ATFBank JSC

Consolidated Financial Statements

for the year ended 31 December 2010

Contents

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Independent Auditors' Report

To the Management Board of ATFBank JSC

We have audited the accompanying consolidated financial statements of ATFBank JSC and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

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

Nigay A. N.
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate No. 536
of 10 January 2003

David Alun Bowen
Managing 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

Nigay A. N.
General Director of KPMG Audit LLC
acting on the basis of the Charter

9 March 2011

	Note	2010 KZT'000	2009 KZT'000
Interest income	4	86,156,261	117,751,359
Interest expense	4	(57,966,077)	(74,339,719)
Net interest income		**28,190,184**	**43,411,640**
Fee and commission income	5	10,185,407	9,286,319
Fee and commission expense	6	(18,353,936)	(2,127,531)
Net fee and commission (expense)/income		**(8,168,529)**	**7,158,788**
Net (loss)/gain on financial instruments at fair value through profit or loss	7	(216,675)	406,168
Net gain on other financial instruments at fair value through profit or loss		23,301	688,223
Net loss on available-for-sale financial assets	8	(223,910)	(486,671)
Net foreign exchange income		4,113,982	4,804,799
Gain on disposal of subsidiary	9	1,128,285	-
Gain from repurchased own debt instruments		20,370	5,578,846
Other operating (expense)/income		(69,314)	154,983
Operating income		**24,797,694**	**61,716,776**
Impairment losses	10	(39,470,851)	(104,224,354)
Personnel expenses	11	(8,819,343)	(9,175,162)
Other general administrative expenses	12	(8,418,890)	(9,014,765)
Loss before taxes		**(31,911,390)**	**(60,697,505)**
Income tax benefit	13	904,794	5,927,672
Loss for the year		**(31,006,596)**	**(54,769,833)**
Attributable to:			
Equity holders of the Bank		(31,047,621)	(54,805,693)
Non-controlling interests		41,025	35,860
		(31,006,596)	**(54,769,833)**
Other comprehensive income			
Revaluation reserve for available-for-sale financial assets:			
- Net change in fair value		249,777	(1,019,353)
- Net change in fair value transferred to profit or loss		223,910	486,671
- Reclassification adjustment for impairment losses		-	1,125,994
Foreign currency translation differences for foreign operations		(393,644)	1,131,128
Other comprehensive income		**80,043**	**1,724,440**
Total comprehensive loss for the year		**(30,926,553)**	**(53,045,393)**
Attributable to:			
Equity holders of the Bank		(30,950,607)	(53,108,368)
Non-controlling interests		24,054	62,975
Total comprehensive loss for the year		**(30,926,553)**	**(53,045,393)**
Loss per share			
Basic loss per share, in KZT	27	(811)	(1,479)
Diluted loss per share, in KZT	27	(811)	(1,479)

The consolidated financial statements as set out on pages 5 to 76 were approved by the Management Board on 9 March 2011.

Mr. Romeo Collina
Chairman of the Board

Ms. Aida Derevyanko
Chief Accountant

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

	Note	2010 KZT'000	2009 KZT'000
ASSETS			
Cash and cash equivalents	14	99,616,558	187,766,665
Financial instruments at fair value through profit or loss - held by the Group	15	500,287	2,607,613
Available-for-sale financial assets - held by the Group	16	16,724,353	17,546,557
Loans and advances to banks	17	35,392,724	21,166,409
Loans to customers	18	730,435,019	778,889,753
Held-to-maturity investments- held by the Group	19	-	243,978
Current tax asset		2,094,968	-
Deferred tax asset	13	6,615,269	8,308,728
Property, equipment and intangible assets	20	24,119,130	25,564,877
Receivable from Parent under guarantee agreement	10	47,303,250	-
Other assets	21	5,802,637	9,466,360
Total assets		**968,604,195**	**1,051,560,940**
LIABILITIES			
Financial instruments at fair value through profit or loss	15	5,005	-
Deposits and balances from banks	22	37,374,135	78,730,529
Current accounts and deposits from customers	23	514,383,393	501,639,782
Subordinated borrowings	24	64,365,592	61,682,535
Other borrowed funds	24	314,409,624	345,289,140
Current tax liability		-	732,251
Other liabilities	25	2,814,971	2,966,250
Total liabilities		**933,352,720**	**991,040,487**
EQUITY			
Share capital	26	112,878,518	106,878,518
Additional paid-in capital		242,185	242,185
General reserve		15,181,181	15,181,181
Revaluation reserve for available-for-sale financial assets		(475,202)	(951,884)
Cumulative translation reserve		33,040	412,708
Accumulated losses		(92,722,617)	(61,674,996)
Total equity attributable to equity holders of the Bank		**35,137,105**	**60,087,712**
Non-controlling interests		114,370	432,741
Total equity		**35,251,475**	**60,520,453**
Total liabilities and equity		**968,604,195**	**1,051,560,940**

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

	2010 KZT'000	2009 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	76,623,368	91,872,158
Interest payments	(62,631,070)	(75,573,186)
Fee and commission receipts	10,227,230	9,286,319
Fee and commission payments	(18,341,435)	(2,127,531)
Net (payment)/receipts on financial instruments at fair value through profit or loss	(273,565)	241,678
Net receipts from foreign exchange	4,142,442	5,523,185
Other expenses paid	(283,177)	-
Personnel expenses paid	(8,612,659)	(8,790,517)
Other general administrative expenses	(6,626,134)	(6,911,234)
(Increase)/decrease in operating assets		
Loans and advances to banks	(14,505,331)	15,084,460
Financial instruments at fair value through profit or loss	797,462	22,475,052
Loans to customers	(29,725,082)	38,614,004
Other assets	34,813	987,614
Increase/(decrease) in operating liabilities		
Deposits and balances from banks	(37,881,203)	(135,072,319)
Current accounts and deposits from customers	19,084,980	169,627,708
Financial instruments at fair value through profit or loss	5,005	(332,190)
Other liabilities	(427,728)	604,532
Net cash (used in)/ from operating activities before income tax paid	**(68,392,084)**	**125,509,733**
Income tax (paid)/received	(142,574)	1,500,000
Cash flows (used in)/from operations	**(68,534,658)**	**127,009,733**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of held-to-maturity investments	-	(235,400)
Purchases of available-for-sale financial assets	(52,360,436)	(36,769,602)
Sales of available-for-sale financial assets	53,083,429	43,026,844
Increase of share in subsidiaries	-	(875,000)
Acquisition of non-controlling interests in subsidiaries	-	(30,546)
Sale of subsidiary, net of cash disposed	3,486,753	360,000
Purchases of property, equipment and intangible assets	(1,270,267)	(2,982,657)
Sales of property, equipment and intangible assets	173,375	1,432,937
Cash flows from investing activities	**3,112,854**	**3,926,576**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from loans	66,527,797	303,529,000
Repayment of loans	(72,203,258)	(331,765,012)
Proceeds from subordinated borrowings	8,839,800	6,089,709
Payment of subordinated borrowings	(6,262,871)	-
Proceeds from debt securities issued	6,100,000	9,150,000
Repayment of debt securities	(29,528,000)	(60,861,572)
Proceeds from issuance of shares	6,000,000	18,000,000
Sale of treasury shares	-	(291,974)
Dividends paid	(35,830)	(4,383)
Cash flows used in financing activities	**(20,562,362)**	**(56,154,232)**
Net (decrease)/ increase in cash and cash equivalents	**(85,984,166)**	**74,782,077**
Effect of changes in exchange rates on cash and cash equivalents	(2,165,941)	17,394,061
Cash and cash equivalents as at the beginning of the year	187,766,665	95,590,527
Cash and cash equivalents as at the end of the year (Note 14)	**99,616,558**	**187,766,665**

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 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**	**Accumulated losses KZT'000**	**Total KZT'000**	**Non-controlling interests KZT'000**	**Total equity KZT'000**
Balance as at 1 January 2010	**106,878,518**	**242,185**	**15,181,181**	**(951,884)**	**412,708**	**(61,674,996)**	**60,087,712**	**432,741**	**60,520,453**
Total comprehensive income									
(Loss)/profit for the year	-	-	-	-	-	(31,047,621)	(31,047,621)	41,025	(31,006,596)
Other comprehensive income									
Net change in fair value of available-for-sale assets	-	-	-	252,772	-	-	252,772	(2,995)	249,777
Net change in fair value of available-for-sale assets transferred to profit or loss	-	-	-	223,910	-	-	223,910	-	223,910
Foreign currency translation differences	-	-	-	-	(379,668)	-	(379,668)	(13,976)	(393,644)
Total other comprehensive income	-	-	-	476,682	(379,668)	-	97,014	(16,971)	80,043
Total comprehensive (loss)/income for the year	**-**	-	**-**	**476,682**	**(379,668)**	**(31,047,621)**	**(30,950,607)**	**24,054**	**(30,926,553)**
Transactions with owners, recorded directly in equtiy									
Shares issued	6,000,000	-	-	-	-	-	6,000,000	-	6,000,000
Disposal of subsidiary	-	-	-	-	-	-	-	(306,595)	(306,595)
Dividends of subsidiaries to minority shareholder	-	-	-	-	-	-	-	(35,830)	(35,830)
Total transactions with owners	**6,000,000**	**-**	-	-	-	-	**6,000,000**	**(342,425)**	**5,657,575**
Balance as at 31 December 2010	**112,878,518**	**242,185**	**15,181,181**	**(475,202)**	**33,040**	**(92,722,617)**	**35,137,105**	**114,370**	**35,251,475**

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**	**Accumulated losses KZT'000**	**Total KZT'000**	**Non-controlling interests KZT'000**	**Total equity 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**
Total comprehensive income									
(Loss)/profit for the year	-	-	-	-	-	(54,805,693)	(54,805,693)	35,860	(54,769,833)
Other comprehensive income									
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
Foreign 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 (loss)/income for the year	-	-	-	**580,106**	**1,117,219**	**(54,805,693)**	**(53,108,368)**	**62,975**	**(53,045,393)**
Transactions with owners, recorded directly in equity									
Acquisition of non-controlling interests 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)
Total transactions with owners	**17,708,026**	-	-	-	-	**30,129**	**17,738,155**	**(65,058)**	**17,673,097**
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.

1 Background

(a) Organisation and operations

These consolidated financial statements include the financial statements of ATFBank JSC (the "Bank") and its subsidiaries (together referred to as 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 (the "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, 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 (the "KASE") and certain of its debt securities are listed on the Luxembourg and London Stock Exchanges. As at 31 December 2010, the Bank had 17 branches located throughout Kazakhstan (2009: 17 branches).

The principal subsidiaries are as follows:

			Ownership %	
Name	**Country of incorporation**	**Principal Activities**	**2010**	**2009**
ATF Finance JSC	Kazakhstan	Investments	100.0%	100.0%
ATF Inkassatsiya 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%
UniCredit Bank OJSC	Kyrgyzstan	Banking	97.1%	97.1%
Open Accumulating Pension Fund Otan JSC	Kazakhstan	Pension fund	-	89.0%

(b) Shareholders

As at 31 December 2010, the following shareholders own more than 5% of the outstanding common shares:

	2010	2009
Shareholders	**%**	**%**
UniCredit Bank Austria AG	99.71	99.70
Others, individually less than 5%	0.29	0.30
	100.00	**100.00**

1 Background, continued

(b) Shareholders, continued

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

The activities of the Bank are closely linked with the requirements of the Shareholder Group and determination of the pricing of the Bank's services to the Shareholder Group is undertaken in conjunction with other Shareholder companies. Related party transactions are detailed in Note 35.

(c) Business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. 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 financial 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:

- loan impairment estimates - note 18
- deferred taxes - note 13
- fair value of financial instruments - note 36.

