

**Agrarian Credit Corporation JSC  
Financial Statements**

*Year ended 31 December 2009  
Together with Independent Auditors' Report*

Ernst & Young

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## Independent auditor's report

### *To the Shareholder and Board of Directors of Agrarian Credit Corporation JSC -*

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

### ***Management's responsibility for the financial statements***

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

### ***Auditors' responsibility***

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

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

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



**Opinion**

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

*Ernst & Young LLP*

  
Evgeny Zhemaletdinov  
Auditor / General Director  
Ernst and Young LLP



State license on auditing of the Republic of Kazakhstan : Number 0000003, type MFU - 2, given by the Ministry of Finance of the Republic of Kazakhstan dated 15 July 2005

12 April 2010



Qualification certificate № 0000553 dated 24 December 2003.

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2009**

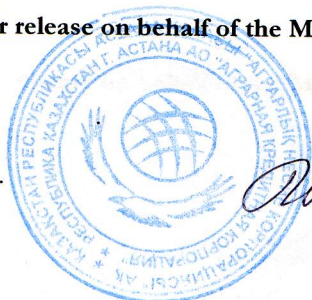
	<i>Notes</i>	<i>2009</i>	<i>2008</i>
<b>Assets</b>			
Cash and cash equivalents	5	3,269,734	2,033,970
Derivative financial assets	6	3,422,177	1,436,422
Loans to customers	7	62,691,303	51,346,740
Investments in associates	8	515,067	537,946
Property and equipment	9	213,889	174,578
Intangible assets	10	344,725	11,614
Deferred tax assets	16	908,566	30,739
Prepayment for income taxes		187,295	-
Other assets		48,820	198,236
<b>Total assets</b>		<b>71,601,576</b>	<b>55,770,245</b>
<b>Liabilities</b>			
Amounts due to a credit institution	11	18,351,126	16,502,465
Amounts due to shareholder	12	15,330,459	-
Debt securities issued	13	3,221,460	2,582,247
Amounts due to the Government of the Republic of Kazakhstan	14	997,224	1,525,335
Amounts due to government-related entities	15	339,311	-
Current income tax liabilities		-	19,330
Other liabilities		73,719	48,037
<b>Total liabilities</b>		<b>38,313,299</b>	<b>20,677,414</b>
<b>Equity</b>			
Share capital	17	36,649,371	34,449,371
Additional paid-in capital		1,264,176	-
Reserve capital		481,883	382,732
Deemed distribution reserve		(475,806)	-
(Accumulated losses) retained earnings		(4,631,347)	260,728
<b>Total equity</b>		<b>33,288,277</b>	<b>35,092,831</b>
<b>Total liabilities and equity</b>		<b>71,601,576</b>	<b>55,770,245</b>

Signed and authorized for release on behalf of the Management Board of the Corporation

Kazhahmetov D. N

Zaitullaeva I. N

12 April 2010



*[Handwritten signatures]*

Chairman of the Board

Chief Accountant

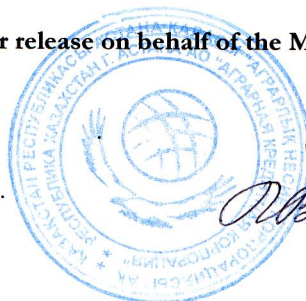
**INCOME STATEMENT**  
For the year ended 31 December 2009

