ATFBank JSC

Consolidated Financial Statements

for the year ended 31 December 2009

Contents

KPMG Audit LLC
Koktem Business Centre
180 Dostyk Avenue
Almaty, Kazakhstan 050051

Telephone +7 (727) 298 08 98
Fax +7 (727) 298 07 08
E-mail company@kpmg.kz

Independent Auditors' Report

To the Board of Directors of ATFBank JSC

We have audited the accompanying consolidated financial statements of ATFBank JSC ("the Bank") and its subsidiaries (together "the Group"), which comprise the consolidated balance sheet as at 31 December 2009, and the consolidated statements of income and comprehensive income, changes in equity and 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 consolidated 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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

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

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2008 were audited by other auditors whose report dated 23 February 2009 expressed an unmodified opinion on those statements.

Бердалина Жанат Колановна * Казакстан Республикасының аудиторы * 0007

Berdalina J. K.
Certified Auditor,
of the Republic of Kazakhstan,
Auditor's Qualification Certificate No. 007 of
28 February 1994

Gregor William Mowat
Audit Partner

KPMG Audit LLC

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Berdalina J. K.
President of KPMG Audit LLC
acting on the basis of the Charter

1 March 2010

	Note	2009 KZT'000	2008 KZT'000
Interest income	4	117,751,359	118,906,031
Interest expense	4	(74,339,719)	(75,068,035)
Net interest income		**43,411,640**	**43,837,996**
Fee and commission income	5	9,286,319	8,703,131
Fee and commission expense	6	(2,127,531)	(1,226,969)
Net fee and commission income		**7,158,788**	**7,476,162**
Net gain/(loss) on financial instruments at fair value through profit or loss	7	406,168	(528,545)
Net foreign exchange income		5,493,022	3,565,987
Net/(loss) gain on available-for-sale assets	8	(486,671)	232,359
Gain from repurchased own debt instruments		5,578,846	2,710,414
Other operating income		154,983	575,913
Operating income		**61,716,776**	**57,870,286**
Impairment losses	9	(104,224,354)	(46,674,414)
Personnel expenses	10	(9,175,162)	(9,713,174)
Other general administrative expenses	11	(9,014,765)	(10,290,646)
Loss before taxes		**(60,697,505)**	**(8,807,948)**
Income tax benefits	12	5,927,672	1,606,922
Loss for the year		**(54,769,833)**	**(7,201,026)**
Attributable to:			
Equity holders of the Bank		(54,805,693)	(7,207,016)
Minority interest		35,860	5,990
		(54,769,833)	**(7,201,026)**
Other comprehensive income			
Revaluation reserve for assets available-for-sale:			
- Net change in fair value of available-for-sale assets		(1,019,353)	(485,948)
- Net change in fair value of available-for-sale assets transferred to profit or loss		486,671	(232,359)
- Reclassification adjustment for impairment losses on available-for-sale assets		1,125,994	-
Currency translation differences		1,131,128	(1,111,316)
Other comprehensive income		**1,724,440**	**(1,829,623)**
Total comprehensive income for the year		**(53,045,393)**	**(9,030,649)**
Attributable to:			
Equity holders of the Bank		(53,108,368)	(8,983,104)
Minority interest		62,975	(47,545)
Total comprehensive income		**(53,045,393)**	**(9,030,649)**
Earnings per share	27		
Basic loss per share, in KZT		(1,479)	(324)
Diluted loss per share, in KZT		(1,479)	(324)

The consolidated financial statements as set out on pages 5 to 65 were signed and authorised for release on behalf of the Board of Directors of the Group on 1 March 2010:

Mr. Alexander Picker
Chairman of the Board

Ms. Aida Derevyanko
Chief Accountant

The consolidated statement of income and comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Note	2009 KZT'000	2008 KZT'000
ASSETS			
Cash and cash equivalents	13	187,766,665	95,590,527
Obligatory reserve	14	18,036,119	21,654,652
Placements with banks	15	3,130,290	13,556,199
Financial instruments at fair value through profit or loss	16		
- Held by the Group		2,607,613	18,633,741
- Pledged under sale and repurchase agreements		-	6,681,945
Loans to customers	17	778,889,753	799,054,021
Available-for-sale assets	18		
- Held by the Group		17,546,557	16,251,244
- Pledged under sale and repurchase agreements		-	8,197,315
Held-to-maturity investments	19		
- Held by the Group		243,978	-
Current tax asset		-	3,580,027
Deferred tax asset	12	8,308,728	213,635
Property, equipment and intangible assets	20	25,564,877	26,334,182
Other assets	21	9,466,360	9,830,026
Total assets		**1,051,560,940**	**1,019,577,514**
LIABILITIES			
Financial instuments at fair value through profit or loss	16	-	332,190
Deposits and balances from banks	22	33,690,324	168,206,178
Current accounts and deposits from customers	23	501,639,782	343,421,095
Other borrowed funds	24	452,011,880	409,706,531
Current tax liability		732,251	-
Other liabilities	25	2,966,250	2,018,771
Total liabilities		**991,040,487**	**923,684,765**
EQUITY	26		
Share capital		106,878,518	89,170,492
Additional paid-in capital		242,185	242,185
General reserve		15,181,181	15,181,181
Revaluation reserve for available-for-sale assets		(951,884)	(1,531,990)
Cumulative translation reserve		412,708	(704,511)
Retained earnings		(61,674,996)	(6,899,432)
Total equity attributable to equity holders of the Bank		**60,087,712**	**95,457,925**
Non-controlling interest		432,741	434,824
Total equity		**60,520,453**	**95,892,749**
Total liabilities and equity		**1,051,560,940**	**1,019,577,514**

The consolidated balance sheet is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	2009 KZT'000	2008 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	91,872,158	106,418,516
Interest payments	(75,573,186)	(69,285,704)
Fee and commission receipts	9,286,319	8,703,131
Fee and commission payments	(2,127,531)	(1,226,969)
Net gain/(loss) on financil instruments at fair value through profit or loss	241,678	(233,062)
Net receipts/(payments) from foreign exchange	5,523,185	4,273,253
Other income/(expense)	-	609,387
Personnel expenses	(8,790,517)	(9,450,174)
Other general administrative expenses	(6,911,234)	(8,900,664)
(Increase)/decrease in operating assets		
Placements with banks	11,465,927	(8,561,699)
Financial instruments at fair value through profit or loss	22,475,052	5,849,626
Obligatory reserve	3,618,533	39,194,017
Loans to customers	38,614,004	(62,685,158)
Other assets	414,239	37,988
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	(135,072,319)	5,761,794
Current accounts and deposits from customers	169,627,708	(36,724,225)
Financial instruments at fair value through profit or loss	(332,190)	332,190
Other liabilities	604,532	1,976,935
Net cash provided from operating activities before income tax paid	**124,936,358**	**(23,910,818)**
Income tax paid	1,500,000	(1,719,488)
Cash flows from/(used in) operations	**126,436,358**	**(25,630,306)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of held-to-maturity investments	(235,400)	-
Purchases of available-for-sale assets	(36,769,602)	(68,518,297)
Sales of available-for-sale assets	43,026,844	59,069,619
Increase of share in subsidiaries	(875,000)	(662,606)
Acquisition of minority interest in subsidiaries	(30,546)	-
Sale of subsidiary	360,000	-
Purchases of property, equipment and intangible assets	(2,409,282)	(3,119,030)
Sales of property, equipment and intangible assets	1,432,937	143,505
Cash flows from/(used in) investing activities	**4,499,951**	**(13,086,809)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	303,529,000	296,965,462
Repayment of loans	(331,765,012)	(275,171,479)
Proceeds from subordinated debt issued	6,089,709	180,692
Proceeds from issuance of shares	18,000,000	29,639,848
Proceeds from debt securities issued	9,150,000	30,497,308
Purchase of debt securities repaid	(60,861,572)	(4,500,000)
Sale of treasury shares	(291,974)	-
Dividends paid	(4,383)	(1,155,298)
Cash flows (used in) from financing activities	**(56,154,232)**	**76,456,533**
Net increase in cash and cash equivalents	**74,782,077**	**37,739,418**
Effect of changes in exchange rates on cash and cash equivalents	17,394,061	91,596
Cash and cash equivalents as at the beginning of the year	95,590,527	57,759,513
Cash and cash equivalents as at the end of the year (Note 12)	**187,766,665**	**95,590,527**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Attributable to equity holders of the Bank								
	Share capital	**Additional paid –in capital**	**General reserve**	**Revaluation reserve for available-for-sale assets**	**Cumulative translation reserve**	**Retained earnings**	**Total**	**Non-controlling interest**	**Total equity**
	KZT'000	**KZT'000**	**KZT'000**	**KZT'000**	**KZT'000**	**KZT'000**	**KZT'000**	**KZT'000**	**KZT'000**
Balance as at 1 January 2009	89,170,492	242,185	15,181,181	(1,531,990)	(704,511)	(6,899,432)	95,457,925	434,824	95,892,749
Loss for the year	-	-	-	-	-	(54,805,693)	(54,805,693)	35,860	(54,769,833)
Net change in fair value of available-for-sale assets	-	-	-	(1,032,559)	-	-	(1,032,559)	13,206	(1,019,353)
Net change in fair value of available-for-sale assets transferred to profit or loss	-	-	-	486,671	-	-	486,671	-	486,671
Reclassification adjustment for impairment losses on available-for-sale assets	-	-	-	1,125,994	-	-	1,125,994	-	1,125,994
Currency translation differences	-	-	-	-	1,117,219	-	1,117,219	13,909	1,131,128
Total other comprehensive income	-	-	-	580,106	1,117,219	-	1,697,325	27,115	1,724,440
Total comprehensive income	**-**	**-**	**-**	**580,106**	**1,117,219**	**(54,805,693)**	**(53,108,368)**	**62,975**	**(53,045,393)**
Acquisition of minority interest in existing subsidiaries	-	-	-	-	-	30,129	30,129	(60,675)	(30,546)
Shares issued	18,000,000	-	-	-	-	-	18,000,000	-	18,000,000
Treasury shares acquired	(291,974)	-	-	-	-	-	(291,974)	-	(291,974)
Dividends of subsidiaries to minority shareholder	-	-	-	-	-	-	-	(4,383)	(4,383)
Balance as at 31 December 2009	**106,878,518**	**242,185**	**15,181,181**	**(951,884)**	**412,708**	**(61,674,996)**	**60,087,712**	**432,741**	**60,520,453**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

	Attributable to equity holders of the Bank								
	Share capital KZT'000	**Additional paid –in capital KZT'000**	**General reserve KZT'000**	**Revaluation reserve for available-for-sale assets KZT'000**	**Cumulative translation reserve KZT'000**	**Retained earnings KZT'000**	**Total KZT'000**	**Non-controlling interest KZT'000**	**Total equity KZT'000**
Balance as at 1 January 2008	57,897,607	242,185	822,230	(851,553)	363,122	15,823,873	74,297,464	603,000	74,900,464
Loss for the year	-	-	-	-	-	(7,207,016)	(7,207,016)	5,990	(7,201,026)
Net change in fair value of available-for-sale assets	-	-	-	(448,078)	-	-	(448,078)	(37,870)	(485,948)
Net change in fair value of available-for-sale assets transferred to profit or loss	-	-	-	(232,359)	-	-	(232,359)	-	(232,359)
Reclassification adjustment for impairement losses on available -for -sale assets	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	-	-	(1,095,651)	-	(1,095,651)	(15,665)	(1,111,316)
Total other comprehensive income	-	-	-	(680,437)	(1,095,651)	-	(1,776,088)	(53,535)	(1,829,623)
Total comprehensive income	**-**	**-**	**-**	**(680,437)**	**(1,095,651)**	**(7,207,016)**	**(8,983,104)**	**(47,545)**	**(9,030,649)**
Disposal of subsidiary	-	-	-	-	28,018	(9,338)	18,680	(113,333)	(94,653)
Shares issued	29,639,848	-	-	-	-	-	29,639,848	-	29,639,848
Transfer of preferred shares from liabilities to equity	1,633,037	-	-	-	-	-	1,633,037	-	1,633,037
Transfer	-	-	14,358,951	-	-	(14,358,951)	-	-	-
Dividends on preferred shares	-	-	-	-	-	(1,148,000)	(1,148,000)	-	(1,148,000)
Dividends of subsidiaries to minority shareholder	-	-	-	-	-	-	-	(7,298)	(7,298)
Balance as at 31 December 2008	**89,170,492**	**242,185**	**15,181,181**	**(1,531,990)**	**(704,511)**	**(6,899,432)**	**95,457,925**	**434,824**	**95,892,749**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

1 Background

(a) Principal activities

These consolidated financial statements include the financial statements of ATFBank JSC ("the Bank") and its subsidiaries (together "the Group").

The Bank was established on 3 November 1995 as a closed joint stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint stock company on October 2003. The Bank operates under a general banking license issued on 28 December 2007 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Markets and Financial Institutions ("FMSA"). The license supersedes all previously issued general banking and other licenses.

ATFBank JSC and its subsidiaries provide retail and corporate banking services in Kazakhstan, Russia and Kyrgyzstan and pension asset management, cash collection and investment management services in Kazakhstan. The Bank accepts deposits from the public, extends credit, transfers payments in Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The Bank's registered legal address is 100 Furmanov Avenue, Almaty, Republic of Kazakhstan, 050000.

The Bank is a member of the obligatory deposit insurance system. The system operates under the Law of the Republic of Kazakhstan on "Obligatory insurance of second tier banks deposits" dated 7 July 2006 and is governed by the FMSA.

The Bank has a primary listing on the Kazakhstan Stock Exchange ("KASE") and certain of its debt securities are listed on the Luxembourg and London Stock Exchanges. As at 31 December 2009, the Bank had 17 branches located throughout Kazakhstan (2008: 20 branches).

The principal subsidiaries are as follows:

28	**29**	**3 31**	**3 Ownership %**	
Name	**Country of incorporation**	**Principal Activities**	**2009**	**2008**
ATF Finance JSC	Kazakhstan	Investments	100.0%	100.0%
ATF Incassatsiya LLP	Kazakhstan	Cash collection	100.0%	100.0%
Bank Sibir CJSC	Russia	Banking	100.0%	100.0%
ATF Capital B.V.	The Netherlands	Special purpose entity	100.0%	100.0%
ATFBank - Kyrgyzstan OJSC	Kyrgyzstan	Banking	97.1%	95.8%
Open Accumulating Pension Fund Otan JSC	Kazakhstan	Pension fund	89.0%	83.1%

(b) Shareholders

As at 31 December 2009, the following shareholders own more than 5% of the outstanding common shares:

	2009	**2008**
Shareholders	**%**	**%**
UniCredit Bank Austria AG	99.70	99.86
Others, individually less than 5%	0.30	0.14
	100.00	**100.00**

UniCredit S.p.A is the ultimate parent of the Group.

1 Background, continued

(c) Kazakhstan business environment

The Group's operations are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The consolidated financial statements reflect management' s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale assets are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Bank and the majority of its subsidiaries is the Kazakhstan Tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of these consolidated financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- Note 17 -Loan impairment estimates;
- Note 12 - Deferred taxes;
- Note 35 - Fair value of financial instruments.

3 Significant accounting policies

The following significant accounting policies are consistently applied in the preparation of the consolidated financial statements. Changes in accounting policies are described at the end of this note.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those enterprises controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

(ii) Special purpose entities

Special purpose entities (SPEs) are entities that are created to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing or lending transaction. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE.

(iii) Acquisition and disposal of non-controlling interest

Any difference between the consideration paid to acquire a minority interest, and the carrying amount of net assets of that minority interest is recognised in equity.

Any difference between the consideration received upon disposal of a minority interest, and the carrying amount of that portion of the Bank's interest in the subsidiary including attributable goodwill, is recognised in profit or loss.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

3 Significant accounting policies

(c) Cash and cash equivalents

The Group includes cash and nostro accounts with the National Bank of Republic of Kazakhstan (the "NBRK"), the Central Bank of Russian Federation, the National Bank of Republic of Kyrgyzstan in cash and cash equivalents. The mandatory reserve deposit with the NBRK and the Central Bank of the Russian Federation are not considered to be a cash equivalent due to restrictions on their withdrawability.

(d) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;

- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,

- upon initial recongition, designated as at fair value through profit or loss.

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Group:

- intends to sell immediately or in the near term;

- upon initial recognition designates as at fair value through profit or loss;

- upon initial recognition designates as available-for-sale or,

- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss;

- the Group designates as available-for-sale or,

- meet the definition of loans and receivables.

Available-for-sale assets are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(i) Classification, continued

Management determines the appropriate classification of financial instruments at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial asset that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

(ii) Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method

- held-to-maturity investments that are measured at amortised cost using the effective interest method

- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost. Amortised cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument. Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. Where a quoted market price is not available, fair value is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to teerminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties and own credit risk.

(v) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;

- a gain or loss on an available-for-sale asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale asset is recognised as earned in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

(vi) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Group transfers substantially all the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognized separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Group also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(vii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within placements with banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognized in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(viii) Derivative financial instruments

Derivative financial instruments include swap, forward, futures and spot transactions, foreign exchange, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(ix) Offsetting

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

(e) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

3 Significant accounting policies, continued

(e) Property and equipment, continued

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

- buildings	25 years
- computer equipment	10 years
- vehicles	7 years
- fixtures and fittings	8 years
- computer software	2 to 10 years

(f) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 2 to 10 years.

(g) Foreclosed assets

Foreclosed assets are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(h) Impairment

(i) Financial assets carried at amortised cost

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

3 Significant accounting policies, continued

(h) Impairment, continued

(i) Financial assets carried at amortised cost, continued

The Group first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value can not be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and can not be reversed.

3 Significant accounting policies, continued

(h) Impairment, continued

(iii) Available-for-sale assets

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security 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, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(iv) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Significant accounting policies, continued

(i) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees.

Financial guarantees are contracts that require the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

(j) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(i) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

(ii) Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Kazakhstan legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

(k) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

3 Significant accounting policies, continued

(k) Taxation, continued

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(l) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortized to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

(m) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(n) Comparative information

(i) Prior period reclassification

Comparative information has been reclassified to conform to changes in presentation in the current period.

In the statement of cash flows for the year ended 31 December 2008 proceeds and repayments of interbank loans were reclassified from cash flow from operations to cash flow from financing activities and presented on a gross basis. Accordingly, cash flow from operations was reduced and cash flow from financing activities was increased by KZT 18,003,853 thousand.

Also prior year diluted losses per share was changed from KZT 214 to KZT 324.

The above reclassifications do not impact the comparative consolidated balance sheet, and the Bank’s consolidated loss for the year or equity.

(o) Changes in accounting policy

Starting from 1 January 2009 the Group adopted IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009) which introduces the management approach to segment reporting and requires the disclosure of segment information based on the internal reports regularly reviewed by the chief operating decision maker in order to assess each segment’s performance and to allocate resources to them.

Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis.

3 Significant accounting policies, continued

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2009, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group's operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these pronouncements on its financial statements.

- IAS 27 *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously minority interests) even if this results in the non-controlling interests having a deficit balance (the 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 be measured at its fair value.

- IFRS 3 *Business Combinations* (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure minority interest 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 must 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. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer must recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

Various *Improvements to IFRSs* which result in accounting changes for presentation, recognition or measurement purposes will come into effect not earlier than 1 January 2010.

4 Net interest income

	2009 KZT'000	2008 KZT'000
Interest income		
Loans to customers	114,259,629	112,985,406
Available-for-sale assets	1,775,026	1,870,097
Financial instruments at fair value through profit or loss	639,850	2,280,902
Time deposits with the NBRK	619,722	89,741
Placements with banks	449,710	1,669,885
Held-to-maturity investments	7,422	10,000
	117,751,359	**118,906,031**
Interest expense		
Other borrowed fund	(42,380,745)	(39,014,616)
Current accounts and deposits from customers	(29,908,769)	(26,852,607)
Deposits and balances from banks	(2,050,205)	(9,200,812)
	(74,339,719)	**(75,068,035)**

5 Fee and commission income

	2009 KZT'000	2008 KZT'000
Bank transfers	2,580,347	2,404,164
Cash operations	2,001,871	2,327,780
Foreign currency trading	1,381,030	1,244,971
Plastic cards	1,175,031	921,486
Guarantees	1,024,176	673,248
Pension asset management	556,798	414,828
Custodian services	200,658	251,815
Project management	41,693	50,546
Securities operations	40,012	13,828
Cash collection	33,510	41,507
Customer service	29,098	30,300
Other	222,095	328,658
	9,286,319	**8,703,131**

6 Fee and commission expense

	2009 KZT'000	2008 KZT'000
Expenses on insurance of customers deposits	1,286,594	575,323
Plastic cards	321,299	240,253
Bank transfers	243,005	176,623
Guarantees	107,196	7,128
Securities operations	54,280	106,184
Custodian services	50,605	28,030
Foreign currency trading	24,431	50,646
Other	40,121	42,782
	2,127,531	**1,226,969**

7 Net gain/(loss) on financial instruments at fair value through profit or loss

	2009 KZT'000	2008 KZT'000
Debt securities	406,168	(528,545)

8 Net (loss)/gain on available-for-sale assets

	2009 KZT'000	2008 KZT'000
Debt securities	(407,423)	235,585
Equity securities	(79,248)	(3,226)
	(486,671)	**232,359**

9 Impairment losses

	2009 KZT'000	2008 KZT'000
Placements with banks	24,580	(245,248)
Loans to customers	(103,142,005)	(44,407,238)
Available-for-sale assets	(1,114,579)	-
Property, equipment and intangible assets	-	(1,230,738)
Credit related commitments	311,314	(301,503)
Other assets	(303,664)	(489,687)
	(104,224,354)	**(46,674,414)**

10 Personnel expenses

	2009 KZT'000	2008 KZT'000
Employee compensation	8,434,953	9,042,918
Payroll related taxes	740,209	670,256
	9,175,162	**9,713,174**

11 Other general administrative expenses

	2009 KZT'000	2008 KZT'000
Depreciation and amortisation	2,059,969	1,673,712
Rent	1,532,555	1,763,424
Taxes other than income tax	1,368,761	1,516,969
Security	776,655	857,565
Communication	649,409	669,937
Maintenance and repairs	580,371	606,830
Professional services	495,356	246,285
Advertising	457,732	1,228,866
Business trip	214,942	353,771
Transportation	132,576	214,696
Stationery, publications, packaging	123,300	85,535
Insurance	105,856	395,266
Representation	39,137	63,270
Charity and sponsorship	34,681	45,739
Other	443,465	568,781
	9,014,765	**10,290,646**

12 Income tax benefit

	2009 KZT'000	2008 KZT'000
Current tax expense		
Current year	2,167,421	(797,528)
Deferred tax benefit		
Origination and reversal of temporary differences	(8,095,093)	(809,394)
Total income tax benefit	**(5,927,672)**	**(1,606,922)**

With effect from 1 January 2009 the income tax rate has been reduced to 20% for 2009–2012 and will be decreased to 17.5% for 2013 and to 15% for later years. Except in relation to property, equipment and intangible assets and long-term other receivable, the tax rate applicable for deferred taxes was 20%. The tax rate applicable for deferred taxes in relation to property and equipment, intangible assets and long-term other receivable was calculated based on the timing of the expected realisation of temporary differences, applying the rates that will be in effect at that time.

Reconciliation of effective tax rate:

	2009 KZT'000	%	2008 KZT'000	%
Loss before tax	**(60,697,505)**	**100**	**(8,807,948)**	**100**
Income tax at the applicable tax rate	(12,139,501)	20	(2,642,384)	30
Income of subsidiaries taxed at different rates	89,686	-	(271,733)	3
Loss from state and other qualifying securities	(1,101,791)	2	(584,162)	7
Non-deductable interest expenses	1,796,429	(3)	1,444,795	(16)
Effect of change of tax rate	(220,391)	-	106,819	(1)
Change in unrecognised deferred tax assets	5,772,242	(9)	-	-
Other (non-taxable income)/non-deductable expenses	(124,346)	-	339,743	(4)
	(5,927,672)	**10**	**(1,606,922)**	**19**

Recognised deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as of 31 December 2009 and 2008. These deferred tax assets have been recognised in these consolidated financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Group's ability to claim the deductions in future periods.

12 Income tax benefit, continued

Movements in temporary differences during the years ended 31 December 2009 and 2008 are presented as follows.

KZT'000	Balance 1 January 2009	Recognised in profit or loss	Balance 31 December 2009
Loans to customers	(3,894,193)	10,911,795	7,017,602
Property, equipment and intangible assets	(1,021,113)	359,941	(661,172)
Other assets	118,600	69,818	188,418
Other borrowed funds	1,108,983	654,897	1,763,880
Other liabilities	(40,773)	40,773	-
Tax loss carry-forwards	3,942,131	(3,942,131)	-
	213,635	**8,095,093**	**8,308,728**

KZT'000	Balance 1 January 2008	Recognised in profit or loss	Balance 31 December 2008
Loans to customers	-	(3,894,193)	(3,894,193)
Property, equipment and intangible assets	(1,233,487)	212,374	(1,021,113)
Other assets	156,000	(37,400)	118,600
Other borrowed funds	481,728	627,255	1,108,983
Other liabilities	-	(40,773)	(40,773)
Tax loss carry-forwards	-	3,942,131	3,942,131
	(595,759)	**809,394**	**213,635**

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

KZT'000	2009	2008
Deductible temporary differences	1,830,111	-
Tax loss carry-forwards	3,942,131	-
	5,772,242	**-**

The tax losses expire in 2012. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits there from.

13 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows are composed of the following items:

	2009 KZT'000	2008 KZT'000
Correspondent accounts with other banks	74,754,007	52,663,531
Time deposits with the NBRK up to 90 days	45,002,014	21,833,767
Correspondent accounts with the NBRK	42,254,536	6,008,162
Cash on hand	25,295,589	13,622,364
Correspondent accounts with the Central Bank of the Russian Federation	246,587	268,516
Correspondent accounts with the National Bank of the Republic of Kyrgyzstan	213,932	1,194,187
	187,766,665	**95,590,527**

14 Obligatory reserve

Under local legislations, the Group is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Group. Such reserves must be held in either corresponding accounts with Central banks or in physical cash and maintained based on average monthly balances of the aggregate of deposits with the Central banks and physical cash. The use of such funds is, therefore, subject to certain restrictions and excluded from cash and cash equivalents.

As at 31 December 2009 obligatory reserves represent a correspondent account held by ATFBank JSC with the NBRK of KZT 17,190,747 thousand (2008: KZT 21,630,678 thousand) and reserves held by subsidiaries in other countries of KZT 845,372 thousand (2008: KZT 23,974 thousand).

15 Placements with banks

	2009 KZT'000	2008 KZT'000
NOT IMPAIRED		
Loans and deposits		
OECD banks	1,237,167	1,006,583
Largest 10 Kazakh banks	386,400	6,541,645
Other foreign banks	316,676	84,098
Total loans and deposits	**1,940,243**	**7,632,326**
IMPAIRED		
Loans to other banks	1,164,397	449,775
Impairment allowance	(286,007)	(245,248)
Net impaired loans to other banks	**878,390**	**204,527**
Amounts receivable under sale and repurchase agreements	311,657	5,719,346
	3,130,290	**13,556,199**

15 Placements with banks, continued

Concentration of placements with banks

As at 31 December 2009 and 2008 the Group has one bank, whose balance exceeded 10% of total placements with banks. The gross value of this balance as at 31 December 2009 and 2008 are KZT 1,237,167 thousand and KZT 1,006,583 thousand, respectively.

Analysis of movements in the impairment allowance

	2009 KZT'000	**2008 KZT'000**
Balance at the beginning of the year	245,248	-
Net (recovery)/charge for the year	(24,580)	245,248
Effect on foreign currency translation	65,339	-
Balance at the end of the year	**286,007**	**245,248**

Collateral

The Group has entered into reverse repurchase agreements with a number of credit institutions. The subject of these agreements are debt securies issued by the primary Russian and Kazakhstan corporations and banks at fair value of KZT 206,205 thousand (2008: KZT 6,424,707 thousand).

16 Financial instruments at fair value through profit or loss

	2009 KZT'000	2008 KZT'000
Held by the Group		
ASSETS		
Debt instruments		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	1,334,519	4,473,217
Treasury notes of the Ministry of Finance of the Russian Federation	424,629	337,205
Notes of the NBRK	199,409	12,084,041
Bonds of local banks	618,281	503,386
Bonds of local financial institutions, other than banks	23,787	165,803
Mortgage bonds of local financial institutions, other than banks	-	1,062
Corporate bonds	-	536,763
Other bonds	-	116,879
Total government and municipal bonds	**2,600,625**	**18,218,356**
Equity investments		
Corporate shares	3,200	3,200
Derivative financial instruments		
Foreign currency swaps	3,788	412,185
	2,607,613	**18,633,741**
Pledged under sale and repurchase agreements		
Debt instruments		
Notes of the NBRK	-	4,254,457
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	-	1,657,656
Bonds of local banks	-	290,967
Mortgage bonds of local financial institutions	-	209,803
Corporate bonds	-	229,520
Bonds of local financial institutions	-	39,542
Total debt instruments	**-**	**6,681,945**
	2,607,613	**25,315,686**
LIABILITIES		
Derivative financial instruments		
Foreign currency swaps	-	332,190

16 Financial instruments at fair value through profit or loss, continued

The fair values of derivative instruments held are set out in the following table:

KZT'000	2009			2008		
	Contract/ notional amount	Fair values Assets	Fair values Liabilities	Contract/ notional amount	Fair values Assets	Fair values Liabilities
Derivative Financial instruments						
Foreign currency swaps	337,066	3,788	-	62,783,828	412,185	332,190

The table below summarises, by major currencies, the contractual amounts of the Group's swap exchange contracts outstanding at 31 December 2009 with details of the contracted exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the balance sheet date.

	Notional amount 2009 KZT'000	Notional amount 2008 KZT'000	Weighted average contractual exchange rates 2009 KZT	Weighted average contractual exchange rates 2008 KZT
Buy USD sell KZT				
Less than 3 months	-	17,102,780	-	121.3
Between 3 and 12 months	-	3,080,448	-	123.2
	-	**20,183,228**		
Buy JPY sell KZT				
Less than 3 months	-	13,442,600	-	1.3
	-	**13,442,600**		
Sell USD buy KZT				
Less than 3 months	-	18,600,000	-	121.8
Between 3 and 12 months	-	2,000,000	-	124.6
	-	**20,600,000**		
Buy EUR sell USD				
Less than 3 months	-	8,558,000	-	1.4
		8,558,000		
Buy USD sell RUR				
Less than 3 months	337,066	-	30.2	-
	337,066	**62,783,828**	-	**-**

17 Loans to customers

	2009 KZT'000	2008 KZT'000
Loans to legal entities		
Loans to large corporates	562,711,033	525,675,754
Loans to small and medium size companies	209,834,841	194,404,352
Total loans to legal entities	**772,545,874**	**720,080,106**
Loans to individuals		
Mortgage loans	95,886,876	89,521,716
Consumer loans	61,486,614	51,830,275
Auto loans	2,308,576	2,944,315
Total loans to individuals	**159,682,066**	**144,296,306**
Gross loans to customers	**932,227,940**	**864,376,412**
Impairment allowance	(153,338,187)	(65,322,391)
Net loans to customers	**778,889,753**	**799,054,021**

Movements in the loan impairment allowance for the year ended 31 December are as follows:

	2009 KZT'000	2008 KZT'000
Balance at the beginning of the year	65,322,391	24,701,994
Disposal of subsidiary	-	(149,069)
Net charge for the year	103,142,005	44,407,238
Amounts written off	(27,606,101)	(5,601,818)
Recoveries	1,337,472	3,004,971
Effect on foreign currency translation	11,142,420	(1,040,925)
Balance at the end of the year	**153,338,187**	**65,322,391**

As at 31 December 2009, interest accrued on impaired loans amount to KZT 40,608,372 thousand (2008: KZT 17,372,657 thousand).

17 Loans to customers, continued

(a) Credit quality of the loans to legal entities portfolio

The following table provides information on the credit quality of the loans to legal entities portfolio as at 31 December 2009:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans %
Loans to large corporates				
Loans without individual signs of impairment	315, 325,306	(11,171,515)	304,153,791	3.5
Impaired loans:				
- not overdue	75,354,821	(26,201,921)	49,152,900	34.8
- overdue less than 90 days	103,782,283	(60,510,570)	43,271,713	58.3
- overdue more than 90 days and less than 1 year	50,825,299	(17,266,507)	33,558,792	34.0
- overdue more than 1 year	17,423,324	(7,438,180)	9,985,144	42.7
Total impaired loans	247,385,727	(111,417,178)	135,968,549	45.0
Total loans to large corporates	**562,711,033**	**(122,588,693)**	**440,122,340**	**21.8**
Loans to small and medium size companies				
Loans without individual signs of impairment	169,257,713	(5,676,975)	163,580,738	3.4
Impaired loans:				
- not overdue	322,207	(93,370)	228,837	29.0
- overdue less than 90 days	2,085,255	(581,099)	1,504,156	27.9
- overdue more than 90 days and less than 1 year	20,484,028	(5,738,745)	14,745,283	28.0
- overdue more than 1 year	17,685,638	(5,179,982)	12,505,656	29.3
Total impaired loans	40,577,128	(11,593,196)	28,983,932	28.6
Total loans to small and medium size companies	**209,834,841**	**(17,270,171)**	**192,564,670**	**8.2**
Total loans to legal entities	**772,545,874**	**(139,858,864)**	**632,687,010**	**18.1**

17 Loans to customers, continued

(a) Credit quality of the loans to legal entities portfolio, continued

The following table provides information on the credit quality of the loans to legal entities portfolio as at 31 December 2008:

	Gross loans	Impairment	Net loans	Impairment to gross loans
	KZT'000	KZT'000	KZT'000	%
Loans to large corporates				
Loans for which no impairment has been identified	378,439,457	(4,475,296)	373,964,161	1.2
Impaired loans:				
- not overdue	125,816,575	(39,639,169)	86,177,406	31.5
- overdue less than 90 days	4,268,888	(882,099)	3,386,789	20.7
- overdue more than 90 days and less than 1 year	17,150,834	(10,862,606)	6,288,228	63.3
Total impaired loans	147,236,297	(51,383,874)	95,852,423	34.9
Total loans to large corporates	**525,675,754**	**(55,859,170)**	**469,816,584**	**10.6**
Loans to small and medium size companies				
Loans for which no impairment has been identified	190,442,120	(1,186,470)	189,255,650	0.6
Impaired loans:				
- not overdue	710,123	(139,262)	570,861	19.6
- overdue less than 90 days	671,694	(435,504)	236,190	64.8
- overdue more than 90 days and less than 1 year	2,456,502	(2,255,608)	200,894	91.8
- overdue more than 1 year	123,913	(122,061)	1,852	98.5
Total impaired loans	3,962,232	(2,952,435)	1,009,797	74.5
Total loans to small and medium size companies	**194,404,352**	**(4,138,905)**	**190,265,447**	**2.1**
Total loans to legal entities	**720,080,106**	**(59,998,075)**	**660,082,031**	**8.3**

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and which can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

17 Loans to customers, continued

(a) Credit quality of the loans to legal entities portfolio, continued

The objective indicators of loan impairment include the following:

- overdue payments under the loan agreement;
- significant difficulties in the financial conditions of the borrower;
- deterioration in business environment, negative changes in the borrower's markets;
- negative force-majeure events.

The Group estimated loan impairment for loans to legal entities based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

In determining the impairment allowance for non-impaired loans to legal entities, management made the following key assumptions:

- historic annual loss rate of 1.5-3.5%;
- migration rates are constant and can be estimated based on historic loss migration pattern for the past 12 months;
- a discount of between 50% and 70% to the originally appraised value if the property pledged is sold;
- a delay of 12 to 24 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment provision on loans to legal entities as of 31 December 2009 would be KZT 6,326,870 thousand lower/higher (31 December 2008: KZT 6,600,820 thousand).

During the year ended 31 December 2009 the Group renegotiated loans to legal entities that would otherwise be past due or impaired of KZT 80,802,246 thousand (31 December 2008: KZT 118,940,869 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

(i) Analysis of collateral

The following table provides the analysis of loans to legal entitites portfolio, net of impairment, by types of collateral as at 31 December 2009:

	2009 KZT'000	% of loan portfolio	2008 KZT'000	% of loan portfolio
Real estate	385,479,085	60.9	418,350,827	63.4
Unquoted equity securities	182,371,013	28.8	57,957,348	8.8
Equipment	24,130,954	3.8	23,425,458	3.5
Motor vehicles	8,724,772	1.4	29,086,988	4.4
No collateral	8,397,562	1.3	25,834,266	3.9
Other collateral	23,583,624	3.8	105,427,144	16.0
	632,687,010	**100.0**	**660,082,031**	**100.0**

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

Impaired loans with a gross value of KZT 275,217,337 thousand are secured by collateral with a fair value of KZT 146,187,886 thousand. For the remaining impaired loans of KZT 12,745,518 thousand there is no collateral or it is impracticable to determine fair value of collateral.

17 Loans to customers, continued

(a) Credit quality of the loans to legal entities portfolio, continued

(i) Analysis of collateral, continued

During the year ended 31 December 2009 the Group obtained assets with the carring amount of KZT 341,821 thousand by taking control of collateral accepted as security for loans to legal entities. (2008: KZT 6,679,587 thousand).

(ii) Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to legal entities for the year ended 31 December 2009 are as follows:

	Loans to large corporates KZT'000	Loans to small and medium size companies KZT'000	Total KZT'000
At 1 January 2009	55,859,170	4,138,905	59,998,075
Net charge for the year	80,231,917	14,376,506	94,608,423
Recoveries	859,739	256,500	1,116,239
Amounts written off	(25,489,850)	(1,652,287)	(27,142,137)
Effect on foreign currency translation	11,127,717	150,547	11,278,264
At 31 December 2009	**122,588,693**	**17,270,171**	**139,858,864**

Movements in the loan impairment allowance by classes of loans to legal entities for the year ended 31 December 2008 are as follows:

	Loans to large corporates KZT'000	Loans to small and medium size companies KZT'000	Total KZT'000
At 1 January 2008	17,559,408	4,822,266	22,381,674
Disposal of subsidiary	-	(149,069)	(149,069)
Net charge for the year	40,930,700	476,783	41,407,483
Amounts written off	(4,183,004)	(1,060,900)	(5,243,904)
Recoveries	2,171,547	401,268	2,572,815
Effect on foreign currency translation	(619,481)	(351,443)	(970,924)
At 31 December 2008	**55,859,170**	**4,138,905**	**59,998,075**

17 Loans to customers, continued

(b) Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals collectively assessed for impairment as at 31 December 2009:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans, %
Mortgage loans				
- Not past due	67,315,261	(957,454)	66,357,807	1.4
- Overdue less than 30 days	4,910,284	(567,741)	4,342,543	11.6
- Overdue 30-59 days	2,381,688	(465,665)	1,916,023	19.5
- Overdue 60-89 days	1,475,288	(361,856)	1,113,432	24.5
- Overdue 90-119 days	1,822,644	(674,610)	1,148,034	37.0
- Overdue 120-149 days	1,477,596	(638,401)	839,195	43.2
- Overdue 150 - 179 days	1,415,241	(553,578)	861,663	39.1
- Overdue 180 - 360 days	6,709,689	(2,730,756)	3,978,933	40.7
- Overdue more than 360 days	8,379,185	(3,261,454)	5,117,731	38.9
Total mortgage loans	**95,886,876**	**(10,211,515)**	**85,675,361**	**10.7**
Consumer loans				
- Not past due	46,908,530	(482,600)	46,425,930	1.0
- Overdue less than 30 days	4,291,535	(295,652)	3,995,883	6.9
- Overdue 30-59 days	2,574,539	(302,011)	2,272,528	11.7
- Overdue 60-89 days	875,498	(147,807)	727,691	16.9
- Overdue 90-119 days	955,662	(241,854)	713,808	25.3
- Overdue 120-149 days	768,920	(200,468)	568,452	26.1
- Overdue 150 - 179 days	426,172	(107,064)	319,108	25.1
- Overdue 180 - 360 days	2,563,560	(656,010)	1,907,550	25.6
- Overdue more than 360 days	2,122,198	(607,760)	1,514,438	28.6
Total consumer loans	**61,486,614**	**(3,041,226)**	**58,445,388**	**5.0**
Auto loans				
- Not past due	1,570,696	(10,523)	1,560,173	0.7
- Overdue less than 30 days	107,199	(6,891)	100,308	6.4
- Overdue 30-59 days	43,773	(5,394)	38,379	12.3
- Overdue 60-89 days	27,620	(8,640)	18,980	31.3
- Overdue 90-119 days	49,436	(16,809)	32,627	34.0
- Overdue 120-149 days	32,678	(10,061)	22,617	30.8
- Overdue 150 - 179 days	33,007	(10,162)	22,845	30.8
- Overdue 180 - 360 days	158,439	(53,760)	104,679	33.9
- Overdue more than 360 days	285,728	(104,342)	181,386	36.5
Total auto loans	**2,308,576**	**(226,582)**	**2,081,994**	**9.8**
Total loans to individuals	**159,682,066**	**(13,479,323)**	**146,202,743**	**8.4**

17 Loans to customers, continued

(b) Credit quality of loans to individuals, continued

The following table provides information on the credit quality of loans to individual portfolios as at 31 December 2008:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans, %
Mortgage loans				
- Not past due	75,787,362	(3,986,637)	71,800,725	5.3
- Overdue less than 30 days	3,113,889	(195,658)	2,918,231	6.3
- Overdue 30-59 days	1,858,511	(111,898)	1,746,613	6.0
- Overdue 60-89 days	743,900	(42,029)	701,871	5.7
- Overdue 90-119 days	699,310	(48,391)	650,919	6.9
- Overdue 120-149 days	628,447	(65,728)	562,719	10.5
- Overdue 150 - 179 days	597,016	(71,668)	525,348	12.0
- Overdue 180 - 360 days	5,377,507	(379,268)	4,998,239	7.1
- Overdue more than 360 days	715,774	(40,083)	675,691	5.6
Total mortgage loans	**89,521,716**	**(4,941,360)**	**84,580,356**	**5.5**
Consumer loans				
- Not past due	46,879,112	(105,953)	46,773,159	0.2
- Overdue less than 30 days	1,581,994	(3,621)	1,578,373	0.2
- Overdue 30-59 days	990,112	(8,673)	981,439	0.9
- Overdue 60-89 days	394,950	(474)	394,476	0.1
- Overdue 90-119 days	206,586	(362)	206,224	0.2
- Overdue 120-149 days	236,176	(39,233)	196,943	16.6
- Overdue 150 - 179 days	203,417	(18,787)	184,630	9.2
- Overdue 180 - 360 days	1,208,035	(125,622)	1,082,413	10.4
- Overdue more than 360 days	129,893	(29,764)	100,129	22.9
Total consumer loans	**51,830,275**	**(332,489)**	**51,497,786**	**0.6**
Auto loans				
- Not past due	2,473,296	(2,358)	2,470,938	0.1
- Overdue less than 30 days	111,956	(1,367)	110,589	1.2
- Overdue 30-59 days	60,418	(48)	60,370	0.1
- Overdue 60-89 days	34,835	(28)	34,807	0.1
- Overdue 90-119 days	27,195	(8,608)	18,587	31.7
- Overdue 120-149 days	25,037	(5,672)	19,365	22.6
- Overdue 150 - 179 days	10,216	(2,180)	8,036	21.3
- Overdue 180 - 360 days	180,112	(29,814)	150,298	16.6
- Overdue more than 360 days	21,250	(392)	20,858	1.8
Total auto loans	**2,944,315**	**(50,467)**	**2,893,848**	**1.7**
Total loans to individuals	**144,296,306**	**(5,324,316)**	**138,971,990**	**3.7**

17 Loans to customers, continued

(b) Credit quality of loans to individuals, continued

The Group estimates loan impairment based on its past historical loss experience on these types of loans. The significant assumptions used by management in determining the impairment losses for loans to individuals include:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months;
- in respect of mortgage loans, a delay of 12 months in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount of 25-35% to the originally appraised value if the property pledged is sold through court procedures.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus or minus one percent, the loan impairment on loans to individuals as of 31 December 2009 would be KZT 1,462,027 thousand lower/higher (31 December 2008: KZT 1,389,720 thousand).

As at 31 December 2009 included in the loan portfolio are restructured loans to individuals of KZT 47,644,758 thousand (31 December 2008: KZT 8,301,780 thousand).

(i) Analysis of collateral

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying cars. Credit card overdrafts and consumer loans are not secured.

Management believes that it is impracticable to estimate the fair value of collateral held in respect of other loans to individuals.

	2009 KZT'000	% of loan portfolio	2008 KZT'000	% of loan portfolio
Real estate	122,893,066	84.1	112,096,059	80.7
Traded securities	10,390,440	7.1	2,790,379	2.0
Motor vehicles	1,850,805	1.3	2,098,331	1.5
Equipment	9,463	0.1	31,860	0.1
No collateral	10,892,368	7.5	10,435,426	7.5
Other collateral	166,601	0.1	11,519,935	8.3
	146,202,743	**100.0**	**138,971,990**	**100.0**

(ii) Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the year ended 31 December 2009 are as follows:

	Mortgage loans KZT'000	Consumer loans KZT'000	Car loans KZT'000	Total KZT'000
At 1 January 2009	4,941,360	332,489	50,467	5,324,316
Net charge for the year	5,584,465	2,765,439	183,678	8,533,582
Recoveries	135,469	81,075	4,689	221,233
Amounts written off	(342,939)	(108,827)	(12,198)	(463,964)
Effect of foreign currency translation	(106,840)	(28,950)	(54)	(135,844)
At 31 December 2009	**10,211,515**	**3,041,226**	**226,582**	**13,479,323**

17 Loans to customers, continued

(b) Credit quality of loans to individuals, continued

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2008 are as follows:

	Mortgage loans KZT'000	Consumer loans KZT'000	Car loans KZT'000	Total KZT'000
At 1 January 2008	1,615,373	620,636	84,311	2,320,320
Net charge/(reversal) for the year	3,437,301	(408,989)	(28,557)	2,999,755
Recoveries	80,844	323,673	27,639	432,156
Amounts written off	(182,814)	(165,618)	(9,482)	(357,914)
Effect on foreign currency translation	(9,344)	(37,213)	(23,444)	(70,001)
At 31 December 2008	**4,941,360**	**332,489**	**50,467**	**5,324,316**

(c) Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located in Kazakhstan who operate in the following economic sectors:

	2009	%	2008	%
Wholesale trade	176,543,747	18.9	139,408,145	16.1
Individuals	159,682,066	17.1	144,296,306	16.7
Construction	142,523,523	15.3	138,462,896	16.0
Retail trade	95,015,478	10.2	101,825,844	11.8
Food	68,012,350	7.3	69,460,785	8.0
Real estate	48,600,793	5.2	42,432,332	4.9
Agriculture	33,417,036	3.6	36,467,845	4.2
Transport	28,675,929	3.1	24,793,448	2.9
Hotel services	28,671,128	3.1	22,547,982	2.6
Entertainment	15,386,516	1.7	14,934,871	1.7
Oil and gas	14,293,874	1.5	11,984,775	1.4
Chemical	10,050,362	1.1	8,585,321	1.0
Textile	8,621,088	0.9	8,640,883	1.0
Metallurgy	5,597,957	0.6	6,060,896	0.7
Communications	4,565,658	0.5	3,891,225	0.5
Mining	2,121,662	0.2	1,761,882	0.2
Other	90,448,773	9.7	88,820,976	10.3
	932,227,940	**100.0**	**864,376,412**	**100.0**
Impairment allowance	(153,338,187)		(65,322,391)	
	778,889,753		**799,054,021**	

18 Available-for-sale assets

HELD BY THE GROUP, NOT IMPAIRED	2009 KZT'000	2008 KZT'000
Debt instruments		
Notes of the NBRK	7,971,608	-
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	5,244,129	10,948,882
Mortgage bonds of local financial institutions	1,500,148	1,179,581
Bonds of banks	1,112,817	750,216
Treasury notes of the Ministry of Finance of the Republic of Kyrgyzstan	495,487	493,414
Notes of the National Bank of the Republic Kyrgyzstan	158,360	-
Bonds of local financial institutions	134,318	1,068,295
Corporate bonds	60,237	593,019
Other bonds	266,617	978,610
	16,943,721	**16,012,017**
Equity investments		
Corporate shares	112,202	79,034
Shares of local banks	48,544	-
Foreign corporate shares	47,368	91,748
Shares of local financial institutions	-	68,445
	208,114	**239,227**
	17,151,835	**16,251,244**
HELD BY THE GROUP, IMPAIRED		
Assets		
Debt instruments		
Bonds of local financial institutions	1,170,323	-
Bonds of local banks	331,292	-
Shares of local banks	7,686	-
	1,509,301	**-**
Impairment allowance	(1,114,579)	-
Net impaired debt securities	**394,722**	**-**
	17,546,557	**16,251,244**
Pledged under sale and repurchase agreements		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	-	6,503,649
Bonds of local banks	-	1,173,322
Mortgage bonds of local financial institutions	-	520,344
	-	**8,197,315**
	17,546,557	**24,448,559**

Analysis of movements in the impairment allowance

	2009 KZT'000	2008 KZT'000
Balance at the beginning of the year	-	-
Net charge for the year	1,114,579	-
Balance at the end of the year	**1,114,579**	**-**

18 Available-for-sale assets, continued

(a) Investment without a determinable fair value

Available-for-sale investments stated at cost amounted to KZT 108,107 thousand comprise unquoted equity securities in the finance industry. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. In addition, discounted cash flow techniques yield a wide range of fair values due to the uncertainty regarding future cash flows in this industry.

19 Held-to-maturity investments

	2009 KZT'000	**2008 KZT'000**
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	243,978	-

20 Property, equipment and intangible assets

Cost	**Land and buildings KZT'000**	**Vehicles KZT'000**	**Computer equipment KZT'000**	**Fixtures and fittings KZT'000**	**Contruction in progress KZT'000**	**Computer software KZT'000**	**Total KZT'000**
At 31 December 2007	18,210,765	869,395	2,645,991	3,479,564	2,751,914	1,908,084	29,865,713
Disposal of subsidiary	(168,781)	(15,519)	(8,421)	(31,278)	(291,487)	(481)	(515,967)
Additions	1,429,731	119,668	1,028,158	568,664	312,504	423,707	3,882,432
Disposals	(20,331)	(136,003)	(105,536)	(74,761)	(66,665)	(153,247)	(556,543)
Transfers	75,445	-	-	13,445	(88,890)	-	-
Effect on foreign currency translation	(263,274)	(13,978)	(22,931)	(33,860)	(5,652)	(22,989)	(362,684)
At 31 December 2008	**19,263,555**	**823,563**	**3,537,261**	**3,921,774**	**2,611,724**	**2,155,074**	**32,312,951**
Additions	1,288,993	42,702	48,416	314,952	97,909	616,310	2,409,282
Disposals	(37,310)	(202,644)	(61,364)	(187,858)	(1,273,207)	(176,716)	(1,939,099)
Transfers	-	-	1,392	(1,392)	-	-	-
Effect on foreign currency translation	261,215	13,886	21,557	31,177		20,244	348,079
At 31 December 2009	**20,776,453**	**677,507**	**3,547,262**	**4,078,653**	**1,436,426**	**2,614,912**	**31,131,213**
Depreciation, amortisation and impairment losses							
At 31 December 2007	(651,120)	(331,858)	(877,494)	(1,007,835)	-	(491,325)	(3,359,632)
Disposal of subsidiary	10,164	4,180	1,857	2,806	-		19,007
Depreciation and amortisation charge	(591,596)	(123,757)	(310,680)	(542,107)	-	(105,572)	(1,673,712)
Disposals	3,056	84,160	91,863	38,077	-	15,090	232,246
Effect on foreign currency translation	4,252	4,404	10,936	11,262	-	3,206	34,060
Impairment losses	-	-	-	-	(667,078)	(563,660)	(1,230,738)
At 31 December 2008	**(1,225,244)**	**(362,871)**	**(1,083,518)**	**(1,497,797)**	**(667,078)**	**(1,142,261)**	**(5,978,769)**
Depreciation and amortisation charge	(648,532)	(115,668)	(370,647)	(599,724)	-	(325,398)	(2,059,969)
Disposals	4,858	151,483	59,170	145,123	-	144,457	505,091
Effect on foreign currency translation	(4,816)	(4,239)	(8,868)	(12,128)	-	(2,638)	(32,689)
At 31 December 2009	**(1,873,734)**	**(331,295)**	**(1,403,863)**	**(1,964,526)**	**(667,078)**	**(1,325,840)**	**(7,566,336)**
Carrying value							
At 31 December 2009	**18,902,719**	**346,212**	**2,143,399**	**2,114,127**	**769,348**	**1,289,072**	**25,564,877**
At 31 December 2008	18,038,311	460,692	2,453,743	2,423,977	1,944,646	1,012,813	26,334,182

21 Other assets

	2009 KZT'000	2008 KZT'000
Foreclosed property	7,450,619	7,089,097
Advances paid for acquisition of property, equipment and intabgible assets	713,403	176,043
Advances on capital expenditures	853,670	817,655
Taxes prepaid, other than income tax	374,177	1,481,749
Accrued commission income	354,596	251,538
Receivable on disposal of subsidiary	431,907	333,763
Settlements with employees	6,133	21,720
Precious metals	244	127
	10,184,749	**10,171,692**
Impairment allowance	(718,389)	(341,666)
Total other assets	**9,466,360**	**9,830,026**

Analysis of movements in the impairment allowance

	2009 KZT'000	2008 KZT'000
Balance at the beginning of the year	341,666	35,168
Net charge for the year	303,664	489,687
Write-offs, net of recovery	82,584	(183,051)
Effect on foreign currency translation	(9,525)	(138)
Balance at the end of the year	**718,389**	**341,666**

22 Deposits and balances from banks

	2009 KZT'000	2008 KZT'000
Term deposits	31,493,669	152,596,731
Vostro accounts	2,196,655	2,285,205
Amounts payable under repurchase agreements	-	13,324,242
	33,690,324	**168,206,178**

(a) Concentration of deposits and balances from banks

As at 31 December 2009 and 2008 the Group has one bank, whose balance exceeded 10% of total deposits and balances from banks. The gross value of this balance as of 31 December 2009 and 2008 are KZT 30,010,261 thousand and KZT 16,281,315 thousand, respectively.

(b) Securities pledged

As of 31 December 2008, the Group had pledged certain securities as collateral under repurchase agreements (refer to Note 16).

23 Current accounts and deposits from customers

	2009 KZT'000	2008 KZT'000
Current accounts and demand deposits		
- Corporate	96,828,843	115,954,070
- Retail	2,927,053	1,337,319
Term deposits		
- Corporate	178,015,938	122,184,078
- Retail	223,867,948	103,945,628
	501,639,782	**343,421,095**

As at 31 December 2009, the Group maintained customer deposit balances of KZT 16,016,826 thousand (2008: KZT 16,862,474 thousand) that serves as collateral for loans and off-balance sheet credit instruments granted by the Group.

Concentrations of current accounts and customer deposits

As at 31 December 2009 and 2008, the Group has one and two customers, whose balances exceed 10% of total customer accounts. Thess balances as at 31 December 2009 and 2008 are KZT 53,014,993 thousand and KZT 111,442,669 thousand, respectively.

24 Other borrowed funds

	2009 KZT'000	2008 KZT'000
Loans		
- Loans issued by foreing banks and financial institutions	235,904,488	149,354,576
- Loans issued by the Government of the Republic of Kazakhstan	16,020	207,033
	235,920,508	**149,561,609**
Bonds issued		
- USD Eurobonds	145,348,848	162,216,150
- KZT notes	9,018,790	42,696,482
- RUR notes	41,199	75,377
	154,408,837	**204,988,009**
Subordinated borrowings		
- Subordinated debt securities issued	18,357,936	12,344,443
- Subordinated loans	43,324,599	42,812,470
	61,682,535	**55,156,913**
	452,011,880	**409,706,531**

The above subordinated liabilities will, in the event of the winding-up of the Group, be subordinated to the claims of depositors and all other creditors of the Group.

The Group has not had any defaults of principal, interest or other breaches with respect to its borrowings during 2009 and 2008.

In accordance with the terms of loans issued and loans issued by foreign bank and financial institutions and USD Eurobonds the Group is required to maintain certain financial ratios, particularly with regard to liquidity, capital adequacy and lending exposures. Management believes that the Group was in compliance with these ratios as at 31 December 2009 and 2008.

24 Other borrowed funds

Concentrations of other borrowed funds

As at 31 December 2009 the Group has one bank (2008: nil), whose balance exceeded 10% of total loans. The gross value of this balance as of 31 December 2009 is KZT 30,010,261 thousand (2008: nil).

As at 31 December 2009 and 2008 loans issued by foreign banks and financial institutions have variable interest rates which are 6 month Euribor plus margin of 1-3.3%.

25 Other liabilities

	2009 KZT'000	2008 KZT'000
Prepayments and other creditors	933,693	459,051
Amounts payable to employees	666,037	233,466
Accrued administrative expenses	474,348	172,605
Provision on contingent liabilities	471,207	602,378
Vacation reserve	315,074	363,000
Deferred income	67,529	78,570
Accrued commission expense	31,742	40,188
Other	6,620	69,513
	2,966,250	**2,018,771**

26 Equity

(a) Share capital

As at 31 December 2009, authorised share capital comprises 47,000,000 ordinary shares (31 December 2008: 35,600,000), of which 37,640,549 ordinary shares are issued (31 December 2008: 24,019,739) and 37,611,359 ordinary shares are outstanding (31 December 2008: 24,019,739).

In accordance with a decision of the shareholders, in 2009 the Bank placed an additional 2,250,000 ordinary shares with existing shareholders for proceeds of KZT 18,000,000 thousand (31 December 2008: 3,415,817 shares for proceeds of KZT 29,639,848 thousand).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general shareholders meetings. Prior to their conversion, preferred shares carried a cumulative dividend of a minimum of KZT 100 per annum, but not less than declared dividends on common shares and did not have any voting rights unless payment of preferred dividends had been delayed for three months or more from the date they became due.

In September 2008, the shareholders of the Bank made a decision to convert their preferred shares into common shares. Preferred shares that applied for conversion as at 31 December 2008 were recognised in equity. The conversion of preferred shares was finalised in the first quarter of 2009 and as at 31 December 2009 the Bank had no outstanding preferred shares (2008: 11,400,000).

(b) Treasury shares

As at 31 December 2009 the Bank held 29,190 (31 December 2008: nil) of its own shares.

26 Equity, continued

(c) General reserve

The general reserve is created, as required by the statutory regulations on the Republic of Kazakhstan, for general risks, including future losses and other unforeseen risks or contingencies. During the year ended 31 December 2008, the shareholders decided to transfer KZT 14,358,951 thousand to this reserve.

(d) Dividends

In accordance with Kazakhstan legislation and the Bank's charter documents, Bank's distributable reserves are subject ti the rules and regulations of the Republic of Kazakhstan.

At a general shareholders' meeting held in May 2009, the Bank made a decision not to pay any dividends (2008: nil).

27 Earnings per share

The calculation of basic and diluted earnings per share as at 31 December 2009 is based on the net loss for the year attributable to ordinary shareholders of KZT 54,805,693 thousand (2008: KZT 7,207,016 thousand) and a weighted average number of ordinary shares outstanding as at 31 December 2009 of 37,052,847 (2008: 22,249,967) calculated as follows.

The following table shows the profit and share data used in the basic and diluted earnings per share calculations:

	2009 KZT'000	2008 KZT'000
Net loss attributable to shareholders of the Bank	**(54,805,693)**	**(7,207,016)**
Weighted average number of participating shares for basic earnings per share	37,052,847	22,249,967
Effect of dilution:	-	-
Weighted average number of participating shares adjusted for the effect of dilution	**37,052,847**	**22,249,967**

28 Analysis by segment

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the CEO reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- corporate banking - principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers;
- retail banking - principally handling individual customers' deposits, and providing consumer and morgages SME loans, overdrafts, credit cards facilties and funds transfer facilities;
- other segments include subsidiaries as well as departments responsible for asset and liability management and treasury functions;
- corporate center is to be considered as cost center providing service to business segments.

28 Analysis by segment, continued

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the CEO. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis. Since the majority of the each segment's revenues are from interest and the CEO relies primarily on net interest revenue to assess performance of the segment and makes decisions about resources to be allocated to the segments, the Group discloses its interest revenue per segment on a net basis.

The Group's assets are concentrated mainly in the Republic of Kazakhstan, and the Group's revenues are derived mainly from operations in, and connected with, the Republic of Kazakhstan.

Presentation of the comparative data for 2008 is not available and the cost to develop it would be excessive.

Segment breakdown of assets and liabilities is set out below:

	2009 KZT'000
ASSETS	
Corporate banking	554,742,318
Retail banking	351,507,428
Other segments	143,700,207
Corporate center	1,610,987
Total assets	**1,051,560,940**
LIABILITIES	
Corporate banking	338,557,293
Retail banking	154,340,565
Other segments	495,753,477
Corporate center	2,389,152
Total liabilities	**991,040,487**

28 Analysis by segment, continued

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

KZT'000	Corporate banking	Retail banking	Other segments	Corporate center	Total
Net interest income	21,473,160	14,630,960	7,307,520	-	43,411,640
Net fee and commission income	2,592,710	3,650,828	915,250		7,158,788
Net trading income	3,026,669	877,885	7,086,811	-	10,991,365
Other operating income	-	-	154,983	-	154,983
Revenue	**27,092,539**	**19,159,673**	**15,464,564**	**-**	**61,716,776**
Personnel expenses	(587,027)	(2,359,347)	(1,806,474)	(4,422,314)	(9,175,162)
Other general administrative expenses	(542,235)	(639,965)	(605,446)	(5,167,150)	(6,954,796)
Depreciation and amortisation	(2,535)	(87,953)	(220,094)	(1,749,387)	(2,059,969)
Direct expenses	**(1,131,797)**	**(3,087,265)**	**(2,632,014)**	**(11,338,851)**	**(18,189,927)**
Indirect and overhead	(1,565,772)	(9,773,079)	-	11,338,851	-
Operating expenses	(2,697,569)	(12,860,344)	**(2,632,014)**	-	(18,189,927)
Segment result before impairment losses	24,394,970	6,299,329	12,832,550	-	43,526,849
Impairment losses	(80,223,812)	(21,761,096)	(2,239,446)	-	(104,224,354)
Pre-tax profit/(loss) per segment	**(55,828,842)**	**(15,461,767)**	**10,593,104**	**-**	**(60,697,505)**
Income tax benefit	-	-	-	5,927,672	5,927,672
Loss for the year	**(55,828,842)**	**(15,461,767)**	**10,593,104**	**5,927,672**	**(54,769,833)**

29 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk and liquidity risk.

(a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Chief Risk Officer is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the CEO and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee (ALCO). In order to facilitate efficient decision-making, the Group established a hierarchy of credit committees depending on the type and amount of the exposure.

29 Risk management, continued

(a) Risk management policies and procedures, continued

Both external and internal risk factors are identified and managed throughout the organisation. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

(b) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect income or the value of portfolios. Market risk comprise currency risk, interest rate risk and price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the Chairman. Market risk limits are approved by ALCO based on recommendations of the Strategic Risk Department's Market Risk Unit.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. There are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include risk factor stress testing, where stress movements are applied to each risk category, and ad hoc stress testing, which includes applying possible stress events to specific positions.

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

The Group also utilizes Value-at-Risk (VAR) methodology to monitor market risk of its trading positions.

(i) Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect income or the value of financial instruments.

The Group is exposed 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 also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

29 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

An analysis of sensitivity of profit or loss and equity to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2009 and 2008 is as follows:

	2009		**2008**	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	420,065	420,065	1,115,984	1,115,984
100 bp parallel rise	(420,065)	(420,065)	(1,115,984)	(1,115,984)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2009		**2008**	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
100 bp parallel fall	(17,424)	(246,883)	(97,357)	(455,119)
100 bp parallel rise	18,488	262,800	101,597	464,516

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the exposure to currency risk at year end refer to note 37 currency analysis.

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 10% change in USD, Euro, Russian Rouble and Kyrgyz com to Tenge exchange rates is as follows:

	2009		**2008**	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
10% appreciation of USD against KZT	(4,338,808)	(4,338,808)	(681,820)	(681,820)
10% appreciation of EUR against KZT	(147,757)	(147,757)	(478,650)	(478,650)
10% appreciation of RUR against KZT	298,827	298,827	689,760	689,760
10% appreciation of KGS against KZT	472,838	472,838	247,284	247,284
10% depreciation of other foreign currencies against KZT	16,086	16,086	1,366,168	1,366,168

29 Risk management, continued

(b) Market risk, continued

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Group takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 10% change in all securities prices is as follows:

	2009		2008	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
10% increase in securities prices	-	16,649	-	16,746
10% decrease in securities prices	-	(16,649)	-	(16,746)

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for on balance sheet and off balance sheet exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and individuals)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Department's Credit Risk Management Division and a second opinion is given accompanied by a check that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

29 Risk management, continued

(c) Credit risk, continued

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed by the Retail Lending Division through the use of scoring models and application data verification procedures developed together with the Risk Department.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Department with regard to credit concentration and market risks.

The Group's maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to on balance sheet credit risk at the reporting date is as follows:

	2009 KZT'000	2008 KZT'000
ASSETS		
Cash and cash equivalents	187,766,665	95,590,527
Obligatory reserve	18,036,119	21,654,652
Placements with banks	3,130,290	13,556,199
Financial instruments at fair value through profit or loss	2,607,613	25,315,686
Loans to customers	778,889,753	799,054,021
Available-for-sale assets	17,546,557	24,448,559
Held-to-maturity investments	243,978	-
Total maximum exposure to on balance sheet credit risk	**1,008,220,975**	**979,619,644**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 17 .

The maximum exposure to off balance sheet credit risk at the reporting date is presented in Note 31.

(d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions 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 Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.

29 Risk management, continued

(d) Liquidity risk, continued

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, placements with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group 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. Under the normal market conditions, liquidity reports covering the liquidity position of the Group are presented to senior management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Treasury Department.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the FMSA. The Bank is in compliance with these ratios during the years ended 31 December 2009 and 2008.

The following tables show the undiscounted cash flows on financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial liability or commitment. The expected cash flows on these financial assets and liabilities and unrecognised loan commitments can vary significantly from this analysis.

29 Risk management, continued

(d) Liquidity risk, continued

The liquidity position as at 31 December 2009 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow (inflow)	Carrying amount
Non-derivative financial liabilities							
Deposits and balances from banks	2,616,387	334,132	945,268	31,456,726	279,659	35,632,172	33,690,324
Current accounts and deposits from customers	160,279,462	75,891,284	11,941,349	34,102,934	580,759,178	862,974,207	501,639,782
Other borrowed funds	153,693,247	24,469,932	14,065,894	82,362,362	318,383,071	592,974,506	452,011,880
Total	**316,589,096**	**100,695,348**	**26,952,511**	**147,922,022**	**899,421,908**	**1,491,580,885**	**987,341,986**
Credit related committments	9,611,339	22,679,678	8,067,087	10,697,485	119,238,526	170,294,115	170,294,115

29 Risk management, continued

(d) Liquidity risk, continued

The liquidity position as at 31 December 2008 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount outflow (inflow)	Carrying amount
Non-derivative financial liabilities							
Deposits and balances from banks	21,503,647	72,988,217	18,609,144	55,289,972	1,481,765	169,872,745	168,206,178
Current accounts and deposits from customers	147,747,005	25,434,874	33,797,267	27,519,174	111,935,088	346,433,408	343,421,095
Other borrowed funds	4,017,571	3,367,702	113,384,997	50,917,534	405,696,434	577,384,238	409,706,531
Derivative financial liabilities							332,190
Inflow	(42,703,380)	-	-	-	-	(42,703,380)	-
Outflow	43,035,570	-	-	-	-	43,035,570	-
Total	**173,600,413**	**101,790,793**	**165,791,408**	**133,726,680**	**519,113,287**	**1,094,022,581**	**921,665,994**
Credit related committments	9,863,406	6,318,938	8,519,995	26,725,131	83,651,348	135,078,818	**-**

To manage the liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, short-term state securities for which there is a liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the Group believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.

30 Capital management

The FMSA sets and monitors capital requirements for the Group as a whole. The parent bank and individual banking operations are directly supervised by their local regulators.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions and consists of

- Tier 1 capital, which includes ordinary share capital, share premuim, perpetual bonds, retained earnings, translation reserve and non-controlling interest after deduction for goodwill and intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains/losses on financial instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. The amount of perpetual bonds cannot exceed 15% of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50% of tier 1 capital; collective impairment allowance cannot exceed 1.25% of risk-weighted assets.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specific requirements that seek to reflect the varying level of risk attached to assets and exposures not recognised in the statement of financial position. The risk weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market 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.

Under the current capital requirements set by the FMSA banks have to maintain: a ratio of tier 1 capital to total assets and a ratio of total capital which is sum of tier 1 and tier 2 capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 31 December 2009, this minimum level of tier 1 capital to total assets is 0.05 and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk is 0.10. The Group is in compliance with the statutory capital ratios during the years ended 31 December 2009. As at 31 December 2009 this minimum level of tier 1 capital to total assets is 0.10 and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk is 0.21.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital of shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

31 Commitments

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

31 Commitments, continued

	2009 KZT'000	2008 KZT'000
Contracted amount		
Loan and credit line commitments	136,185,163	109,055,583
Guarantees	24,764,541	17,220,245
Letters of credit	9,344,411	8,802,994
	170,294,115	**135,078,822**
Less - Provisions	(471,207)	(602,379)
Less - Cash collateral	(4,932,701)	(5,225,312)
	164,890,207	**129,251,131**

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

Movements in provision for losses on credit related commitments are as follows:

	2009 KZT'000	2008 KZT'000
Balance at the beginning of the year	602,379	323,239
Net (recovery)/charge for the year	(311,314)	301,503
Effect on foreign currency translation	180,142	(22,363)
Balance at the end of the year	**471,207**	**602,379**

Concentration of commitments

As at 31 December 2009 and 2008, the Group has no customers, whose balance exceed 10% of total commitments.

32 Operating leases

Leases as lessee

Non-cancelable operating lease rentals are payable as follows:

	2009 KZT'000	2008 KZT'000
Less than 1 year	1,273,387	1,294,707
Between 1 and 5 years	6,452,991	6,064,579
More than 5 years	4,154,498	5,816,297
	11,880,876	**13,175,583**

The Group leases a number of premises under operating leases. The leases typically run for an initial period of five to ten years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During 2009 KZT 1,532,555 thousand is recognised as an expense in profit or loss in respect of operating leases (2008: KZT 1,763,424 thousand).

33 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Group's property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

(b) Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial conditions of the results of future operations of the Bank.

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position of the Bank, if the authorities were successful in enforcing their interpretations, could be significant.

(c) Fiduciary activities

The Group provides fiduciary services to third parties which involve the Group making allocation, purchase and sales decisions in relation to the trust funds. Those funds that are held in a fiduciary capacity are not included in these consolidated financial statements. As at 31 December 2009, such funds amounted to KZT 57,224,509 thousand (31 December 2008: KZT 41,766,439 thousand).

(d) Custody activities

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated statement of financial position.

34 Related party transactions

(a) Control relationships

The Bank's parent company is Unicredit Bank Austria. The party with ultimate control over the Bank is Unicredit S.p.A.

34 Related party transactions, continued

(b) Transactions with the members of the Board of Directors and the Management Board

Total remuneration included in personnel expenses (refer to Note 10):

	2009 KZT'000	2008 KZT'000
Members of the Management Board	186,646	298,587
Members of the Board of Directors	21,143	90,172
	207,789	**388,759**

These amounts include non-cash benefits in respect of the members of the Board of Directors and the Management Board.

The outstanding balances and average interest rates as of 31 December for transactions with the members of the Board of Directors and the Management Board are as follows:

	2009 KZT'000	Average interest rate, %	2008 KZT'000	Average interest rate, %
Consolidated Balance Sheet				
ASSETS				
Loans to customers	78,917	11.75	92,461	11.34

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the year ended 31 December 2009 are as follows:

	2009 KZT'000	2008 KZT'000
Profit or loss		
Interest income	10,490	11,287
Interest expense	570	1,627

34 Related party transactions, continued

(c) Transactions with other related parties

Other related parties include the Parent and entities under common control. The outstanding balances and the related average interest rates as of 31 December 2009 and related profit or loss amounts of transactions for the year ended 31 December 2009 and 31 December 2008 with other related parties are as follows.

	December 31, 2009					December 31, 2008				
	The Parent KZT'000	Average interest rate %	Entities under common control KZT'000	Average interest rate %	Total KZT'000	The Parent KZT'000	Average interest rate %	Entities under common control KZT'000	Average interest rate %	Total KZT'000
Consolidated Balance Sheet										
ASSETS										
Cash and cash equivalents	62,169,811	-	409,697	-	62,579,508	27,939,094	-	345,621	-	28,284,715
Other assets	348	-	261	-	609	-	-	-	-	-
LIABILITIES										
Deposits and balances from banks										
- Vostro accounts	53,846	-	76,932	-	130,778	79,760	-	1,661,953	-	1,741,713
- Term deposits	-	-	-	-	-	99,160,714	4.26	36,462,689	0.30	135,623,403
Other borrowed funds	-	-	-	-	-	-	-	-	-	-
- Interbank loans	135,755,021	7.26	9,611,950	10.63	145,366,971	62,063,536	3.39	4,037,177	6.77	66,100,713
- Subordinated debt	18,317,167	9.81	-	-	18,317,167	12,344,444	10.98	-	-	12,344,444
liabilities	-	-	95,844	-	95,844	-	-	-	-	-
Consolidated Statement of Income and Comprehensive Income										
Interest income	2,547	-	247,460	-	250,007	-	-	-	-	-
Interest expense	(11,721,294)	-	(2,512,441)	-	(14,233,735)	(7,671,585)	-	(383,834)	-	(8,055,419)
Fee and commission expenses	(10,210)	-	-	-	(10,210)	-	-	-	-	-
Other general administrative expenses	-	-	(179,901)	-	(179,901)	-	-	-	-	-

34 Related party transactions, continued

(b) Transactions with other related parties

On 25 December 2009 the Group signed a loss guarantee agreement with the Parent UniCredit Bank Austria AG. The guarantee relates to the loan loss allowance on certain large corporate loans amounting to USD 2,788 billion. Under this agreement loan impairment losses above a loss of USD 728 million incurred by the Group will be compensated by UniCredit Bank Austria AG. The Group pays a commission fee of 6% p.a. for the guarantee. The guarantee is effective from 31 December 2009 until the earliest scheduled termination date of 17 April 2017 and the later termination date of 17 April 2029.

35 Fair value of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e, as prices) ot indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using signicant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuations. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

During the current year, due to changes in market conditions, quoted prices in active markets were no longer available, including government securities listed on Kazakhstan Stock Exchange. Accordingly, as at 31 December 2009 the estimated fair value of financial instruments has been based on the results of valuation techniques involving the use of observable market inputs only.

As at 31 December 2009 the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

35 Fair value of financial instruments, continued

The estimated fair values of all financial instruments approximate their carrying values, except as follows:

	2009 KZT'000 Fair value	2009 KZT'000 Carrying value	2008 KZT'000 Fair value	2008 KZT'000 Carrying value
ASSETS				
Placements with banks	2,995,974	3,130,290	14,551,105	13,556,199
Loans to customers	757,277,954	778,889,753	816,653,819	799,054,021
Held-to-maturity investments	243,978	243,978	-	-
LIABILITIES				
Deposits and balances from banks	34,115,330	33,690,324	165,920,498	168,206,178
Current accounts and deposits from customers	510,240,302	501,639,782	341,991,609	343,421,095
Other borrowed funds	475,205,018	452,011,880	347,227,838	409,706,531

36 Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2009 and 2008. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2009 Average effective interest rate, %			2008 Average effective interest rate, %		
	KZT	**USD**	**Other currencies**	**KZT**	**USD**	**Other currencies**
Interest bearing assets						
Placements with banks	1.3%	1.3%	6.8%	0.8%	4.8%	1.2%
Financial instruments at fair value through profit or loss	8.7%	6.40	-	8.2%	5.2%	-
Loans to customers	12.1%	11.7%	9.9%	13.6%	13.0%	10.2%
Available-for-sale assets	7.7%	10.5%	-	6.5%	11.9%	-
Loans to customers	12.1%	11.7%	9.9%	13.6%	13.0%	10.2%
Interest bearing liabilities						
Deposits and balances from banks	5.9%	7.5%	3.8%	11.2%	4.9%	3.4%
Current accounts and deposits from customers	6.5%	7.4%	-	7.0%	8.0%	7.6%
Other borrowed funds						
- Loans	8.7%	3.8%	3.7%	7.5%	4.5%	5.6%
- Bonds issued	11.6%	9.4%	4.1%	12.6%	9.5%	9.0%
- Subordinated borrowings	11.6%	8.6%	6.8%	10.3%	11.1%	-

37 Currency analysis

The following table shows the currency structure of assets and liabilities at 31 December 2009:

	KZT	USD	EUR	RUB	KGS	Other	Total
ASSETS							
Cash and cash equivalents	100,052,191	55,375,284	30,079,131	457,868	1,433,810	368,381	187,766,665
Obligatory reserve	17,190,747	-	-	39,925	805,447	-	18,036,119
Placements with banks	250,460	2,538,620	280,013	61,197	-	-	3,130,290
Financial instruments at fair value through profit or loss	2,050,682	128,514	–	428,417	-	-	2,607,613
Loans to customers	215,694,262	538,086,221	14,393,627	5,024,712	5,276,181	414,750	778,889,753
Available-for-sale assets	16,176,037	716,672	-	-	653,848	-	17,546,557
Held-to-maturity investments	243,978	-	-	-	-	-	243,978
Total assets	**351,658,357**	**596,845,311**	**44,752,771**	**6,012,119**	**8,169,286**	**783,131**	**1,008,220,975**
LIABILITIES							
Deposits and balances from banks	648,211	31,910,557	1,038,610	2,097	1,792	89,057	33,690,324
Current accounts and deposits from customers	176,624,220	278,017,880	41,115,994	2,808,006	2,845,247	228,435	501,639,782
Other borrowed funds	104,951,317	341,089,079	4,443,926	870,769	367,305	289,484	452,011,880
Total liabilities	**282,223,748**	**651,017,516**	**46,598,530**	**3,680,872**	**3,214,344**	**606,976**	**987,341,986**
Net position as at 31 December 2009	**69,434,609**	**(54,172,205)**	**(1,845,759)**	**2,331,247**	**4,954,942**	**176,155**	**20,878,989**
Net position as at 31 December 2008	79,567,862	(9,740,287)	(6,837,860)	9,853,709	3,532,634	19,516,691	95,892,749

38 Events subsequent to the reporting date

During the year ended 31 December 2009 the Group signed agreement with a third party to dispose of its shares in Open Accumulating Pension Fund Otan JSC. As at 13 December 2009 the net assets of this subsidiary amounted to KZT 2,583,928 thousand. The agreement is subject to approval by the FMSA.