2 Basis of preparation, continued

(e) Changes in accounting policies and presentation

With effect from 1 January 2010, the Group changed its accounting policies in the following areas:

- accounting for business combinations
- accounting for acquisitions of non-controlling interests

(i) Accounting for business combinations

From 1 January 2010 the Group has applied IFRS 3 *Business Combinations (2008)* in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after 1 January 2010

For acquisitions on or after 1 January 2010, the Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The Group elects on transaction-by-transaction basis whether to measure non-controlling interests at fair value, or at their proportionate share of the recognised amount of the identifiable net assets of the acquiree, at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Acquisitions before 1 January 2010

For acquisitions before 1 January 2010, goodwill represents the excess of the cost of the acquisition over the Group's interest in the recognised amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurred in connection with business combinations were capitalised as part of the cost of the acquisitions.

(ii) Accounting for acquisitions and disposals of non-controlling interests

From 1 January 2010, the Group has applied IAS 27 *Consolidated and Separate Financial Statements* (2008) for acquisitions and disposals of non-controlling interests.

Under the new accounting policy, acquisitions and disposals of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the parent.

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, and are applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity 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 interests

The Group changed its accounting policy with respect to accounting for acquisitions and disposals of non-controlling interests. See Note 2(e)(ii) for further details.

(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

(i) 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.

(ii) Foreign operations

The assets and liabilities of foreign operations, are translated into presentation currency at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into presentation currency at spot exchange rates at the dates of the transactions.

3 Significant accounting policies, continued

(c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the the NBRK, the Central Bank of Russian Federation, the National Bank of Kyrgyz Republic and other banks. The mandatory reserve deposit with the NBRK and the CBR 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.

Management determines the appropriate classification of financial instruments in this category 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 assets 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.

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.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(i) Classification, continued

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 financial 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.

(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 amortised cost.

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(iv) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Group establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group believes a third-party market participant would take them into account in pricing a transaction.

(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 recognised 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.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(v) Gains and losses on subsequent measurement, continued

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

(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 recognised 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.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(viii) Derivative financial instruments, continued

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.

(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

(f) Intangible assets

Acquired intangible assets 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.

3 Significant accounting policies, continued

(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.

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 financial 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.

3 Significant accounting policies, continued

(h) Impairment, continued

(ii) Financial assets carried at cost, continued

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

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial 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 recognised 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.

(i) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

3 Significant accounting policies, continued

(j) 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.

(k) 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.

(l) 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 recognised 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

(l) 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.

(m) 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 amortised 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.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(n) 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.

(o) Prior period reclassification

In the statement of financial position for the year ended 31 December 2009 short-term borrowings with maturity less than six months of KZT 45,469,178 thousand were presented as other borrowed funds. In the current year they are presented as deposits and balances from banks as management believes this better reflects the nature of the balances. Comparative figures have been reclassified to reflect these changes.

(p) 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 2010, 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 consolidated financial statements.

- Revised IAS 24 *Related Party Disclosures* (2009) introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively for annual periods beginning on or after 1 January 2011.

3 Significant accounting policies, continued

(p) New standards and interpretations not yet adopted, continued

- 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 phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the first half of 2011. 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 Group’s financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.
- *Improvements to IFRSs 2010* resulting from the International Accounting Standards Board’s third annual improvements project are to be dealt with on a standard-by-standard basis. The effective date of each amendment is included in the IFRSs affected.

4 Net interest income

	2010 KZT’000	**2009 KZT’000**
Interest income		
Loans to customers	84,368,140	114,259,629
Available-for-sale financial assets	819,034	1,273,871
Loans and advances to banks	579,774	449,710
Time deposits with the NBRK with original maturity less than 3 months	278,382	619,722
Financial instruments at fair value through profit or loss	108,635	1,141,005
Held-to-maturity investments	2,296	7,422
	86,156,261	**117,751,359**
Interest expense		
Other borrowed funds	(24,907,846)	(35,585,961)
Current accounts and deposits from customers	(24,355,886)	(29,908,769)
Subordinated borrowings	(6,548,394)	(6,794,784)
Deposits and balances from banks	(2,153,951)	(2,050,205)
	(57,966,077)	**(74,339,719)**

Included within various line items under interest income for the year ended 31 December 2010 is a total of KZT 20,090,257 thousand (2009: KZT 38,417,978 thousand) accrued on impaired financial assets.

5 Fee and commission income

	2010 KZT'000	2009 KZT'000
Bank transfers	3,186,831	2,580,347
Cash operations	2,088,000	2,001,871
Plastic cards	1,657,828	1,175,031
Foreign currency trading	1,382,474	1,381,030
Guarantees	1,223,690	1,024,176
Pension asset management	190,254	556,798
Custodian services	169,021	200,658
Project management	33,006	41,693
Customer service	32,302	29,098
Securities operations	23,332	40,012
Other	198,669	255,605
	10,185,407	**9,286,319**

6 Fee and commission expense

	2010 KZT'000	2009 KZT'000
Guarantees	16,126,587	107,196
Expenses on insurance of customers deposits	1,381,662	1,286,594
Plastic cards	439,988	321,299
Bank transfers	257,495	243,005
Foreign currency trading	41,627	24,431
Custodian services	41,392	50,605
Securities operations	41,010	54,280
Other	24,175	40,121
	18,353,936	**2,127,531**

On 25 December 2009 the Group signed a guarantee agreement with its parent UniCredit Bank Austria AG ("the Parent"). The guarantee relates to the underwriting of certain large corporate loans amounting to USD 2,788 million. Under this agreement loan impairment losses above USD 728 million (first loss tranche) are guaranteed by UniCredit Bank Austria AG. The Group pays a commission fee of 6% p.a. of carrying value of loans covered by the guarantee. The guarantee is effective from 31 December 2009 and terminates no later than 17 April 2029. For the year ended 31 December 2010 the Bank incurred KZT 16,026,918 thousand of commission expense under this guarantee agreement.

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

	2010 KZT'000	2009 KZT'000
Equity securities	2,105	-
Debt securities	(218,780)	406,168
	(216,675)	**406,168**

8 Net loss on available-for-sale financial assets

	2010 KZT'000	2009 KZT'000
Equity securities	1,246	(79,248)
Debt securities	(225,156)	(407,423)
	(223,910)	**(486,671)**

9 Disposal of subsidiary

In March 2010 the Group disposed of its investment in Open Accumulating Pension Fund Otan JCS. The subsidiary contributed KZT 91,008 thousand to the profit for the year. The gain on disposal amounted to KZT 1,128,285 thousand.

The disposal of the subsidiary had the following effect on assets and liabilities at the date of disposal:

	Carrying amount at the date of disposal
Assets	
Cash and cash equivalents	122,169
Financial instruments at fair value through profit or loss	1,328,872
Available-for-sale assets	922,798
Commission receivable	18,446
Current income tax	118,660
Held-to-maturity investments	246,332
Property, equipment and intangible assets	35,863
Other assets	20,225
	2,813,365
Liabilities	
Other liabilities	(26,133)
Net identifiable assets and liabilities	**2,787,232**
Non-controlling interests, 11%	(306,595)
Net identifiable assets and liabilities after deducting non-controlling interests	**2,480,637**
Consideration received, satisfied in cash	3,608,922
Cash disposed of	(122,169)
Net cash inflow	**3,486,753**

10 Impairment losses

	2010 KZT'000	2009 KZT'000
Available-for-sale financial assets	370,519	(1,114,579)
Right to compensation from the Parent under guarantee agreement	47,303,250	-
Loans to customers	(83,293,779)	(103,142,005)
Other assets	(3,395,493)	(303,664)
Credit related commitments	(303,223)	311,314
Loans and advances to banks	(152,125)	24,580
	(39,470,851)	**(104,224,354)**

10 Impairment losses, continued

As at 31 December 2010 the Group recognised impairment losses and an associated right to compensation from the Parent under the guarantee agreement of KZT 47,303,250 thousand (USD 320,700 thousand) in respect of corporate loans covered by the guarantee. The Group also recognised commission expense of KZT 16,026,918 thousand (USD 108,768 thousand) in respect of this guarantee for the year ended 31 December 2010 (Note 6).

11 Personnel expenses

	2010 KZT'000	2009 KZT'000
Employee compensation	7,999,083	8,284,264
Payroll related taxes	820,260	890,898
	8,819,343	**9,175,162**

12 Other general administrative expenses

	2010 KZT'000	2009 KZT'000
Depreciation and amortisation	2,165,337	2,059,969
Rent	1,308,516	1,532,555
Taxes other than income tax	1,054,464	1,368,761
Security	790,303	776,655
Maintenance and repairs	545,908	580,371
Communication	692,791	649,409
Advertising	284,848	457,732
Insurance	243,430	105,856
Business travel	228,113	214,942
Transportation	206,510	132,576
Professional services	152,427	495,356
Stationery, publications, packaging	126,319	123,300
Charity and sponsorship	46,566	34,681
Representation	26,845	39,137
Other	546,513	443,465
	8,418,890	**9,014,765**

13 Income tax benefit

	2010 KZT'000	2009 KZT'000
Current tax expense		
Current year	215,522	2,167,421
Over provided in prior year	(2,813,775)	-
	(2,598,253)	**2,167,421**
Deferred tax benefit		
Origination and reversal of temporary differences	1,693,459	(8,095,093)
Total income tax benefit	**(904,794)**	**(5,927,672)**

The Bank and its subsidiaries, other than ATF Capital B.V., Bank Sibir CJSC and UniCredit Bank OJSC are subject to taxation in the Republic of Kazakhstan. ATF Capital B.V. is subject to income tax in the Netherlands. Bank Sibir CJSC is subject to income tax in the Russian Federation. UniCredit Bank OJSC is subject to income tax in Kyrgyzstan.

13 Income tax benefit, continued

The Group's applicable tax rate for the year ended 31 December 2010 is the income tax rate of 20% for Kazakhstan companies (2009: 20%). In 2009 the Government announced that the income tax rates for Kazakhstan companies were 20% in 2009-2012, 17.5% in 2013 and 15% in later years. These rates were used in the calculation of deferred tax assets and liabilities as at 31 December 2009. In November 2010 the Government cancelled the reduction and announced that the income tax rate will remain at 20%. The 20% tax rate has been used in the calculation of deferred tax assets and liabilities as at 31 December 2010.

The applicable tax rate for current tax is 20% - for Bank Sibir CJSC (2009: 20%), 10% - for UniCredit Bank OJSC (2009: 10%) and 25.5% - for ATF Capital B.V. (2009: 27.5%).

As at 31 December 2010, the Group revised its tax return for 2009. Under the Kazakhstan tax code that was in effect before 1 January 2009, tapayers were allowed to carry forward tax losses for up to three years. On 1 January 2009, a new tax code became effective. In accordance with this new tax code, a taxpayer can carry forward operating losses generated on or after 1 January 2009 for up to ten years. The new tax code did not specify the treatment of losses incurred before 1 January 2009. Accordingly, when the Group finalised its financial statements for the year ended 31 December 2009, it treated operating losses incurred before 1 January 2009 as a disallowable deduction. In February 2010, the Government approved an amendment to the tax code allowing losses incurred before 1 January 2009 to be utilised over the following three years. At that time, the Group amended its tax return for 2009 treating these operating losses as allowable. Accordingly, in 2010, the Group recognised a reduction in current tax expense of KZT 2,032,175 thousand. In addition, in May 2010 the Group won a law suit in the Supreme Court related to a tax audit that resulted in additional reduction of KZT 200,000 thousand of income tax expense. Furthermore in August 2010 the Group reissued tax declarations for six years starting from 2004 until 2009 mainly due to recognition of losses from operations with derivative instruments as tax-deductable and recognised a reduction of income tax expense of KZT 581,600 thousand.

Reconciliation of effective tax rate:

	2010 KZT'000	%	2009 KZT'000	%
Loss before taxes	**(31,911,390)**	**100**	**(60,697,505)**	**100**
Income tax at the applicable tax rate	(6,382,278)	20	(12,139,501)	20
Income of subsidiaries taxed at different rates	(137,697)	-	89,686	-
Loss from state and other qualifying securities	(255,710)	1	(1,101,791)	2
Non-deductable impairment losses	4,351,525	(14)	-	-
Non-deductable interest expense	1,771,851	(6)	1,039,474	(2)
Non-deductable written off interest income on loans issued to individuals	1,282,928	(4)	756,955	(1)
Effect of change of tax rate	220,391	(1)	(220,391)	-
Change in unrecognised deferred tax assets	(1,089,934)	3	5,772,242	(9)
Over provided in prior year	(2,813,775)	9	-	-
Utilisation of previously unrecognised tax	2,032,175	(6)	-	-
Other (non-taxable income)/non-deductable expenses	115,730	-	(124,346)	-
	(904,794)	**2**	**(5,927,672)**	**10**

13 Income tax benefit, continued

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 2010 and 2009. 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 laws and regulations that adversely affect the Group's ability to claim the deductions in future periods.

Movements in temporary differences during the years ended 31 December 2010 and 2009 are presented as follows.

KZT'000	Balance 1 January 2010	Recognised in profit or loss	Balance 31 December 2010
Loans to customers	8,781,482	7,465,167	16,246,649
Property, equipment and intangible assets	(661,172)	(261,067)	(922,239)
Other assets	188,418	31,324	219,742
Compensation receivable from Parent under guarantee agreement	-	(9,460,650)	(9,460,650)
Tax loss carry-forwards	-	531,767	531,767
	8,308,728	**(1,693,459)**	**6,615,269**

KZT'000	Balance 1 January 2009	Recognised in profit or loss	Balance 31 December 2009
Loans to customers	(2,785,210)	11,566,692	8,781,482
Property, equipment and intangible assets	(1,021,113)	359,941	(661,172)
Other assets	118,600	69,818	188,418
Other liabilities	(40,773)	40,773	-
Tax loss carry-forwards	3,942,131	(3,942,131)	-
	213,635	**8,095,093**	**8,308,728**

Unrecognised deferred tax assets

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

KZT'000	2010	2009
Deductible temporary differences	2,772,352	1,830,111
Tax loss carry-forwards	1,909,956	3,942,131
	4,682,308	**5,772,242**

The above 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.

14 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:

	2010 KZT'000	2009 KZT'000
Cash on hand	28,954,170	25,295,589
Nostro accounts with the NBRK	10,330,221	42,254,536
Nostro accounts with the National Bank of the Republic of Kyrgyzstan	1,915,620	213,932
Nostro accounts with the Central Bank of the Russian Federation	196,508	246,587
Nostro accounts with other banks		
- rated A- to A+	55,048,226	72,958,586
- rated BBB	1,073,020	1,296,746
- rated from BB- to BB+	527,972	30,169
- rated below B+	25,734	223,726
- rated RD	-	9,955
- not rated	1,545,087	234,825
Time deposits with the NBRK up to 90 days	-	45,002,014
	99,616,558	**187,766,665**

None of the cash equivalents are impaired or past due.

As at 31 December 2010 the Group has three banks (2009: one bank), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2010 is KZT 62,165,216 thousand (2009: KZT 62,187,123 thousand).

15 Financial instruments at fair value through profit or loss

	2010 KZT'000	2009 KZT'000
Held by the Group		
ASSETS		
Debt instruments and other fixed-income instruments		
- **Government and municipal bonds**		
Treasury notes of the Ministry of Finance of the Russian Federation	255,015	424,629
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	162,622	1,334,519
Notes of the NBRK	-	199,409
Total government and municipal bonds	**417,637**	**1,958,557**
- **Corporate bonds**		
- rated BBB	80,592	-
- rated from BB- to BB+	-	618,281
- rated RD	-	23,787
Total corporate bonds	**80,592**	**642,068**
Equity investments		
Corporate shares	-	3,200
Derivative financial instruments		
Foreign currency contracts	2,058	3,788
	500,287	**2,607,613**
LIABILITIES		
Derivative financial instruments		
Foreign currency contracts	5,005	**-**
Total	**5,005**	**-**

None of the financial assets at fair value through profit or loss are impaired or past due.

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

Foreign currency contracts

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

	2010			2009		
	Contract/ notional	Fair values		Contract/ notional	Fair values	
KZT'000	amount	Assets	Liabilities	amount	Assets	Liabilities
Derivative Financial instruments						
Foreign currency forwards	11,800,000	1,500	-	-	-	-
Foreign currency swaps	641,940	558	5,005	337,066	3,788	-
	12,441,940	**2,058**	**5,005**	**337,066**	**3,788**	**-**

The table below summarises, by major currencies, the contractual terms of the foreign currency forward and swap contracts outstanding at 31 December 2010. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

Type of instrument	Notional amount	Maturity	Payments made by Group	Payments received by Group	Fair value Asset KZT'000	Fair value Liability KZT'000
31 December 2010						
Foreign currency forward	USD 10,000,000	04/02/11	KZT'000 1,474,500	USD 10,000,000	500	-
Foreign currency forward	USD 10,000,000	03/03/11	KZT'000 1,474,000	USD 10,000,000	1,000	-
Foreign currency forwards	KZT'000 7,375,000	05/01/11	USD 50,000,000	KZT'000 7,375,000	-	-
Foreign currency swap	GBP 1,500,000	14/01/11	USD 342,435	GBP 2,325,375	558	-
Foreign currency swap	JPY 99,144,000	08/02/11	KZT'000 179,451	JPY 1,200,000	-	(2,451)
Foreign currency swap	CAD 812,220	02/02/11	KZT'000 120,054	CAD 800,000	-	(2,054)
Foreign currency forward	USD 10,000,000	05/01/11	KZT'000 1,475,500	USD 10,000,000	-	(500)
					2,058	**(5,005)**
31 December 2009						
Foreign currency forward	USD 100,000	1/11/2010	RUB'000 3,017	USD 100,000	39	-
Foreign currency swap	USD 2,200,000	1/11/2010	RUB'000 65,772	USD 2,200,000	3,749	-
					3,788	-

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

The following table provides information on the credit quality of foreign currency contracts, which are assets:

	2010 KZT'000	2009 KZT'000
Large OECD banks	3,292,435	337,066
Other Kazakhstan financial institutions	7,375,000	-
	10,667,435	**337,066**

16 Available-for-sale financial assets

HELD BY THE GROUP	**2010 KZT'000**	**2009 KZT'000**
Debt instruments and other fixed-income instruments		
- Government and municipal bonds		
Notes of the NBRK	9,969,805	7,971,608
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	4,144,542	5,244,129
Treasury notes of the Ministry of Finance of the Kyrgyz Republic	341,553	495,487
Notes of the National Bank of the Kyrgyz Republic	-	158,360
Total government and municipal bonds	**14,455,900**	**13,869,584**
- Corporate bonds		
- rated A- to A+	219,852	1,059,298
- rated BBB	53,708	150,229
- rated from BB- to BB+	-	1,660,026
- rated below B+	1,545,367	169,903
- rated CC	-	272,888
- rated RD	434,321	1,228,733
- not rated	-	34,675
Total corporate bonds	**2,253,248**	**4,575,752**
Impairment allowance	(263,005)	(1,114,579)
- Total net corporate bonds	**1,990,243**	**3,461,173**
Equity investments		
Corporate shares	123,180	4,095
Foreign corporate shares	46,923	47,368
Shares of local banks	-	56,230
Total equity investments stated at fair value	**170,103**	**107,693**
Equity investments stated at cost	108,107	108,107
	16,724,353	**17,546,557**

16 Available-for-sale financial assets, continued

Analysis of movements in the impairment allowance

	2010 KZT'000	2009 KZT'000
Balance at the beginning of the year	(1,114,579)	-
Net recovery/(charge) for the year	370,519	(1,114,579)
Disposal	455,742	-
Write-offs	25,313	-
Balance at the end of the year	**(263,005)**	**(1,114,579)**

Investment without a determinable fair value

Available-for-sale investments stated at cost 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.

17 Loans and advances to banks

	2010 KZT'000	2009 KZT'000
NOT IMPAIRED		
Mandatory reserves with the NBRK and the Central Bank of the Russian Federation	17,674,904	18,036,119
Loans and deposits	15,979,167	-
OECD banks	-	1,237,167
Largest 10 Kazakh banks	512,834	386,400
Other foreign banks	1,055,526	316,676
Total loans and deposits	**35,222,431**	**19,976,362**
IMPAIRED		
Loans to other banks	-	1,164,397
Impairment allowance	-	(286,007)
Net impaired loans to other banks	**-**	**878,390**
Reverse repurchase agreements	**170,293**	**311,657**
	35,392,724	**21,166,409**

As at 31 December 2010 overdue or impaired loans and advances to banks comprise loans and advances with banks overdue more than 90 and less than 360 days of KZT nil (2009: KZT 286,007 thousand).

Analysis of movements in the impairment allowance

	2010 KZT'000	2009 KZT'000
Balance at the beginning of the year	(286,007)	(245,248)
Net (charge)/recovery for the year	(152,125)	24,580
Write-offs	454,368	-
Effect of foreign currency translation	(16,236)	(65,339)
Balance at the end of the year	**-**	**(286,007)**

17 Loans and advances to banks, continued

(a) Collateral accepted under reverse repurchase agreements

At 31 December 2010 the fair value of financial assets accepted as collateral under reverse repurchase agreements that the Group is permitted to sell or repledge in the absence of default is KZT 242,398 thousand (2009: KZT 206,205 thousand).

(b) Concentration of loans and advances to banks

As at 31 December 2010 the Group has one bank (2009: nil), whose balance exceeded 10% of total equity. The gross value of this balance as at 31 December 2010 is KZT 14,750,000 thousand.

(c) Mandatory reserve

Under local legislations, the Group is required to maintain certain obligatory reserves that 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 2010 mandatory reserves represent a correspondent account held by ATFBank JSC with the NBRK of KZT 16,454,497 thousand (2009: KZT 17,190,747 thousand) and reserves held by its Russian subsidiary with the Central Bank of the Russian Federation of KZT 1,220,407 thousand (2009: KZT 845,372 thousand).

18 Loans to customers

	2010 KZT'000	2009 KZT'000
Loans to corporate customers		
Loans to large corporates	575,474,001	562,711,033
Loans to small and medium size companies	221,424,334	209,834,841
Total loans to corporate customers	**796,898,335**	**772,545,874**
Loans to retail customers		
Mortgage loans	86,566,576	95,886,876
Consumer loans	59,962,724	61,486,614
Auto loans	1,525,752	2,308,576
Total loans to retail customers	**148,055,052**	**159,682,066**
Gross loans to customers	**944,953,387**	**932,227,940**
Impairment allowance	(214,518,368)	(153,338,187)
Net loans to customers	**730,435,019**	**778,889,753**

As at 31 December 2010, interest accrued on impaired loans amounts to KZT 57,344,575 thousand (2009: KZT 40,772,416 thousand).

18 Loans to customers, continued

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2010 are as follows:

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	(139,858,864)	(13,479,323)	(153,338,187)
Net charge for the year	(77,649,593)	(5,644,186)	(83,293,779)
Write-offs	21,209,716	1,208,729	22,418,445
Recoveries	(1,106,803)	(615,968)	(1,722,771)
Effect of foreign currency translation	1,306,695	111,229	1,417,924
Balance at the end of the year	**(196,098,849)**	**(18,419,519)**	**(214,518,368)**

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

	Loans to corporate customers KZT'000	Loans to retail customers KZT'000	Total KZT'000
Balance at the beginning of the year	(59,998,075)	(5,324,316)	(65,322,391)
Net charge for the year	(94,608,423)	(8,533,582)	(103,142,005)
Write-offs	27,142,137	463,964	27,606,101
Recoveries	(1,116,239)	(221,233)	(1,337,472)
Effect of foreign currency translation	(11,278,264)	135,844	(11,142,420)
Balance at the end of the year	**(139,858,864)**	**(13,479,323)**	**(153,338,187)**

18 Loans to customers, continued

(a) Credit quality of the loans to customers

The following table provides information on the credit quality of the loans to customers as at 31 December 2010:

	Gross loans KZT'000	Impairment allowance KZT'000	Net loans KZT'000	Impairment allowance to gross loans %
Loans to corporate customers				
Loans to large corporates				
Loans without individual signs of impairment				
- Standard loans	223,341,998	(3,283,557)	220,058,441	1.5
- Watch list loans	32,590,161	(1,940,742)	30,649,419	6.0
Impaired loans:				
- not overdue	114,530,480	(51,081,511)	63,448,969	44.6
- overdue less than 90 days	10,968,024	(3,972,860)	6,995,164	36.2
- overdue more than 90 days and less than 1 year	52,286,566	(13,615,081)	38,671,485	26.0
- overdue more than 1 year	141,756,772	(88,327,944)	53,428,828	62.3
Total impaired loans	319,541,842	(156,997,396)	162,544,446	49.1
Total loans to large corporates	**575,474,001**	**(162,221,695)**	**413,252,306**	**28.2**
Loans to small and medium size companies				
Loans without individual signs of impairment	143,816,350	(4,372,931)	139,443,419	3.0
Impaired loans:				
- not overdue	4,288,098	(1,067,257)	3,220,841	24.9
- overdue less than 90 days	1,868,439	(416,283)	1,452,156	22.3
- overdue more than 90 days and less than 1 year	29,974,871	(9,414,745)	20,560,126	31.4
- overdue more than 1 year	41,476,576	(18,605,938)	22,870,638	44.9
Total impaired loans	77,607,984	(29,504,223)	48,103,761	38.0
Total loans to small and medium size companies	**221,424,334**	**(33,877,154)**	**187,547,180**	**15.3**
Total loans to corporate customers	**796,898,335**	**(196,098,849)**	**600,799,486**	**24.6**

18 Loans to customers, continued

(a) Credit quality of the loans to customers, continued

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans, %
Loans to retail customers				
Mortgage loans				
- Not past due	59,774,815	(928,644)	58,846,171	1.6
- Overdue less than 30 days	3,448,855	(385,767)	3,063,088	11.2
- Overdue 30-59 days	1,081,156	(173,688)	907,468	16.1
- Overdue 60-89 days	1,035,715	(205,973)	829,742	19.9
- Overdue 90-119 days	837,232	(311,306)	525,926	37.2
- Overdue 120-149 days	649,562	(270,883)	378,679	41.7
- Overdue 150 - 179 days	495,979	(192,522)	303,457	38.8
- Overdue 180 - 360 days	3,976,592	(1,899,581)	2,077,011	47.8
- Overdue more than 360 days	15,266,670	(8,081,254)	7,185,416	52.9
Total mortgage loans	**86,566,576**	**(12,449,618)**	**74,116,958**	**14.4**
Consumer loans				
- Not past due	42,066,011	(683,625)	41,382,386	1.6
- Overdue less than 30 days	4,048,261	(288,686)	3,759,575	7.1
- Overdue 30-59 days	1,320,945	(210,477)	1,110,468	15.9
- Overdue 60-89 days	874,239	(148,629)	725,610	17.0
- Overdue 90-119 days	675,720	(214,833)	460,887	31.8
- Overdue 120-149 days	577,001	(165,358)	411,643	28.7
- Overdue 150 - 179 days	415,870	(122,064)	293,806	29.4
- Overdue 180 - 360 days	3,513,275	(1,199,610)	2,313,665	34.1
Overdue more than 360 days	6,471,402	(2,687,379)	3,784,023	41.5
Total consumer loans	**59,962,724**	**(5,720,661)**	**54,242,063**	**9.5**
Auto loans				
- Not past due	901,846	(8,545)	893,301	0.9
- Overdue less than 30 days	34,904	(766)	34,138	2.2
- Overdue 30-59 days	22,308	(1,372)	20,936	6.2
- Overdue 60-89 days	8,129	(1,003)	7,126	12.3
- Overdue 90-119 days	12,677	(6,607)	6,070	52.1
- Overdue 120-149 days	10,093	(4,744)	5,349	47.0
- Overdue 150 - 179 days	5,548	(4,194)	1,354	75.6
- Overdue 180 - 360 days	86,972	(29,965)	57,007	34.5
Overdue more than 360 days	443,275	(192,044)	251,231	43.3
Total auto loans	**1,525,752**	**(249,240)**	**1,276,512**	**16.3**
Total loans to retail customers	**148,055,052**	**(18,419,519)**	**129,635,533**	**12.4**

18 Loans to customers, continued

(a) Credit quality of the loans to customers, continued

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

	Gross loans	Impairment	Net loans	Impairment to gross loans
	KZT'000	KZT'000	KZT'000	%
Loans to corporate customers				
Loans to large corporates				
Loans without individual signs of impairment				
- Standard loans	128,449,248	(2,244,664)	126,204,584	1.8
- Watch list loans	186,876,058	(8,926,851)	177,949,207	4.8
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 corporate Customers	**772,545,874**	**(139,858,864)**	**632,687,010**	**18.1**

18 Loans to customers, continued

(a) Credit quality of the loans to customers, continued

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans, %
Loans to retail customers				
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**	**10.6**
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**	**4.9**
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 retail customers	**159,682,066**	**(13,479,323)**	**146,202,743**	**8.4**

18 Loans to customers, continued

(a) Credit quality of the loans to customers, continued

As at 31 December 2010 included in the loan portfolio are restructured loans to corporate and retail customers that would otherwise be past due or impaired of KZT 89,437,333 thousand and KZT 13,412,962 thousand, respectively (2009: KZT 80,802,246 thousand and KZT 47,644,758 thousand, respectively). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated loans are included in the category of assets without individual signs of impairment in the tables above, unless the borrower fails to comply with the renegotiated terms.

(b) Key assumptions and judgments for estimating the loan impairment

(i) Loans to corporate customers

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 that can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

For all loans that are considered individually significant, the Bank assesses on a case-by-case basis at each reporting date whether there is any objective evidence that the loan in impaired. Objective indicators of loan impairment for loans to corporate customers 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.

For those loans where objective evidence of impairment exists, impairment losses are determined considering the following aspects:

- the aggregate exposure to the customer
- the amount and timing of expected loan receipts and recoveries
- the realisable value of collateral and likelihood of successful foreclosure.

For non-individually significant loans, the collective assessment is based on appropriate historical trends of default. For collective assessment purposes, exposures are divided into homogeneoues groups with similar risks and characteristics. The impairment provision for collectively asessed loans is determined taking into account the following aspects:

- probability of default for loans of certain homogeneous groups and certain delinquency buckets
- cash recoveries after default, other than resulting from collateral foreclosure
- estimated cash receipts from collateral foreclosure.

In determining the impairment allowance for loans to corporate customers, management makes the following key assumptions:

- historic annual loss rate of about 2%;
- 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.

18 Loans to customers, continued

(b) Key assumptions and judgments for estimating the loan impairment, continued

(i) Loans to corporate customers, continued

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 corporate customers as of 31 December 2010 would be KZT 6,007,995 thousand lower/higher (2009: KZT 6,326,870 thousand).

(ii) Loans to retail customers

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 retail customers 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 24 months in obtaining proceeds from the foreclosure of collateral, which is not compensated by related interest income, and a discount of 30-35% 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 retail customers as of 31 December 2010 would be KZT 1,296,355 thousand lower/higher (2009: KZT 1,462,027 thousand).

(c) Analysis of collateral

(i) Loans to corporate customers

The following table provides the analysis of loans to corporate customers, net of impairment, by types of collateral as at 31 December 2010:

	2010 KZT'000	% of loan portfolio	2009 KZT'000	% of loan portfolio
Real estate	450,722,564	75.0	385,479,085	60.9
Unquoted equity securities	109,660,088	18.2	182,371,013	28.8
Equipment	10,634,022	1.8	24,130,954	3.8
Motor vehicles	8,975,234	1.5	8,724,772	1.4
No collateral	7,737,261	1.3	8,397,562	1.3
Other collateral	13,070,317	2.2	23,583,624	3.8
	600,799,486	**100.0**	**632,687,010**	**100.0**

Part of the portfolio is covered by a guarantee from Unicredit Bank Austria AG (refer notes 6 and 10).

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 378,668,415 thousand are secured by collateral with a fair value of KZT 250,543,306 thousand. For the remaining impaired loans of KZT 18,481,411 thousand there is no collateral or it is impracticable to determine fair value of collateral.

During the year ended 31 December 2010 the Group obtained assets with the carring amount of KZT 79,237 thousand by taking control of collateral accepted as security for loans to corporate customers. (2009: KZT 341,821 thousand).

18 Loans to customers, continued

(c) Analysis of collateral, continued

(ii) Loans to retail customers

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

The following table provides the analysis of loans to retail customers, net of impairment, by types of collateral as at 31 December 2010 and 2009:

	2010 KZT'000	% of loan portfolio	2009 KZT'000	% of loan portfolio
Real estate	114,819,410	88.6	122,661,877	84.0
Traded securities	461,210	0.4	10,390,440	7.1
Motor vehicles	1,316,059	1.0	2,081,994	1.4
Equipment	53,850	0.0	9,463	0.0
No collateral	8,313,007	6.4	10,892,368	7.4
Other collateral	4,671,997	3.6	166,601	0.1
	129,635,533	**100.0**	**146,202,743**	**100.0**

(d) 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:

	2010 KZT'000	%	2009 KZT'000	%
Wholesale trade	197,392,978	20.9	176,543,747	18.9
Individuals	148,055,052	15.7	159,682,066	17.1
Construction	143,990,687	15.2	142,523,523	15.3
Retail trade	90,646,363	9.6	95,015,478	10.2
Food	67,978,861	7.2	68,012,350	7.3
Transport	41,418,836	4.4	28,675,929	3.1
Real estate	38,736,645	4.1	48,600,793	5.2
Agriculture	33,141,360	3.5	33,417,036	3.6
Hotel services	27,511,394	2.9	28,671,128	3.1
Oil and gas	21,517,153	2.3	14,293,874	1.5
Entertainment	16,057,581	1.7	15,386,516	1.7
Chemical	11,314,266	1.2	10,050,362	1.1
Textile	8,826,794	0.9	8,621,088	0.9
Metallurgy	6,310,667	0.7	5,597,957	0.6
Mining	2,185,278	0.2	2,121,662	0.2
Communications	1,447,450	0.2	4,565,658	0.5
Other	88,422,022	9.3	90,448,773	9.7
	944,953,387	**100.0**	**932,227,940**	**100.0**
Impairment allowance	(214,518,368)		(153,338,187)	
	730,435,019		**778,889,753**	

(e) Significant credit exposures

As at 31 December 2010 the Group has 38 borrowers or groups of connected borrowers (2009: 20), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2010 is KZT 380,801,325 thousand (2009: KZT 280,182,231 thousand).

18 Loans to customers, continued

(f) Loan maturities

The maturity of the loan portfolio is presented in Note 29, which shows the remaining period from the reporting date to the contractual maturity of the loans. Due to the short-term nature of the loans issued by the Group, it is likely that many of the loans will be prolonged at maturity. Accordingly, the effective maturity of the loan portfolio may be significantly longer than the term based on contractual terms.

19 Held-to-maturity investments

	2010 KZT'000	2009 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	Construction in progress KZT'000	Computer software KZT'000	Total KZT'000
Balance at 1 January 2010	20,776,453	677,507	3,547,262	4,078,653	1,436,426	2,614,912	33,131,213
Disposal of subsidiary	-	(26,108)	(39,242)	(20,756)	-	(14,755)	(100,861)
Additions	69,766	75,812	167,203	216,069	138,794	352,764	1,020,408
Disposals	(51,358)	(28,592)	(161,989)	(145,613)	(113,520)	(139,172)	(640,244)
Transfers	137,518	-	60,455	268,192	(524,204)	58,039	-
Effect of foreign currency translation	(64,305)	(6,858)	(11,268)	(25,898)	(841)	(14,573)	(123,743)
Balance at 31 December 2010	**20,868,074**	**691,761**	**3,562,421**	**4,370,647**	**936,655**	**2,857,215**	**33,286,773**
Depreciation, amortisation and impairment losses							
Balance at 1 January 2010	(1,873,734)	(331,295)	(1,403,863)	(1,964,526)	(667,078)	(1,325,840)	(7,566,336)
Disposal of subsidiary	-	10,809	34,892	9,915	-	9,382	64,998
Depreciation and amortisation charge	(697,718)	(104,123)	(366,422)	(597,340)	-	(399,734)	(2,165,337)
Disposals	11,133	25,207	160,171	139,482	-	130,875	466,868
Effect of foreign currency translation	4,035	3,357	6,645	12,205	-	5,922	32,164
Balance at 31 December 2010	**(2,556,284)**	**(396,045)**	**(1,568,577)**	**(2,400,264)**	**(667,078)**	**(1,579,395)**	**(9,167,643)**
Carrying amounts							
At 31 December 2010	**18,311,790**	**295,716**	**1,993,844**	**1,970,383**	**269,577**	**1,277,820**	**24,119,130**

20 Property, equipment and intangible assets, continued

Cost	Land and buildings KZT'000	Vehicles KZT'000	Computer equipment KZT'000	Fixtures and fittings KZT'000	Construction in progress KZT'000	Computer software KZT'000	Total KZT'000
Balance at 1 January 2009	19,263,555	823,563	3,537,261	3,921,774	2,611,724	2,155,074	32,312,951
Additions	15,786	42,702	48,416	314,952	97,909	616,310	1,136,075
Disposals	(37,310)	(202,644)	(61,364)	(187,858)	-	(176,716)	(665,892)
Transfers	1,273,207	-	1,392	(1,392)	(1,273,207)	-	-
Effect of foreign currency translation	261,215	13,886	21,557	31,177	-	20,244	348,079
Balance at 31 December 2009	**20,776,453**	**677,507**	**3,547,262**	**4,078,653**	**1,436,426**	**2,614,912**	**33,131,213**
Depreciation, amortisation and impairment losses							
Balance at 1 January 2009	(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 of foreign currency translation	(4,816)	(4,239)	(8,868)	(12,128)	-	(2,638)	(32,689)
Balance at 31 December 2009	**(1,873,734)**	**(331,295)**	**(1,403,863)**	**(1,964,526)**	**(667,078)**	**(1,325,840)**	**(7,566,336)**
Carrying amounts							
At 31 December 2009	**18,902,719**	**346,212**	**2,143,399**	**2,114,127**	**769,348**	**1,289,072**	**25,564,877**
At 1 January 2009	18,038,311	460,692	2,453,743	2,423,977	1,944,646	1,012,813	26,334,182

There are no capitalised borrowing costs related to the acquisition or construction of property and equipment during 2010 (2009: nil).

21 Other assets

	2010 KZT'000	2009 KZT'000
Accrued commission income	326,931	354,596
Receivable on disposal of subsidiary	-	431,907
Impairment allowance	-	(177,495)
Total other financial assets	**326,931**	**609,008**
Foreclosed property	7,364,455	7,292,383
Advances paid for acquisition of property, equipment and intangible assets	1,093,285	713,403
Advances on capital expenditures	723,647	853,670
Inventory	190,730	158,236
Taxes prepaid, other than income tax	165,063	374,177
Settlements with employees	28,785	6,133
Precious metals	1,771	244
Impairment allowance	(4,092,030)	(540,894)
Total other non-financial assets	**5,475,706**	**8,857,352**
Total other assets	**5,802,637**	**9,466,360**

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the year ended 31 December 2010 are as follows:

	Other financial assets KZT'000	Other non-financial assets KZT'000	Total KZT'000
Balance at the beginning of the year	(177,495)	(540,894)	(718,389)
Net reversal/(charge) for the year	177,495	(3,572,988)	(3,395,493)
Write-offs	-	780	780
Effect of foreign currency translation	-	21,072	21,072
Balance at the end of the year	-	**(4,092,030)**	**(4,092,030)**

Movements in the impairment allowance for the year ended 31 December 2009 are as follows:

	Other financial assets KZT'000	Other non-financial assets KZT'000	Total KZT'000
Balance at the beginning of the year	(206,120)	(135,546)	(341,666)
Net reversal/(charge) for the year	28,625	(332,289)	(303,664)
Recoveries	-	(82,584)	(82,584)
Effect of foreign currency translation	-	9,525	9,525
Balance at the end of the year	**(177,495)**	**(540,894)**	**(718,389)**

22 Deposits and balances from banks

	2010 KZT'000	2009 KZT'000
Term deposits	35,595,159	76,533,874
Vostro accounts	1,778,976	2,196,655
	37,374,135	**78,730,529**

As at 31 December 2010 and 2009 the Group has one bank whose balance exceeded 10% of total equity. The gross value of this balance as of 31 December 2010 is KZT 34,020,760 thousand (2009: KZT 73,694,022 thousand).

23 Current accounts and deposits from customers

	2010 KZT'000	2009 KZT'000
Current accounts and demand deposits		
- Corporate	120,552,804	96,828,843
- Retail	20,394,529	2,927,053
Term deposits		
- Corporate	234,371,586	178,015,938
- Retail	139,064,474	223,867,948
	514,383,393	**501,639,782**

As at 31 December 2010, the Group maintained customer deposit balances of KZT 11,770,385 thousand (2009: KZT 16,016,826 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 31 December 2010 , the Group has fourteen customers (2009: eight customers), whose balances exceed 10% of total equity. These total balances as at 31 December 2010 are KZT 266,605,980 thousand (2009: KZT 162,311,249 thousand).

24 Other borrowed funds and subordinated borrowings

	2010 KZT'000	2009 KZT'000
Other borrowed funds		
Loans		
- Loans issued by foreign banks and financial institutions	184,517,008	190,864,283
- Loans issued by the Government of the Republic of Kazakhstan	8,010	16,020
	184,525,018	**190,880,303**
Bonds issued		
- USD Eurobonds	114,788,089	145,348,848
- KZT notes	15,055,979	9,018,790
- RUB notes	40,538	41,199
	129,884,606	**154,408,837**
Total other borrowed funds	**314,409,624**	**345,289,140**
Subordinated borrowings		
- Subordinated debt securities issued	43,240,884	43,324,599
- Subordinated loans	21,124,708	18,357,936
Total subordinated borrowings	**64,365,592**	**61,682,535**

24 Other borrowed funds and subordinated borrowings, continued

The 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.

A summary of the terms of other borrowed funds as at 31 December 2010 and 2009 is presented below:

	31 December 2010		31 December 2009	
	Nominal interest rate	Maturity	Nominal interest rate	Maturity
Loans				
- Loans issued by foreign banks and financial institutions	3.1-16.4	2011-2016	1.5-16.4	2010-2016
- Loans issued by the Government of the Republic of Kazakhstan	3.0	2011	3.0	2011
Bonds issued				
- USD Eurobonds	9.0-9.3	2012-2016	8.1-9.3	2010-2016
- KZT notes	8.0	2011	8.0	2011
- RUB notes	6.0	2011-2021	10.0	2021
Subordinated borrowings				
- Subordinated debt securities issued	7.2-9.2	2012-2014	10-10.9	2012-2016
- Subordinated loans	10.0-11.4	2017-2020	10.0-10.9	2017-2019

Breach of covenants

As at 31 December 2010, the Group has two loans received from European Bank for Reconstruction and Development (the “EBRD”) amounting to KZT 1,484,007 thousand and two loans from International Finance Corporation (the “IFC”) amounting to KZT 10,219,361 thousand, a loan from Nederlandse Financierings-Maatschappij Voor Ontwikkelingslanden N.V. (the “FMO”) amounting to KZT 4,395,529 thousand, a loan from Deutsche Investitions-und Entwicklungsgesellschaft MBH (the “DEG”) amounting to KZT 4,404,270 thousand, two loans from Citibank International PLC amounting to KZT 14,603,977 thousand and two loans from PNC Bank National Association amounting to KZT 3,620,455 thousand.

According to the terms of agreement with EBRD, the Group is subject to debt covenants stating that at the end of each quarter the open credit exposure ratio can not exceed 20% and the loans in arrears to gross loan portfolio ratio can not exceed 7.5%. According to the loan agreement with the IFC, the Bank is subject to debt covenants stating that at the end of each quarter the capital adequacy ratio can not be less than 12%, equity to assets ratio can not be less than 5%, fixed assets plus equity investment ratio can not exceed 35%, the economic exposure ratio can not exceed 15%, the open loan exposure ratio can not exceed 25% and the single currency foreign exchange risk ratio can not exceed 10%. According to the loan agreements with FMO and DEG, the Group is subject to debt covenants stating that at the end of each quarter the capital adequacy ratio can not be less than 12%. According to the loan agreement with Citibank International PLC, the Bank is subject to a debt covenant stating that at the end of each half of the year the capital adequacy ratio can not be less than 12% and according to the loan agreement with PNC Bank National Association there is a debt covenant stating that at the end of each half of the year the capital adequacy ratio can not be less than 12% and related party borrowers exposure ratio can not exceed 20%.

During 2010 the Group experienced difficulties due to the economic downturn in the country and as a result breached a number of these covenants. The Group has informed the respective banks of the breaches. Under terms of the various loan agreements, a breach of financial covenant entitles the lender to demand immediate repayment of principal and interest.

24 Other borrowed funds and subordinated borrowings, continued

As at 31 December 2010, in respect of these loans the Group has presented KZT 30,004,421 thousand as repayable on demand. Management obtained a waiver from the IFC in October 2010 for the loan of KZT 8,723,178 thousand waiving the covenants for the six month period ending 31 March 2011, and accordingly, this loan is presented in the liquidity analysis as repayable within three months (Note 29). The Group expects loan principal and interest payments to be made in accordance with the contractual terms despite the breach of covenants, therefore interest payments are presented in full amount in the undiscounted maturity analysis.

25 Other liabilities

	2010 KZT'000	2009 KZT'000
Accrued administrative expenses	182,453	474,348
Accrued commission expense	44,244	31,742
Creditors on capital expenditures	1,810	6,620
Total other financial liabilities	**228,507**	**512,710**
Amounts payable to employees	883,746	666,037
Provision for guarantees and letters of credit issued	770,649	471,207
Prepayments and other creditors	383,688	751,376
Vacation reserve	299,532	315,074
Deferred income	171,072	67,529
Other taxes payable	77,777	182,317
Total other non-financial liabilities	**2,586,464**	**2,453,540**
	2,814,971	**2,966,250**

26 Share capital and treasury shares

(a) Issued capital

As at 31 December 2010, authorised share capital comprised 47,000,000 ordinary shares (2009: 47,000,000), of which 38,419,739 ordinary shares had been issued (2009: 37,669,739) and 38,390,549 ordinary shares were outstanding (2009: 37,640,549). The shares do not have par value.

In accordance with a decision of the shareholders, in 2010 the Bank placed an additional 750,000 ordinary shares with the Parent for proceeds of KZT 6,000,000 thousand (2009: 2,250,000 ordinary shares for proceeds of KZT 18,000,000 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.

(b) Treasury shares

As at 31 December 2010 the Bank held 29,190 (2009: 29,190) of its own shares.

(c) General reserve

The general reserve is created, as required by the statutory regulations of the Republic of Kazakhstan, for general risks, including future losses and other unforeseen risks or contingencies. During the year ended 31 December 2010, no transfers to general reserve were made.

(d) Dividends

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

At a general shareholders' meeting held in April 2010, the Bank made a decision not to pay any dividends (2009: nil).

27 Loss per share

The calculation of basic and diluted earnings per share as at 31 December 2010 is based on the net loss for the year attributable to ordinary shareholders of KZT 31,047,621 thousand (2009: KZT 54,805,693 thousand) and a weighted average number of ordinary shares outstanding of 38,265,207 (2009: 37,052,847) calculated as follows.

	2010 KZT'000	2009 KZT'000
Issued ordinary shares at the beginning of the year	37,669,739	24,019,739
Effect of own shares held	(29,190)	(29,190)
Effect of conversion of preferred shares to ordinary shares	-	11,400,000
Effect of shares issued during the year	624,658	1,662,298
Weighted average number of ordinary shares for the year ended 31 December	**38,265,207**	**37,052,847**

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

	2010 KZT'000	2009 KZT'000
Net loss attributable to ordinary shareholders	**(31,047,621)**	**(54,805,693)**
Weighted average number of participating shares for basic earnings per share	38,265,207	37,052,847
Basic and diluted losses per share, in KZT	**811**	**1,479**

There were no potentially dilutive shares in 2010 (2009: nil).

28 Analysis by segment

The Group has three reportable segments, as described below, which are the 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 mortgages, SME loans, overdrafts, credit cards facilities 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.

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.

28 Analysis by segment, continued

Segment breakdown of assets and liabilities is set out below:

	2010 KZT'000	2009 KZT'000
ASSETS		
Corporate banking	572,030,900	554,742,318
Retail banking	346,906,356	351,507,428
Other segments	44,600,620	143,700,207
Corporate center	5,066,319	1,610,987
Total assets	**968,604,195**	**1,051,560,940**
LIABILITIES		
Corporate banking	380,454,091	338,557,293
Retail banking	115,196,243	154,340,565
Other segments	435,356,337	495,753,477
Corporate center	2,346,049	2,389,152
Total liabilities	**933,352,720**	**991,040,487**

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

KZT'000	Corporate banking	Retail banking	Other segments	Corporate center	Total
Net interest income	12,268,555	9,598,548	6,323,081	-	28,190,184
Net fee and commission income	(13,440,361)	4,614,390	657,442	-	(8,168,529)
Net trading income	1,352,120	1,079,812	1,285,136	-	3,717,068
Other operating expense	-	-	(69,314)	-	(69,314)
Revenue	**180,314**	**15,292,750**	**8,196,345**	**-**	**23,669,409**
Personnel expenses	(784,005)	(1,924,562)	(1,662,994)	(4,447,782)	(8,819,343)
Other general administrative expenses	(187,356)	(849,481)	(431,327)	(4,785,389)	(6,253,553)
Depreciation and amortisation	(37,630)	(985,012)	(239,779)	(902,916)	(2,165,337)
Direct expenses	**(1,008,991)**	**(3,759,055)**	**(2,334,100)**	**(10,136,087)**	**(17,238,233)**
Indirect and overhead	(3,136,693)	(6,999,394)	-	10,136,087	-
Operating expenses	**(4,145,684)**	**(10,758,449)**	**(2,334,100)**	**-**	**(17,238,233)**
Segment result before impairment losses	**(3,965,370)**	**4,534,301**	**5,862,245**	**-**	**6,431,176**
Gain on sale of subsidiary	-	-	1,128,285	-	1,128,285
Impairment losses	(15,865,528)	(22,950,389)	(654,934)	-	(39,470,851)
Pre-tax profit/(loss) per segment	**(19,830,898)**	**(18,416,088)**	**6,335,596**	**-**	**(31,911,390)**
Income tax benefit	-	-	-	904,794	904,794
Loss for the year	**(19,830,898)**	**(18,416,088)**	**6,335,596**	**904,794**	**(31,006,596)**
Capital expenditure	-	-	1,020,408	-	1,020,408
Deferred tax assets	-	-	6,615,269	-	6,615,269
Receivable from Parent under guarantee agreement	47,303,250	-	-	-	47,303,250

28 Analysis by segment, continued

Segment information for the 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)**
Capital expenditure	**-**	**-**	1,136,075	-	1,136,075
Deferred tax assets	**-**	**-**	8,308,728	**-**	8,308,728

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 comprises 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.

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.

29 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major financial instruments is as follows:

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Carrying amount
31 December 2010						
ASSETS						
Financial instruments at fair value through profit or loss	319,146	30,803	-	49,789	100,549	500,287
Available-for-sale financial assets	668,768	12,245,439	2,187,741	879,121	743,284	16,724,353
Loans and advances to banks	35,220,766	-	-	171,958	-	35,392,724
Loans to customers	236,471,069	53,262,090	37,736,405	164,420,803	238,544,652	730,435,019
	272,679,749	**65,538,332**	**39,924,146**	**165,521,671**	**239,388,485**	**783,052,383**
LIABILITIES						
Financial instruments at fair value through profit or loss	5,005	-	-	-	-	5,005
Deposits and balances from banks	2,720,244	34,653,891	-	-	-	37,374,135
Current accounts and deposits from customers	240,737,062	53,223,302	47,263,966	162,208,853	10,950,210	514,383,393
Subordinated borrowings	19,687,574	13,159,891	637,335	4,249,291	26,631,501	64,365,592
Other borrowed funds	138,873,154	22,222,694	3,315,708	101,263,446	48,734,622	314,409,624
	402,023,039	**123,259,778**	**51,217,009**	**267,721,590**	**86,316,333**	**930,537,749**
	(129,343,290)	**(57,721,446)**	**(11,292,863)**	**(102,199,919)**	**153,072,152**	**(147,485,366)**

29 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Carrying amount
31 December 2009						
ASSETS						
Cash and cash equivalents	45,002,014	-	-	-	-	45,002,014
Financial instruments at fair value through profit or loss	654,462	218,426	-	834,396	900,329	2,607,613
Available-for-sale financial assets	12,094,119	4,311	32,799	2,631,696	2,783,632	17,546,557
Loans and advances to banks	19,199,944	17,403	1,008	918,158	1,029,896	21,166,409
Loans to customers	123,268,646	28,339,443	63,097,334	253,568,287	310,616,043	778,889,753
Held-to-maturity investments	-	-	78,825	-	165,153	243,978
	200,219,185	**28,579,583**	**63,209,966**	**257,952,537**	**315,495,053**	**865,456,324**
LIABILITIES						
Deposits and balances from banks	46,736,723	999,957	30,922,498	71,351	-	78,730,529
Current accounts and deposits from customers	241,395,460	9,405,392	33,218,000	206,868,900	10,752,030	501,639,782
Subordinated borrowings	69,001	-	351,852	28,244,726	33,016,956	61,682,535
Other borrowed funds	18,127,895	4,906,402	59,418,678	188,511,260	74,324,905	345,289,140
	306,329,079	**15,311,751**	**123,911,028**	**423,696,237**	**118,093,891**	**987,341,986**
	(106,109,894)	**13,267,832**	**(60,701,062)**	**(165,743,700)**	**197,401,162**	**(121,885,662)**

29 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2010 and 2009.

	2010 Average effective interest rate, %			2009 Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
Interest bearing assets						
Cash and cash equivalents	-	-	-	0.5%	-	-
Loans and advances to banks	0.5%	0.7%	-	1.3%	1.3%	6.8%
Financial instruments at fair value through profit or loss	6.4%	-	-	8.7%	6.40	-
Loans to customers	11.9%	10.4%	10.3%	12.1%	11.7%	9.9%
Available-for-sale financial assets	10.5%%	6.4%	-	7.7%	10.5%	-
Interest bearing liabilities						
Deposits and balances from banks	4.6%	0.8%	-	5.9%	7.5%	4.2%
Current accounts and deposits from customers	4.6%	4.5%	3.7%	6.5%	7.4%	-
Subordinated borrowings	9.4%	11.2%	-	11.6%	8.6%	6.8%
Other borrowed funds						
- Loans	9.4%	4.0%	3.7%	8.7%	3.8%	3.7%
- Bonds issued	10.2%	9.2%	-	11.6%	9.4%	4.1%

Interest rate sensisitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) 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 2010 and 2009 is as follows:

	2010		2009	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel rise	(1,426,246)	(1,426,246)	(1,012,078)	(1,012,078)
100 bp parallel fall	1,426,246	1,426,246	1,012,078	1,012,078

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 2010 and 2009 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2010		2009	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel rise	(21,255)	(137,930)	(17,424)	(246,883)
100 bp parallel fall	23,441	143,414	18,488	262,800

29 Risk management, continued

(b) Market risk, continued

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group does not hedge its exposure to currency risk with derivative financial instruments.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2010:

KZT'000	KZT	USD	EUR	RUB	KGS	Other	Total
ASSETS							
Cash and cash equivalents	24,598,962	59,463,391	11,583,548	905,927	2,559,104	505,626	99,616,558
Financial instruments at fair value through profit or loss	164,681	80,591	-	255,015	-	-	500,287
Available-for-sale financial assets	16,288,469	94,331	-	-	341,553	-	16,724,353
Loans and advances to banks	16,624,790	16,664,246	-	928,688	1,175,000	-	35,392,724
Loans to customers	248,836,787	461,125,491	7,694,731	5,591,711	6,889,318	296,981	730,435,019
Receivable from Parent under guarantee agreement	-	47,303,250	-	-	-	-	47,303,250
Other financial assets	326,931	-	-	-	-	-	326,931
Total assets	**306,840,620**	**584,731,300**	**19,278,279**	**7,681,341**	**10,964,975**	**802,607**	**930,299,122**
LIABILITIES							
Financial instruments at fair value through profit or loss	5005	-	-	-	-	-	5,005
Deposits and balances from banks	33,479	36,167,944	701,756	40	470,916	-	37,374,135
Current accounts and deposits from customers	184,690,219	296,790,451	22,217,017	4,618,859	5,957,494	109,353	514,383,393
Subordinated borrowings	40,729,134	23,636,458	-	-	-	-	64,365,592
Other borrowed funds	76,712,455	235,258,075	1,853,699	40,538	285,973	258,884	314,409,624
Other financial liabilities	228,507	-	-	-	-	-	228,507
Total liabilities	**302,398,799**	**591,852,928**	**24,772,472**	**4,659,437**	**6,714,383**	**368,237**	**930,766,256**
Net position as at 31 December 2010	**4,441,821**	**(7,121,628)**	**(5,494,193)**	**3,021,904**	**4,250,592**	**434,370**	**(467,134)**

29 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

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

KZT'000	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
Financial instruments at fair value through profit or loss	2,050,682	128,514	-	428,417	-	-	2,607,613
Available-for-sale financial assets	16,176,037	716,672	-	-	653,848	-	17,546,557
Loans and advances to banks	17,441,207	2,538,620	280,013	101,122	805,447	-	21,166,409
Loans to customers	215,694,262	538,086,221	14,393,627	5,024,712	5,276,181	414,750	778,889,753
Held-to-maturity investments	243,978	-	-	-	-	-	243,978
Other financial assets	609,008	-	-	-	-	-	609,008
Total assets	**352,267,365**	**596,845,311**	**44,752,771**	**6,012,119**	**8,169,286**	**783,131**	**1,008,829,983**
LIABILITIES							
Deposits and balances from banks	9,904,778	67,085,280	1,647,525	2,097	1,792	89,057	78,730,529
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
Subordinated borrowings	40,732,149	20,950,386	-	-	-	-	61,682,535
Other borrowed funds	54,962,601	284,963,970	3,835,011	870,769	367,305	289,484	345,289,140
Other financial liabilities	512,710	-	-	-	-	-	512,710
Total liabilities	**282,736,458**	**651,017,516**	**46,598,530**	**3,680,872**	**3,214,344**	**606,976**	**987,854,696**
Net position as at 31 December 2009	**69,530,907**	**(54,172,205)**	**(1,845,759)**	**2,331,247**	**4,954,942**	**176,155**	**20,975,287**
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

29 Risk management, continued

(b) Market risk, continued

(ii) Currency risk, continued

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2010 and 2009 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2010		2009	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
10% appreciation of USD against KZT	(569,730)	(569,730)	(4,333,776)	(4,333,776)
10% appreciation of EUR against KZT	(439,535)	(439,535)	(147,661)	(147,661)
10% appreciation of RUB against KZT	241,752	241,752	186,500	186,500
10% appreciation of KGS against KZT	340,047	340,047	396,395	396,395
10% depreciation of other foreign currencies against KZT	(39,816)	(39,816)	14,092	14,092

A strengthening of the KZT against the above currencies at 31 December 2010 and 2009 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other 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 2010 and 2009 and a simplified scenario of a 10% change in all securities prices is as follows:

	2010		2009	
	Profit or loss KZT'000	**Equity KZT'000**	**Profit or loss KZT'000**	**Equity KZT'000**
10% increase in securities prices	-	13,608	-	16,649
10% decrease in securities prices	-	(13,608)	-	(16,649)

29 Risk management, continued

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), 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.

Credit risk of corporate clients is managed by the Corporate Underwriting Department. Credit applications prepared by the Relationship Manager and a Credit Analyst are the basis for the Risk Underwriter's due diligence and recommendation. After the Risk Underwriter has concluded his analysis, the application is presented to the respective Credit Committee for its decision. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the requirements of the respective application.

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.

Retail loan credit applications are reviewed by the Retail Underwriting Department through the use of scoring models and application data verification procedures.

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

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position and unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant. The maximum exposure to recognised credit risk at the reporting date is as follows:

	2010 KZT'000	2009 KZT'000
ASSETS		
Cash equivalents	70,662,388	162,471,076
Financial instruments at fair value through profit or loss	500,287	2,607,613
Available-for-sale assets	16,446,143	17,330,757
Loans and advances to banks	35,392,724	21,166,409
Loans to customers	730,435,019	778,889,753
Held-to-maturity investments	-	243,978
Receivable from Parent under guarantee agreement	47,303,250	-
Other financial assets	326,931	609,008
Total maximum exposure to on balance sheet credit risk	**901,066,742**	**983,318,594**

29 Risk management, continued

(c) Credit risk, continued

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 18 .

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

As at 31 December 2010 and 2009 the Group did not have debtors or groups of connected debtors, credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

(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.

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 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. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

29 Risk management, continued

(d) Liquidity risk, continued

The gross nominal inflow/(outflow) disclosed in the tables represent the contractual undiscounted cash flows relating to derivative financial liabilities held for risk management purposes. The disclosure shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneous gross settlement (e.g., forward exchange contracts and currency swaps).

The liquidity position as at 31 December 2010 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	2,066,982	563,846	34,508,215	1,574,275	-	38,713,318	37,374,135
Current accounts and deposits from customers	148,614,084	89,473,833	52,632,264	46,556,147	200,286,530	537,562,858	514,383,393
Subordinated borrowings	517,249	9,932,253	1,551,747	3,103,494	68,195,994	83,300,737	64,365,592
Other borrowed funds	29,638,924	5,443,491	5,677,102	34,920,407	310,851,383	386,531,307	314,409,624
Other financial liabilities	-	228,507	-	-	-	228,507	228,507
Derivative liabilities							
- Inflow	(1,475,000)	(295,000)	-	-	-	(1,770,000)	-
- Outflow	1,475,500	299,505	-	-	-	1,775,005	5,005
Total liabilities	**180,837,739**	**105,646,435**	**94,369,328**	**86,154,323**	**579,333,907**	**1,046,341,732**	**930,766,256**
Credit related committments	**160,773,171**	**-**	**-**	**-**	**-**	**160,773,171**	**160,773,171**

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	44,058,961	945,268	32,772,103	279,659	80,672,378	78,730,529
Current accounts and deposits from customers	160,279,462	75,891,284	11,941,349	34,102,934	245,171,255	527,386,284	501,639,782
Subordinated borrowings	700,433	1,756,381	2,277,226	4,092,013	72,456,129	81,282,182	61,682,535
Other borrowed funds	153,693,247	24,469,932	14,065,894	81,046,985	149,645,532	422,921,590	345,289,140
Other financial liabilities	-	512,710	-	-	-	512,710	512,710
Total liabilities	**317,289,529**	**146,689,268**	**29,229,737**	**152,014,035**	**467,552,575**	**1,112,775,144**	**987,854,696**
Credit related committments	**170,294,115**	**-**	**-**	**-**	**-**	**170,294,115**	**170,294,115**

29 Risk management, continued

(d) Liquidity risk, continued

The tables below show an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2010:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	99,616,558	-	-	-	-	-	-	99,616,558
Financial instruments at fair value through profit or loss	319,146	-	-	80,592	100,549	-	-	500,287
Available-for-sale financial assets	235,513	155,045	14,311,135	1,001,166	743,284	278,210	-	16,724,353
Loans and advances to banks	17,033,028	512,834	-	171,958	-	17,674,904	-	35,392,724
Loans to customers	20,454,022	36,953,098	97,057,463	234,842,723	267,261,114	-	73,866,599	730,435,019
Current tax asset	-	-	19,100	2,075,868	-	-	-	2,094,968
Deferred tax asset	-	-	-	6,615,269	-	-	-	6,615,269
Property, equipment and intangible assets	-	-	-	-	-	24,119,130	-	24,119,130
Receivable from Parent under guarantee agreement	-	-	-	47,303,250	-	-	-	47,303,250
Other assets	1,032,073	33,771	132,189	-	-	4,604,604	-	5,802,637
Total assets	**138,690,340**	**37,654,748**	**111,519,887**	**292,090,826**	**268,104,947**	**46,676,848**	**73,866,599**	**968,604,195**
Non-derivative liabilities								
Financial instruments at fair value through profit or loss	500	4,505	-	-	-	-	-	5,005
Deposits and balances from banks	2,431,972	540,539	34,401,624	-	-	-	-	37,374,135
Current accounts and deposits from customers	150,369,592	90,367,470	100,487,268	162,208,853	10,950,210	-	-	514,383,393
Subordinated borrowings	-	8,723,178	637,335	28,373,578	26,631,501	-	-	64,365,592
Other borrowed funds	30,526,646	2,010,893	19,760,785	213,376,678	48,734,622	-	-	314,409,624
Other liabilities	1,589,226	84,955	1,140,790	-	-	-	-	2,814,971
Total liabilities	**184,917,936**	**101,731,540**	**156,427,802**	**403,959,109**	**86,316,333**	**-**	**-**	**933,352,720**
Net position	**(46,227,596)**	**(64,076,792)**	**(44,907,915)**	**(111,868,283)**	**181,788,614**	**46,676,848**	**73,866,599**	**35,251,475**

29 Risk management, continued

(d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2009:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
Non-derivative assets								
Cash and cash equivalents	187,766,665	-	-	-	-	-	-	187,766,665
Financial instruments at fair value through profit or loss	452,108	199,154	218,426	834,396	900,329	3,200	-	2,607,613
Available-for-sale financial assets	183,382	11,696,377	37,110	2,631,696	2,783,632	214,360	-	17,546,557
Loans and advances to banks	627,080	536,745	18,411	918,158	1,029,896	18,036,119		21,166,409
Loans to customers	7,665,714	53,628,681	91,436,777	253,568,287	310,616,043	-	61,974,251	778,889,753
Held-to-maturity investments	-	-	78,825	-	165,153	-	-	243,978
Property, equipment and intangible assets	-	-	-	-	-	25,564,877	-	25,564,877
Deferred tax asset	-	-	-	-	8,308,728	-	-	8,308,728
Other assets	1,585,642	17,350	108,218	-	-	7,755,150	-	9,466,360
Total assets	**198,280,591**	**66,078,307**	**91,897,767**	**257,952,537**	**323,803,781**	**51,573,706**	**61,974,251**	**1,051,560,940**
Non-derivative liabilities								
Deposits and balances from banks	44,931,358	1,805,365	31,922,455	71,351	-	-	-	78,730,529
Current accounts and deposits from customers	165,451,559	75,943,901	42,623,392	206,868,900	10,752,030	-	-	501,639,782
Subordinated borrowings	-	69,001	351,852	28,244,726	33,016,956	-	-	61,682,535
Other borrowed funds	822,240	17,305,655	64,325,080	188,511,260	74,324,905	-	-	345,289,140
Current tax liability	368	84,970	557	646,356	-	-	-	732,251
Other liabilities	701,446	243,359	2,021,445	-	-	-	-	2,966,250
Total liabilities	**211,906,971**	**95,452,251**	**141,244,781**	**424,342,593**	**118,093,891**	**-**	**-**	**991,040,487**
Net position	**(13,626,380)**	**(29,373,944)**	**(49,347,014)**	**(166,390,056)**	**205,709,890**	**51,573,706**	**61,974,251**	**60,520,453**

29 Risk management, continued

(d) Liquidity risk, continued

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The amount of such deposits, by each time band, is as follows:

- from 1 to 3 months: KZT 89,473,833 thousand (2009: KZT 75,891,284 thousand)
- from 3 to 6 months: KZT 52,632,264 thousand (2009: KZT 11,941,349 thousand)
- from 6 to 12 months: KZT 46,556,147 thousand (2009: KZT 34,102,934 thousand)
- more than 1 year: KZT 200,286,530 thousand (2009: KZT 580,759,178 thousand).

However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customers accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Group indicates that these customers accounts provide a long-term and stable source of funding.

The Group has undrawn lines of credit with its Parent and other financial institutions. Accordingly, the Group in its liquidity forecasts estimates that the liquidity gaps in the table above will be sufficiently covered by the continued retention of current accounts and deposits from customers, as well as the undrawn credit line facilities from the Parent and other financial institutions.

As at 31 December 2010, the Group maintains the following unutilised lines of credit:

- EURO 75 million that can be increased up to EURO 375 million in case of funding request on short notice, from the Parent.
- USD 15 million USD credit line facility, USD equivalent 5 million KGS facility and USD 20 million facility from EBRD that are unsecured. Interest would be payable at the rate of 6 m LIBOR plus 500 basis points for USD facility, Max 6 m T-bills plus 300 basis points for KGS facility and 6 m LIBOR plus 300 basis points for EBRD facility.
- USD 10 million credit line facility from IFC that is unsecured. Interest would be payable at a rate of 6 m LIBOR plus 550 basis points.
- USD 10 million credit line facility from FMO that is unsecured. Interest would be payable at the rate of 6 m LIBOR plus 490 basis points.

As at 31 December 2009, the Group maintained the following unutilised lines of credit:

- USD 15 million USD credit line facility and USD equivalent 5 million facility denominated in Kyrgyz som from EBRD that are unsecured. Interest would be payable at the rate of 6 m LIBOR plus 500 basis points for USD facility and Max 6 m T-bills plus 300 basis points for KGS facility.

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. Under the current capital requirements set by the FMSA, banks have to maintain a ratio of capital to risk weighted assets (statutory capital ratio) above the prescribed minimum level. As at 31 December 2010, this minimum level is 10%. As at 31 December 2010, the Group's statutory capital ratio was 13.7% (2009: 21.0%). The Group was in compliance with the statutory capital ratio as at 31 December 2010 and 2009.

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

30 Capital management, continued

The following table shows the composition of the capital position calculated in accordance with the requirements of the Basel Accord, as at 31 December 2010 and 2009:

	2010 KZT'000	2009 KZT'000
Tier 1 capital		
Share capital	112,878,518	106,878,518
Additional paid-in capital	242,185	242,185
Disclosed reserves	(77,508,396)	(46,081,108)
Non-controlling interests	114,370	432,741
Total tier 1 capital	**35,726,677**	**61,472,336**
Tier 2 capital		
Hybrid capital instruments	14,867,306	15,081,547
Asset revaluation reserve	(475,202)	(951,884)
Subordinated debt (unamortised portion)	17,863,338	30,736,168
Total tier 2 capital	**32,255,442**	**44,865,831**
Total capital	**67,982,119**	**106,338,167**
Risk-weighted assets		
Banking book	590,364,622	575,831,717
Trading book	4,499,095	4,587,760
Total risk weighted assets	**594,863,717**	**580,419,477**
Total capital expressed as a percentage of risk-weighted assets (total capital ratio)	**11.4**	**18.3**
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio)	**6.0**	**10.6**

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature 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 unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

The Group is subject to minimum capital adequacy requirements calculated in accordance with the Basle Accord established by covenants under liabilities incurred by the Group. The Group has not complied with all externally imposed capital requirements as at 31 December 2010 and 2009 as disclosed in Note 24.

The Group is in the process of obtaining further capital from the Parent company, UniCredit Bank Austria AG. Management expects that capital of up to KZT 40,000 thousand will be injected by 30 June 2011. The Parent company provides further support to the Group in the form of funding (refer Notes 29 and 35) and a Guarantee in respect of certain loans (refer Notes 6, 10, 18(c) and 35).

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 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.

	2010 KZT'000	2009 KZT'000
Contracted amount		
Loan and credit line commitments	122,292,147	136,185,163
Guarantees	32,003,762	24,764,541
Letters of credit	6,477,262	9,344,411
	160,773,171	**170,294,115**
Less provisions	(770,649)	(471,207)
Less cash collateral	(2,298,834)	(4,932,701)
	157,703,688	**164,890,207**

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded. However, the majority of loan and credit line commitments do not represent an unconditional commitment by the Group.

As at 31 December 2010 and 2009 the Group did not have significant credit concentrations related to commitments.

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

	2010 KZT'000	2009 KZT'000
Balance at the beginning of the year	(471,207)	(602,379)
Net (charge)/recovery for the year	(303,223)	311,314
Effect of foreign currency translation	3,781	(180,142)
Balance at the end of the year	**(770,649)**	**(471,207)**

32 Operating leases

Leases as lessee

Non-cancelable operating lease rentals as at 31 December are payable as follows:

	2010 KZT'000	2009 KZT'000
Less than 1 year	1,917,134	1,273,387
Between 1 and 5 years	7,252,408	6,452,991
More than 5 years	2,510,643	4,154,498
	11,680,185	**11,880,876**

32 Operating leases, continued

Leases as lessee, continued

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 2010 KZT 1,308,516 thousand is recognised as an expense in profit or loss in respect of operating leases (2009: KZT 1,532,555 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 or the results of future operations of the Group.

(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 for five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

34 Funds management, trust and custody activities

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.

35 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.

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

Total remuneration included in personnel expenses for the year ended 31 December is as follows:

	2010 KZT'000	2009 KZT'000
Short term employee benefits	239,951	207,789

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:

	2010 KZT'000	Average interest rate, %	2009 KZT'000	Average interest rate, %
Consolidated Statement of Financial Position				
ASSETS				
Loans to customers	-	-	78,917	11.75
LIABILITIES				
Current accounts and deposits from customers	37,243	-	140,948	7.0

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 are as follows:

	2010 KZT'000	2009 KZT'000
Profit or loss		
Interest income	-	10,490
Interest expense	(12,316)	(9,316)

35 Related party transactions, continued

(c) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2010 and 2009 and related profit or loss amounts of transactions for the year ended 31 December 2010 and 2009 with other related parties are as follows:

	31 December 2010					31 December 2009				
	Parent company		Other subsidiaries of the Parent company			Parent company		Other subsidiaries of the Parent company		
	KZT'000	Average interest rate, %	KZT'000	Average Interest rate, %	Total KZT'000	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
Consolidated statement of financial position										
ASSETS										
Cash and cash equivalents										
- In USD	39,691,423	1.15%	48	-	39,691,471	40,204,975	-	244	-	40,205,219
- In other currency	5,808,134	-	769,614	-	6,577,748	21,964,836	-	409,453	-	22,374,289
Financial intruments at fair value through profit or loss										
- In KZT	-	-	2,058	-	2,058	-	-	-	-	-
Loans and advances to bank										
- In USD	14,750,000	4.25%	-	-	14,750,000	-	-	-	-	-
Other assets										
- In KZT	-	-	-	-	-	348	-	-	-	348
- In USD	-	-	-	-	-	-	-	261	-	261
In other currency	-	-	-	-	-	-	-	-	-	-
Receivable from the Parent under guarantee agreement										
- In USD	47,303,250	-	-	-	47,303,250	-	-	-	-	-

35 Related party transactions, continued

(c) Transactions with other related parties, continued

	31 December 2010					31 December 2009				
	Parent company		Other subsidiaries of the Parent company			Parent company		Other subsidiaries of the Parent company		
	KZT'000	Average interest rate, %	KZT'000	Average Interest rate, %	Total KZT'000	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	Total KZT'000
LIABILITIES										
Financial instruments at fair value through profit or loss										
- In KZT	-	-	5,005	-	5,005	-	-	-	-	-
Deposits and balances from banks										
- In KZT	926	-	12,755	-	13,681	53,846	-	7,804,266	0.3	130,778
- In USD	34,020,760	0.8	-	-	34,020,760	-	-	-	-	-
- In other currency	-	-	845,950	2.0	845,950	-	-	-	-	-
Subordinated borrowings										
- In KZT	12,320,000	10.0	-	-	12,320,000	12,309,767	10.0	-	-	12,309,767
- In USD	-	-	-	-	-	6,007,401	10.2	-	-	6,007,401
- In other currency	-	-	-	-	-	-	-	-	-	-
Other borrowed funds										
- In KZT	27,282,611	12.6	-	-	27,282,611	16,583,043	16.4	-		16,583,043
- In USD	85,018,381	4.9	-	-	85,018,381	118,059,936	4.9	665,805	6.4	118,725,741
- In other currency	238,626	5.2	-	-	238,626	1,109,475	5.4	1,809,863	3.3	2,919,338
Other liabilities										
- In KZT	-	-	15,500	-	15,500	2,567	-	95,844	-	-
- In other currency	2,756	-	9,966	-	12,722	-	-	-	-	-
Items not recognised in the statement of financial position										
Guarantee given	-	-	14,750,000	-	14,750,000	-	-	-	-	-
Guarantees received	251,781,704	6.0	47,000	-	251,828,704	299,912,290	6.0	-	-	299,912,290
Profit (loss)										
Interest income	330,484	-	757	-	331,241	-	-	247,460	-	247,460
Interest expense	(7,552,864)	-	(8,877)	-	(7,561,741)	-	-	-	-	-
Fee and commission income	-	-	-	-	-	2,547	-	-	-	2,547
Fee and commission expense	(16,026,918)	-	-	-	(16,026,918)	(10,210)	-	-	-	(10,210)

36 Financial assets and liabilities: fair values and accounting classifications

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2010:

KZT'000	Trading	Designated at fair value	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	99,616,558	-	-	99,616,558	99,616,558
Financial instruments at fair value through profit or loss	498,229	2,058	-	-	-	500,287	500,287
Available-for-sale financial assets	-	-	-	16,724,353	-	16,724,353	16,724,353
Loans and advances to banks	-	-	35,392,724	-	-	35,392,724	35,392,724
Loans customers:							
Loans to corporate customers	-	-	600,799,486	-	-	600,799,486	589,953,607
Loans to retail customers	-	-	129,635,533	-	-	129,635,533	118,585,895
Receivable from Parent under guarantee agreement	-	-	47,303,250	-	-	47,303,250	47,303,250
	498,229	**2,058**	**912,747,551**	**16,724,353**	**-**	**929,972,191**	**908,076,674**
Financial instruments at fair value through profit or loss	-	5,005	-	-	-	5,005	5,005
Deposits and balances from banks	-	-	-	-	37,374,135	37,374,135	37,374,135
Current accounts and deposits from customers	-	-	-	-	514,383,393	514,383,393	520,445,884
Subordinated borrowings	-	-	-	-	64,365,592	64,365,592	65,148,958
Other borrowed funds	-	-	-	-	314,409,624	314,409,624	331,405,313
	-	**5,005**	**-**	**-**	**930,532,744**	**930,537,749**	**954,379,295**

36 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2009:

KZT '000	Trading	Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	-	187,766,665	-	-	187,766,665	187,766,665
Financial instruments at fair value through profit or loss	2,603,825	3,788	-	-	-	-	2,607,613	2,607,613
Available-for-sale financial assets	-	-	-	-	17,546,557	-	17,546,557	17,546,557
Loans and advances to banks	-	-	-	21,166,409	-	-	21,166,409	21,166,409
Loans customers:								
Loans to corporate customers	-	-	-	632,687,010	-	-	632,687,010	615,136,882
Loans to retail customers	-	-	-	146,202,743	-	-	146,202,743	142,141,072
Held-to-maturity investments:								
Government bonds	-	-	243,978	-	-	-	243,978	243,978
	2,603,825	**3,788**	**243,978**	**987,822,827**	**17,546,557**	**-**	**1,008,220,975**	**986,609,176**
Deposits and balances from banks	-	-	-	-	-	78,730,529	78,730,529	78,730,529
Current accounts and deposits from customers	-	-	-	-	-	501,639,782	501,639,782	510,240,302
Subordinated borrowings	-	-	-	-	-	61,682,535	61,682,535	75,992,771
Other borrowed funds	-	-	-	-	-	345,289,140	345,289,140	345,289,140
	-	**-**	**-**	**-**	**-**	**987,341,986**	**987,341,986**	**1,010,252,742**

36 Financial assets and liabilities: fair values and accounting classifications, continued

(a) Accounting classifications and fair values, continued

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist, Black-Scholes and polynomial option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, the Group uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain loans and securities for which there is no active market

As disclosed in Note 16 the fair value of unquoted equity securities available-for-sale with a carrying value of KZT 108,107 thousand can not be determined.

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.

(b) Fair value hierarchy

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.

36 Financial assets and liabilities: fair values and accounting classifications, continued

(b) Fair value hierarchy, continued

The table below analyses financial instruments measured at fair value at 31 December 2010, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT '000	Level 1	Level 2	Level 3	Total
Financial instruments at fair value through profit or loss				
- Debt and other fixed income instruments	335,606	162,623	-	498,229
- Derivative assets	-	2,058	-	2,058
- Derivative liabilities	-	5,005	-	5,005
Available-for-sale financial assets				
- Debt and other fixed income instruments	-	16,446,143	-	16,446,143
- Equity investments	-	50,123	119,980	170,103
	335,606	**16,665,952**	**119,980**	**17,121,538**

The table below analyses financial instruments measured at fair value at 31 December 2009, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT '000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss			
- Debt and other fixed income instruments	553,143	2,047,482	2,600,625
- Equity investments	-	3,200	3,200
- Derivative assets	-	3,788	3,788
Available-for-sale financial assets			
- Debt and other fixed income instruments	653,851	16,676,906	17,330,757
- Equity investments	2,655	105,038	107,693
	1,209,649	**18,836,414**	**20,046,063**

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 2010 and 2009 the estimated fair value of financial instruments has been based on the results of valuation techniques involving the use of observable market inputs.