	<i>Notes</i>	<i>2009</i>	<i>2008</i>
<b>Interest income</b>			
Loans to customers		5,588,829	3,071,912
Cash and cash equivalents		55,071	335,321
		<u>5,643,900</u>	<u>3,407,233</u>
<b>Interest expense</b>			
Amounts due to a credit institution		(1,542,314)	(1,077,765)
Debt securities issued		(334,268)	(291,325)
Amounts due to shareholder		(148,714)	-
Amounts due to the Government of the Republic of Kazakhstan		(7,509)	(10,378)
Amounts due to government related entities		(6,430)	-
		<u>(2,039,235)</u>	<u>(1,379,468)</u>
<b>Net interest income</b>		<b>3,604,665</b>	<b>2,027,765</b>
Loan impairment charge	7	(6,643,847)	(465,734)
<b>Net interest (expense)/income after loan impairment charge</b>		<b>(3,039,182)</b>	<b>1,562,031</b>
Net gains (losses) on trading derivatives		2,405,054	(232,434)
Net translation losses from foreign currencies		(4,142,691)	(74,273)
Share of profit in associates	8	4,765	14,680
Other income(expense)		1,221	(2,119)
		<u>(1,731,651)</u>	<u>294,146</u>
<b>Operating (loss)/ income</b>		<b>(1,731,651)</b>	<b>294,146</b>
Personnel expenses	19	(623,069)	(539,312)
Depreciation and amortization	9, 10	(53,542)	(19,318)
Other operating expenses	19	(245,210)	(178,694)
		<u>(921,821)</u>	<u>(737,324)</u>
<b>Operating expenses</b>		<b>(921,821)</b>	<b>(737,324)</b>
<b>(Loss) profit before income tax expense</b>		<b>(5,692,654)</b>	<b>530,561</b>
Income tax benefit (expense)	16	1,061,307	(207,407)
		<u>(4,631,347)</u>	<u>323,154</u>
<b>(Loss) profit for the year</b>		<b>(4,631,347)</b>	<b>323,154</b>
<b>Basic and diluted (loss) earnings per share in</b>	<b>20</b>	<b>(128.8)</b>	<b>9.69</b>

Signed and authorized for release on behalf of the Management Board of the Corporation

Kazhahmetov D. N

Zaitullaeva I. N



Chairman of the Board

Chief Accountant

12 April 2010

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	<i>Note</i>	<i>2009</i>	<i>2008</i>
<b>(Loss) profit for the year</b>		<b>(4,631,347)</b>	<b>323,154</b>
<b>Other comprehensive income</b>			
Initial loss recognition on loans given below market rates funded by the shareholders			
	17	(579,394)	—
Initial recognition of income on loans acquired below market rates	12, 15	1,122,067	—
Initial gain recognition on fair value of guarantees from shareholder			
	11, 17	429,177	—
Deferred income tax (expense) benefit	16	(183,480)	—
<b>Other comprehensive loss, net of taxes</b>		<b>788,370</b>	<b>—</b>
<b>Total comprehensive (loss) income for the year</b>		<b>(3,842,977)</b>	<b>323,154</b>

Signed and authorized for release on behalf of the Management Board of the Corporation

Kazhahmetov D. N

Zaitullaeva I. N

12 April 2010



Chairman of the Board

Chief Accountant

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

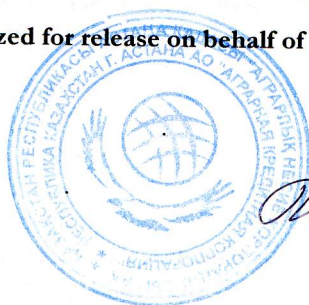
	<i>Share capital</i>	<i>Addition paid-in capital</i>	<i>Reserve capital</i>	<i>Deemed distribution on reserve</i>	<i>(Accumulated losses) Retained earnings</i>	<i>Total</i>
<b>At 31 December 2007</b>	24,440,471	–	176,492	–	412,480	<b>25,029,443</b>
Total comprehensive income for the year	–	–	–	–	323,154	323,154
Cash contribution for increase in share capital (Note 17)	10,008,900	–	–	–	–	10,008,900
Dividends declared and paid (Note 17)	–	–	–	–	(206,240)	(206,240)
Reserve capital increase	–	–	206,240	–	(206,240)	–
Distribution to the shareholder (Note 17)	–	–	–	–	(62,426)	(62,426)
<b>At 31 December 2008</b>	<b>34,449,371</b>	–	<b>382,732</b>	–	<b>260,728</b>	<b>35,092,831</b>
Total comprehensive income (loss) for the year	–	1,264,176	–	(475,806)	(4,578,885)	(3,842,977)
Cash contribution for increase in share capital (Note 17)	2,200,000	–	–	–	–	2,200,000
Reserve capital increase (Note 17)	–	–	99,151	–	(99,151)	–
Dividends declared and paid (Note 17)	–	–	–	–	(161,577)	(161,577)
<b>At 31 December 2009</b>	<b>36,649,371</b>	<b>1,264,176</b>	<b>481,883</b>	<b>(475,806)</b>	<b>(4,631,347)</b>	<b>33,288,277</b>

Signed and authorized for release on behalf of the Management Board of the Corporation

Kazhahmetov D. N

Zaitullaeva I. N

12 April 2010



Chairman of the Board

Chief Accountant

**STATEMENT OF CASH FLOWS**  
For the year ended 31 December 2009

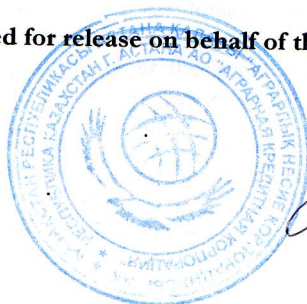
	<i>Notes</i>	<i>2009</i>	<i>2008</i>
<b>Cash flows from operating activities:</b>			
Interest received		3,854,212	1,793,645
Interest paid		(1,665,919)	(904,066)
Income from derivative financial assets received		408,433	-
Realized loss from operations with foreign currencies		(336,429)	-
Personnel expenses paid		(608,334)	(530,256)
Operating expenses paid		(259,354)	(158,799)
<b>Cash flows (used in) from operating activities before changes in operating assets and liabilities</b>		<b>1,392,609</b>	<b>200,524</b>
<i>Net (increase)decrease in operating assets</i>			
Derivative financial assets		-	(1,203,988)
Loans to customers		(16,788,351)	(25,824,543)
Other assets		21,729	(233,928)
<i>Net increase (decrease) in operating liabilities</i>			
Amounts due to a credit institution		(1,621,379)	16,086,633
Amounts due to shareholder		16,323,130	-
Amounts due to government related entities		400,000	(588,725)
Amounts due to the Government of the Republic of Kazakhstan		(527,995)	-
Other liabilities		6,482	(4,968)
<b>Net cash flows used in operating activities before income tax</b>		<b>(793,775)</b>	<b>(11,568,995)</b>
Income tax paid		(158,200)	(210,235)
<b>Net cash used in operating activities</b>		<b>(951,975)</b>	<b>(11,779,230)</b>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of investments in associates		27,644	111,693
Purchase of investments in associates		-	(47,25)
Purchase of property and equipment	8	(59,139)	(39,711)
Purchase of intangible assets	9	(366,893)	(7,267)
<b>Net cash (used in) from investing activities</b>		<b>(398,388)</b>	<b>17,465</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	17	2,200,000	10,008,900
Proceeds from issuance of debt securities		547,704	1,207,884
Dividends paid to shareholder	17	(161,577)	(206,240)
Distribution to shareholder	17	-	(62,426)
<b>Net cash from financing activities</b>		<b>2,586,127</b>	<b>10,948,118</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,235,764</b>	<b>(813,647)</b>
<b>Cash and cash equivalents, beginning</b>	5	<b>2,033,970</b>	<b>2,847,617</b>
<b>Cash and cash equivalents, ending</b>	5	<b>3,269,734</b>	<b>2,033,970</b>

Signed and authorized for release on behalf of the Management Board of the Corporation

Kazhahmetov D. N

Zaitullaeva I. N

12 April 2010



*[Handwritten signature]*

Chairman of the Board

Chief Accountant

## **1. Principal activities**

Agrarian Credit Corporation JSC (the “Corporation” was established by the Decree of the Government of the Republic of Kazakhstan No. 137 dated 25 January 2001 “On certain agricultural issues” in the form of a joint stock company in accordance with Kazakhstan legislation by separation from closed joint stock company “Fund of financial support to agricultural sector”. The Corporation performs its activities on the basis of a license issued by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the “FMSA”) for conducting operations specified by the banking legislation of the Republic of Kazakhstan No. 24 dated 3 February 2006. Additionally, the Corporation has a status of financial agency assigned by the resolution of the FMSA Management Board dated 30 July 2005. No. 274.

The main activities of the Corporation are as follows:

- participation in the development and implementation of state programs of crediting and providing financial support to agricultural producers;
- to attract domestic and foreign investments for realization of projects in agricultural complex;
- development and realization of projects in agricultural complex;
- realization of collateral and agricultural products received for repayment of loans originated;
- to perform bank operations based on appropriate license; and
- to perform leasing operations.

The Corporation’s registered office is: 28a Zheltoksan Street. Astana, and Republic of Kazakhstan.

The sole shareholder of the Corporation is JSC National Management Holding “KazAgro”, which is 100% owned by the Government of the Republic of Kazakhstan.

The Corporation has 6 registered branches and 7 representative offices throughout Kazakhstan.

## **2. Basis of preparation**

### **General**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These financial statements have been prepared under the historical cost convention except for derivative financial instruments which are carried at fair value.

These financial statements are presented in thousands of Kazakh Tenge (“Tenge” or “KZT”), except per share amounts and unless otherwise indicated.

## **3. Summary of significant accounting policies**

### **Changes in accounting policies**

The Corporation has adopted the following amended IFRS and new IFRIC Interpretations in 2009. The principal effects of these changes are as follows:

#### *IAS 1 Presentation of Financial Statements (Revised)*

A revised IAS 1 was issued in September 2007, and became effective for annual periods beginning on or after 1 January 2009. This revised Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The revised standard also requires that the income tax effect of each component of comprehensive income be disclosed. In addition, it requires entities to present a comparative statement of financial position as at the beginning of the earliest comparative period when the entity has applied an accounting policy retrospectively, makes a retrospective restatement, or reclassifies items in the financial statements.

The Corporation has elected to present comprehensive income in two separate statements: income statement and statement of comprehensive income. The Corporation has not provided a restated comparative statement of financial position for the earliest comparative period, as it has not adopted any new accounting policies retrospectively, or has made a retrospective restatement, or retrospectively reclassified items in the financial statements.

### **3. Summary of significant accounting policies**

#### *IFRS 7 "Financial Instruments: Disclosures"*

The amendments to IFRS 7 were issued in March 2009, to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management. Comparative information has not been provided as permitted by the transition provisions of the amendment.

#### *IAS 23 "Borrowing Costs" (Revised)*

A revised IAS 23 Borrowing costs was issued in March 2007, and became effective for financial years beginning on or after 1 January 2009. The standard has been revised to require capitalisation of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Corporation adopted this as a prospective change. No changes were made for borrowing costs incurred to 1 January 2009 that have been expensed.

#### *IAS 24 "Related party disclosures" (Revised)*

The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Corporation has decided to early adopt the revised IAS 24 from 1 January 2009.

#### *Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable Financial Instruments and Obligations Arising on Liquidation*

These amendments were issued in February 2008, and became effective for annual periods beginning on or after 1 January 2009. The amendments require puttable instruments that represent a residual interest in an entity to be classified as equity, provided they satisfy certain conditions. These amendments did not have any impact on the Corporation's financial statements. The amendments resulted in participants' interests being classified as equity and not liabilities. There were no such changes.

#### *Amendments to IFRS 2 "Share-based Payment" – Vesting Conditions and Cancellations*

Amendment to IFRS 2 was issued in January 2008 and became effective for annual periods beginning on or after 1 January 2009. This amendment clarifies the definition of vesting conditions and prescribes the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied. This amendment did not have any impact on the financial statements of the Corporation.

#### *IFRS 8 "Operating Segments"*

IFRS 8 became effective for annual periods beginning on or after 1 January 2009. This Standard requires disclosure of information about the Corporation's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Corporation. Adoption of this Standard did not have any impact on the financial position or performance of the Corporation. Business and geographical segments of the Corporation have not been reported separately in these financial statements as the management of the Corporation considers its business under one operating segment of providing loans to agricultural entities in the Republic of Kazakhstan of which the risks of and returns are considered to be similar throughout the country.

#### *IFRIC 13 "Customer Loyalty Programmes"*

IFRIC Interpretation 13 was issued in June 2007 and became effective for annual periods beginning on or after 1 July 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. This interpretation did not have any impact on the Corporation's financial statements as no such schemes currently exist.

### **3. Summary of significant accounting policies**

#### **IFRIC 15 “Agreements for the Construction of Real Estate”**

IFRIC Interpretation 15 was issued in July 2008 and is applicable retrospectively for annual periods beginning on or after 1 January 2009, IFRIC 15 clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognized if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. The interpretation also provides guidance on how to determine whether an agreement is within the scope of IAS 11 “Construction Contracts” or IAS 18 “Revenue” and supersedes the current guidance for real estate in the Appendix to IAS 18. This interpretation did not have any impact on the Corporation's financial statements, since it is not engaged in real estate construction.

#### *IFRIC 16 “Hedges of a Net Investment in a Foreign Operation”*

IFRIC Interpretation 16 was issued in July 2008 and is applicable for annual periods beginning on or after 1 October 2008. This Interpretation provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of net investment, where within the group the hedging instrument can be held and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. This interpretation did not have any impact on the Corporation's financial statements, since it does not have any foreign operations.

#### *Amendments to IFRIC 9 “Reassessment of Embedded Derivatives”*

The amendments require entities to assess whether to separate an embedded derivative from a host contract in the case where the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. The amendments are applicable for annual periods ending on or after 30 June 2009. The application of the amendment did not have a significant impact on the Corporation's financial statements as no reclassifications were made for instruments that contained embedded derivatives.

#### *IFRIC 18 Transfers of Assets from Customers*

IFRIC 18 was issued in January 2009 and becomes effective for transfers of assets from customers received on or after 1 July 2009 with early application permitted, provided valuations were obtained at the date those transfers occurred. This interpretation should be applied prospectively, IFRIC 18 provides guidance on accounting for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. This interpretation did not have any impact on the financial position or performance of the Corporation as the Corporation has no transfers of assets from its customers.

### **Financial assets**

#### *Initial recognition*

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Corporation determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

#### *Date of recognition*

All regular way purchases and sales of financial assets are recognised on the trade date i.e, the date that the Corporation commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

### **3. Summary of significant accounting policies**

#### **Loans to customer**

Loans to customers represent non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, except for assets that are classified into other categories of financial instruments.

Loans provided by the Corporation are initially recorded at fair value plus transaction costs. When the Corporation accepts a credit commitment to provide loans to customers at below market rates, a liability at fair value of these credit commitments is recorded in other liabilities together with reversing entry, which is included in income statement if the decision to undertake the obligation was adopted by the Corporation's management; or as deemed distribution to the controlling shareholder, if the decision was adopted in accordance with controlling shareholder's instructions. Subsequently, credit commitment is adjusted to fair value through profit and loss before granting a loan, when credit commitment is reduced by consideration paid, and remaining balance is recorded as loans issued to customers. As a result, loans to customers are initially recognized at fair value, and subsequently these loans are recorded at amortized cost, using effective interest rate. Loans to customers are recorded net of any allowances for impairment.

#### **Write off of loans**

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Corporation.

#### **Determination of fair value**

The fair value for financial instruments traded in active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs,

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

#### **Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statement of financial position.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of cash that mature within ninety days of the date of origination and are free from contractual encumbrances.

#### **Amounts due from credit institutions and loans to customers**

For amounts due from credit institutions and loans to customers carried at amortised cost, the Corporation first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets 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.

#### **Impairment of financial assets**

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Corporation. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the income statement.

### **3. Summary of significant accounting policies**

#### **Impairment of financial assets (continued)**

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Corporation's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors. Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

#### **Renegotiated loans**

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

#### **Derecognition of financial assets and liabilities**

##### *Financial assets*

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

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

Where the Corporation has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Corporation's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Corporation could be required to repay.

##### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

### **3. Summary of significant accounting policies**

#### **Taxation**

The current income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted or substantively enacted at the reporting date.

The Corporation performs offsetting of deferred tax assets and deferred tax liabilities and records them in the balance sheet on a net basis, when:

- The Corporation has a legally enforced right to offset current tax assets against current tax liabilities; and
- Deferred tax assets and deferred tax liabilities refer to income tax charged by the same tax body from the same tax payer.

Kazakhstan also has various operating taxes that are assessed on the Group's activities. These taxes are recorded in the statement of income within operating expenses.

#### **Investments in associates**

Associates are entities in which the Corporation generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investments in associates are accounted for under the equity method and are initially recognized at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Corporation's share of net assets of the associate. The Corporation's share of its associates' profits or losses is recognized in the income statement, and its share of movements in reserves is recognized in other comprehensive income. However, when the Corporation's share of losses in an associate equals or exceeds its interest in the associate, the Corporation does not recognize further losses, unless the Corporation is obliged to make further payments to, or on behalf of, the associate.

Unrealized gains on transactions between the Corporation and its associates are eliminated to the extent of the Corporation's interest in the associates; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

#### **Property and equipment**

Property and equipment are carried at cost excluding costs of day-to-day maintenance less accumulated depreciation and any accumulated impairment in value. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis using following rates

#### **Depreciation rates**

Buildings	4.5%
Computers and office equipment	10-20%
Motor vehicles	10%
Other	7-10%

The asset's residual values, useful lives and methods are reviewed, and adjusted as appropriate, at each financial year-end,

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

### **3. Summary of significant accounting policies**

#### **Land**

Land is carried at cost less any accumulated impairment in value

#### **Intangible assets**

Intangible assets comprise computer software

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be finite and are amortised on straight-line basis over the useful economic lives of 1 to 7 years (or 15%-100% rates) and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

#### **Assets classified as held for sale**

The Corporation classifies a non-current asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable.

The sale qualifies as highly probable if the Corporation's management is committed to a plan to sell the non-current asset and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset as held for sale.

The Corporation measures an asset classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Corporation recognises an impairment loss for any initial or subsequent write-down of the asset to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

#### **Provisions**

Provisions are recognised when the Corporation has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

#### **Share capital**

Contributions to share capital are recognized at historic cost, less direct issuance costs.

#### **Additional paid in capital**

When the Corporation receives loans and other financial support from its shareholder at below market rates, the difference between received cash consideration and fair value of loans or other financial support is recorded as additional paid in capital.

#### **Dividends**

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorized for issue.

#### **Deemed distribution reserve**

When the Corporation enters into a loan agreement at below market rates on behalf of its shareholder, the fair value of credit commitment is charged to retained earnings as deemed distribution to shareholder.

#### **Contingencies**

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

### **3. Summary of significant accounting policies**

#### **Segment reporting**

Business and geographical segments of the Corporation have not been reported separately in these financial statements as the management of the Corporation considers the principal operating segment to be providing loans to agricultural entities in the Republic of Kazakhstan of which the risks of and returns are considered to be similar throughout the country.

#### **Recognition of income and expenses**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Corporation and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue and expense is recognized:

#### **Interest and similar income and expense**

For all financial instruments measured at amortized cost and interest bearing securities classified as trading or available-for-sale, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Corporation revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.

#### **Fee and commission income**

The Corporation earns fee and commission income from a diverse range of services it provides to its customers.

Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognized as an adjustment to the effective interest rate on the loan. If there is a possibility that due to loan commitment a credit arrangement will be signed, loan commitment fee is included in deferred income (together with corresponding direct costs), and subsequently is reflected as an adjustment of actual proceeds from a loan. When the probability to enter into credit arrangement under loan commitments is remote loan commitment fees are recognized in the income statement during the remaining validity period of loan commitment. Upon expiration of loan commitment validity period, which is not resulted in loan issuance, loan commitment fees are recognized in the income statement on its expiration date. