management (Continued)

The table below summarises interest rates based on reports reviewed by the Bank's key management personnel:

In % p.a.	2009 Tenge	2009 USD	2009 Euro	2009 Other	2008 Tenge	2008 USD	2008 Euro	2008 Other
Assets								
Cash and cash equivalents	0.0	0.0	0.1	3.5	0.0	1.3	3.0	1.9
Due from other banks	-	-	6.8	16.2	-	-	10.9	11.8
Loans and advances to customers	14.2	14.4	6.3	-	15.3	15.3	5.2	-
Investment securities available for sale	2.3	-	-	-	6.6	-	-	-
Investment securities held to maturity	2.0	7.9	-	-	-	-	-	-
Liabilities								
Due to other banks	0.0	-	-	0.0	-	4.7	6.7	-
Customer accounts								
- current and settlement accounts	3.2	0.3	0.0	0.0	2.7	0.3	0.0	0.0
- term deposits of legal entities	11.0	8.3	5.9	4.5	9.5	8.9	-	-
- term deposits of individuals	10.8	8.9	7.2	5.4	9.8	8.9	6.1	-
Debt securities in issue	12.0	-	-	-	12.0	-	-	-

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 2009 is set out below:

(in thousands of Tenge)	Note	Kazakhstan	OECD	Other countries	Total
Financial assets					
Cash and cash equivalents	7	13,214,074	4,528,228	322,522	18,064,824
Due from other banks	8	-	-	493,173	493,173
Loans and advances to customers	9	13,699,304	-	-	13,699,304
Investment securities available for sale	11	6,550,102	-	-	6,550,102
Investment securities held to maturity	12	4,381,780	-	-	4,381,780
Other financial assets	14	15,926	72,293	31,143	119,362
Total financial assets		**37,861,186**	**4,600,521**	**846,838**	**43,308,545**
Financial liabilities					
Due to other banks	17	2,443,446	-	-	2,443,446
Customer accounts	18	30,655,975	752,572	564,218	31,972,765
Debt securities in issue	19	1,321,547	-	-	1,321,547
Other financial liabilities	20	193,419	11,275	17,922	222,616
Total financial liabilities		**34,614,387**	**763,847**	**582,140**	**35,960,374**
Net position on financial instruments		**3,246,799**	**3,836,674**	**264,698**	**7,348,171**
Credit related commitments	**31**	**12,551,517**	**-**	**-**	**12,551,517**

29 Financial Risk Management (Continued)

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Balances with Kazakhstani counterparties actually outstanding to/from off-shore companies of these Kazakhstani counterparties are allocated to the caption "Kazakhstan". Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

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
Assets					
Cash and cash equivalents	7	3,602,684	5,584,584	405,845	9,593,113
Due from other banks	8	-	-	683,895	683,895
Loans and advances to customers	9	16,402,168	-	-	16,402,168
Finance lease receivable		58,518	-	-	58,518
Investment securities available for sale	11	2,008,325	-	-	2,008,325
Other financial assets	14	10,200	13,224	-	23,424
Total financial assets		**22,081,895**	**5,597,808**	**1,089,740**	**28,769,443**
Liabilities					
Due to other banks	17	108	292,232	7,172	299,512
Customer accounts	18	20,139,524	188,500	508,094	20,836,118
Debt securities in issue	19	698,825	-	-	698,825
Other financial liabilities	20	133,523	-	-	133,523
Total financial liabilities		**20,971,980**	**480,732**	**515,266**	**21,967,978**
Net position on financial instruments		**1,109,915**	**5,117,076**	**574,474**	**6,801,465**
Credit related commitments	**31**	**9,729,895**	**-**	**-**	**9,729,895**

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.

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.

29 Financial Risk Management (Continued)

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 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 Department.

The table below shows liabilities at 31 December 2009 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, prices specified in deliverable forward agreements to purchase financial assets for cash, contractual amounts to be exchanged under gross settled currency swaps, 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. Net settled derivatives are included at the net amounts expected to be paid.

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 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	Over 5 years	Total
Liabilities						
Due to other banks	2,443,446	-	-	-	-	2,443,446
Customer accounts	16,903,272	4,679,082	9,903,703	1,104,228	9,139	32,599,424
Debt securities in issue	-	76,709	76,709	1,355,199	-	1,508,617
Other financial liabilities	118,137	104,479	-	-	-	222,616
Undrawn credit lines	11,626,181	-	-	-	-	11,626,181
Guarantees issued	89,049	328,365	287,818	81,988	-	787,220
Total potential future payments for financial obligations	**31,180,085**	**5,188,635**	**10,268,230**	**2,541,415**	**9,139**	**49,187,504**

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	Over 5 years	Total
Liabilities						
Due to other banks	7,280	-	305,801	-	-	313,081
Customer accounts	14,931,535	1,088,572	4,200,576	1,031,513	2,767	21,254,963
Debt securities in issue	-	40,709	40,709	800,618	-	882,036
Other financial liabilities	30,962	-	102,561	-	-	133,523
Undrawn credit lines	9,283,384	-	-	-	-	9,283,384
Guarantees issued	13,458	119,246	287,435	31,421	-	451,560
Total potential future payments for financial obligations	**24,266,619**	**1,248,527**	**4,937,082**	**1,863,552**	**2,767**	**32,318,547**

29 Financial Risk Management (Continued)

Payments in respect of gross settled forwards (total amount) will be accompanied by related cash inflows which are disclosed at their present values in Note 32. Customer accounts are classified in the above analysis based on contractual maturities.

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 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
Financial assets						
Cash and cash equivalents	18,064,824	-	-	-	-	18,064,824
Due from other banks	220,874	109,527	162,772	-	-	493,173
Loans and advances to customers	1,376,077	4,261,993	5,385,538	2,675,696	-	13,699,304
Investment securities available for sale	-	6,550,102	-	-	-	6,550,102
Investment securities held to maturity	-		1,974,400	2,407,380	-	4,381,780
Other financial assets	94,316	-	-	-	25,046	119,362
Total financial assets	**19,756,091**	**10,921,622**	**7,522,710**	**5,083,076**	**25,046**	**43,308,545**
Financial liabilities						
Due to other banks	2,443,446	-	-	-	-	2,443,446
Customer accounts	16,606,757	4,586,831	9,724,100	1,050,660	4,417	31,972,765
Debt securities in issue	-	-	49,435	1,272,112	-	1,321,547
Other financial liabilities	118,137	104,479	-	-	-	222,616
Total financial liabilities	**19,168,340**	**4,691,310**	**9,773,535**	**2,322,772**	**4,417**	**35,960,374**
Net liquidity gap at 31 December 2009	**587,751**	**6,230,312**	**(2,250,825)**	**2,760,304**	**20,629**	**7,348,171**
Cumulative liquidity gap at 31 December 2009	**587,751**	**6,818,063**	**4,567,238**	**7,327,542**	**7,348,171**	**-**

29 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**
Assets						
Cash and cash equivalents	9,593,113	-	-	-	-	9,593,113
Due from other banks	128,660	-	555,235	-	-	683,895
Loans and advances to customers	2,677,717	4,003,315	5,342,645	4,378,491		16,402,168
Finance lease receivable	-	-	58,518	-	-	58,518
Investment securities available for sale	-	989,814	1,018,511	-	-	2,008,325
Other financial assets	-	-	-	-	23,424	23,424
Total financial assets	**12,399,490**	**4,993,129**	**6,974,909**	**4,378,491**	**23,424**	**28,769,443**
Liabilities						
Due to other banks	7,280	-	292,232	-	-	299,512
Customer accounts	14,843,076	1,073,950	3,984,916	933,106	1,070	20,836,118
Debt securities in issue	-	-	-	698,825	-	698,825
Other financial liabilities	133,523	-	-	-	-	133,523
Total financial liabilities	**14,983,879**	**1,073,950**	**4,277,148**	**1,631,931**	**1,070**	**21,967,978**
Net liquidity gap at 31 December 2008	**(2,584,389)**	**3,919,179**	**2,697,761**	**2,746,560**	**22,354**	**6,801,465**
Cumulative liquidity gap at 31 December 2008	**(2,584,389)**	**1,334,790**	**4,032,551**	**6,779,111**	**6,801,465**	**-**

Excess of current liabilities over amount of corresponding assets is associated with settlement accounts of customers. The Bank analyzes balances on such accounts on a daily basis by using certain statistical models and defines core amounts remaining on long term periods. Such funds might be invested in highly liquid assets such as state securities or more long term instruments.

Therefore the management believes that despite the fact that a substantial portion of customers accounts are on demand, diversification of these deposits by number and type of depositors, and the past experience of the Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

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.

30 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.

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 (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 (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 2009**	**31 December 2008**
Tier 1 capital		
Share capital	1,000,000	1,000,000
Share premium	22,185	22,185
Provisions	1,200,000	1,200,000
Intangible assets	(5,668)	(7,433)
Retained earnings of prior years according to the Agency rules	5,241,340	3,632,661
Total tier 1 capital	**7,457,857**	**5,847,413**
Tier 2 capital		
Retained earnings according to the Agency rules	249,295	1,607,227
Revaluation	476,720	289,240
Total 2 tier capital	**726,015**	**1,896,467**
Total regulatory capital	**8,183,872**	**7,743,880**

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.

31 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.

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:

31 Contingencies and Commitments (Continued)

(in thousands of Tenge)	Note	31 December 2009	31 December 2008
Undrawn credit lines	29	11,626,181	9,283,384
Guarantees issued	29	787,220	451,560
Import letters of credit		138,241	-
Less: provision for credit related commitments	20	(125)	(5,049)
Total credit related commitments	**29**	**12,551,517**	**9,729,895**

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 2009 and 31 December 2008. Credit related commitments are denominated in currencies as follows:

(in thousands of Tenge)	31 December 2009	31 December 2008
Tenge	7,240,673	6,405,837
US Dollars	5,081,689	3,000,033
Euro	134,350	247,784
Russian Roubles	94,805	76,241
Total	**12,551,517**	**9,729,895**

The information on related party balances is disclosed in Note 35.

Assets pledged and restricted. The Bank had assets pledged as collateral with the following carrying value:

		31 December 2009		31 December 2008	
(in thousands of Tenge)	Note	Asset pledged	Related liability	Asset pledged	Related liability
Investment securities available for sale	11,17	3,630,617	2,443,261	-	-
Total		**3,630,617**	**2,443,261**	**-**	**-**

32 Derivative Financial Instruments

Foreign exchange derivative financial instruments entered into by the Bank are generally traded with related parties of the Bank on the basis of standardized contracts. The instruments have favourable conditions (and are assets), or potentially unfavorable conditions (and are liabilities) as a result of interest rates fluctuations in the market, currency exchange rates or other variable factors associated with these instruments. The total fair value of derivative financial instruments may significantly change from time to time.

The table below sets out fair values, at the reporting date, of currencies receivable or payable under foreign exchange forwards contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective reporting date. The contracts are short term in nature.

32 Derivative Financial Instruments (Continued)

		31 December 2009		31 December 2008	
(in thousands of Tenge)	Note	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Foreign exchange forwards: fair values, at the end of the reporting period, of					
- Tenge receivable on settlement (+)		1,503,000	5,456,800	-	3,523,000
- USD payable on settlement (-)		(1,471,900)	(5,467,435)	-	(3,625,561)
Net fair value of foreign exchange forwards	**14,20**	**31,100**	**(10,635)**	**-**	**(102,561)**
Foreign exchange swaps: fair values, at the end of the reporting period, of					
- USD receivable on settlement (+)		6,680,700	-	-	-
- Tenge payable on settlement (-)		(6,678,820)	-	-	-
Net fair value of foreign exchange swaps	**14**	**1,880**	-	**-**	**-**

As at 31 December 2009 the Bank had six open forward contracts with related parties to sell of USD 42,000 thousand (31 December 2008: eleven contracts to sell of USD 54,000 thousand).

The Bank had no outstanding obligations from unsettled spot transactions with foreign currencies as at 31 December 2009 and 31 December 2008.

33 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.

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 instruments carried at amortized cost are as follows:

	31 December 2009		31 December 2008	
(in thousands of Tenge)	Carrying value	Fair value	Carrying value	Fair Value
FINANCIAL ASSETS CARRIED AT AMORTISED COST				
Cash and cash equivalents	18,064,824	18,064,824	9,593,113	9,593,113
Due from other banks	493,173	493,173	683,895	683,895
Loans and advances to customers	13,699,304	13,719,100	16,402,168	15,617,098
Finance lease receivable	-	-	58,518	58,518
Investment securities held to maturity	4,381,780	4,364,997	-	-
Other financial assets				
- Commission income accrued	61,336	61,336	1,145	1,145
- Debtors on guarantees	14,846	14,846	12,079	12,079
- Investments	10,200	10,200	10,200	10,200
TOTAL FINANCIAL ASSETS CARRIED AT AMORTISED COST	**36,725,463**	**36,728,476**	**26,761,118**	**25,976,048**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST				
Due to other banks	2,443,446	2,443,446	299,512	299,512
Customer accounts	31,972,765	32,412,800	20,836,118	21,273,065
Debt securities in issue	1,321,547	1,284,880	698,825	706,772
Other financial liabilities				
- Creditors on letters of credit	139,012	139,012	-	-
- Accounts payable	72,844	72,844	25,913	25,913
- Provision for credit related commitments	125	125	5,049	5,049
TOTAL FINANCIAL LIABILITIES CARRIED AT AMORTISED COST	**35,949,739**	**36,353,107**	**21,865,417**	**22,310,311**

33 Fair Value of Financial Statement (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)	Note	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		6,550,102	2,008,325
Other financial assets	14		
Foreign exchange forward contracts		31,100	-
Foreign exchange swaps contracts		1,880	-
TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE		**6,583,082**	**2,008,325**
FINANCIAL LIABILITIES			
Other financial liabilities			
Foreign exchange forward contracts	20	10,635	102,561
TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE		**10,635**	**102,561**

(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.

33 Fair Value of Financial Statement (Continued)

Rates used for discounting depend on currency, maturity and credit risk associated with financial instruments measured at amortized cost. Analysis of such rates is provided below:

(in thousands of Tenge)	**31 December 2009**	**31 December 2008**
Due from other banks		
Short-term deposits in other banks with initial maturity more than three months	7 - 16% p.a.	9.5 % - 4 % p.a.
Loans and advances to customers		
Corporate	3 - 25% p.a.	2 % - 22 % p.a.
Individuals	4 - 19% p.a.	2 % - 19.25 % p.a.
Other financial assets		
Debtors on finance lease agreements	-	12 % - 12.5 % p.a.
Debtors on operations with debit and credit cards	10 % - 14 % p.a.	10 % - 14 % p.a.
Due to other banks		
Short-term deposits of other banks	-	-
Loans from other banks	-	4.69 % - 6.65 % p.a.
Customer accounts		
Current accounts of legal entities	1.5 – 2.5% p.a.	9 % - 9 % p.a.
Term deposits of legal entities	3 - 13% p.a.	5 % - 12 % p.a.
Term deposits of individuals	4 - 14% p.a.	2 % - 15.6 % p.a.
Debt securities in issue		
Bond issued on domestic market	12 % p.a.	12 % p.a.

34 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; (c) financial assets held to maturity. 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**	**Assets designated at FVTPL**	**Held to maturity**	**Total**
FINANCIAL ASSETS					
Cash and cash equivalents	18,064,824	-	-	-	18,064,824
Due from other banks	493,173	-	-	-	493,173
Loans and advances to customers:					
- Corporate loans	13,580,810	-	-	-	13,580,810
- Loans to individuals	118,494	-	-	-	118,494
Investment securities available for sale	-	6,550,102	-	-	6,550,102
Investment securities held to maturity	-	-	-	4,381,780	4,381,780
Other financial assets					
- Foreign exchange forward contracts	-	-	32,980	-	32,980
- Other financial assets	86,382	-	-	-	86,382
TOTAL FINANCIAL ASSETS	**32,343,683**	**6,550,102**	**32,980**	**4,381,780**	**43,308,545**
NON-FINANCIAL ASSETS	1,209,308	-	-	-	1,209,308
TOTAL ASSETS	**33,552,991**	**6,550,102**	**32,980**	**4,381,780**	**44,517,853**

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

	Loans and receivables	**Available-for-sale assets**	**Total**
FINANCIAL ASSETS			
Cash and cash equivalents	9,593,113	-	9,593,113
Due from other banks	683,895		683,895
Loans and advances to customers:			
- Corporate loans	16,198,622	-	16,198,622
- Loans to individuals	203,546	-	203,546
Investment securities available for sale	-	2,008,325	2,008,325
Other financial assets:			
- Finance lease receivables	58,518	-	58,518
- Other financial assets	23,424	-	23,424
TOTAL FINANCIAL ASSETS	**26,761,118**	**2,008,325**	**28,769,443**
NON-FINANCIAL ASSETS	946,806	-	946,806
TOTAL ASSETS	**27,707,924**	**2,008,325**	**29,716,249**

35 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 2009 and 2008, the outstanding balances with related parties were as follows:

		31 December 2009			31 December 2008	
(In thousands of Tenge)	**Note**	**Share-holder**	**Members of the Board**	**Other**	**Share-holder**	**Members of the Board**
Cash and cash equivalents (contractual interest rate: 2009: 0%; 2008: 2%)		35,433	-	-	86,941	-
Due from other banks	8	493,173	-	-	683,895	-
Gross amount of loans and advances to customers (contractual interest rate: 2009: 0%; 2008: 13%)		-	-	-	-	-
Provision for loan impairment		-	-	-	-	-
Other financial assets					-	-
- Foreign exchange contracts		-	-	31,100	-	-
- Commission income accrued		-	-	57,385	-	-
Due to other banks		57	-	-	7,172	-
Customer accounts (contractual interest rate: 2009: 6-13%, 2008: 6.5-11%)		-	38,411	-	-	21,893
Other financial liabilities						
- Foreign exchange contracts		-	-	10,635	-	-
Other liabilities		39	-	-	-	-

Other related parties comprise subsidiaries of direct and ultimate shareholders.

The foreign exchange contracts concluded with other related parties as of 31 December 2009 were as follows:

(in thousands of Tenge)	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange forwards: fair values, at the end of the reporting period, of		
- Tenge receivable on settlement (+)	1,503,000	5,456,800
- USD payable on settlement (-)	(1,471,900)	(5,467,435)
Net fair value of foreign exchange forwards	**31,100**	**(10,635)**

The Bank had no foreign exchange contracts concluded with related parties as of 31 December 2008.

35 Related Party Transactions (Continued)

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

	2009			2008	
(in thousands of Tenge)	**Share-holder**	**Members of the Board**	**Other**	**Share-holder**	**Members of the Board**
Interest income	81,165	1	-	1,038	1,183
Interest expense	(1,779)	1,677	-	-	(656)
(Recovery)/provision for loan impairment during the year	-	(302)	-	-	-
Commission income	48	8	57,385	-	67
Commission expense	(18,698)	-	-	-	-
Gain less loss from Financial derivative instruments	(110)	-	20,465	-	-
Gain less loss from operations with foreign currency	(7,452)	-	-	-	-

At 31 December 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 2009**	**31 December 2008**
Guarantees received by the Bank at the year end	-	13,703
Guarantees issued by the Bank at the year end	-	12,082

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

	2009	**2008**
(in thousands of Tenge)	**Members of the Board**	**Members of the Board**
Amounts lent to related parties during the period	-	23,599
Amounts repaid by related parties during the period	-	43,303

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 2009, the remuneration of members of the Board comprised salaries, discretionary bonuses and other short-term benefits totalling to Tenge 192,789 thousand (2008: Tenge 224,168 thousand).

36 Subsequent Events

Subsequent to the year end the Bank has negotiated additional equity contribution from the Shareholder to cover losses on selected loans and advances in amount of Tenge 719,117 thousand through purchase of the impaired loans.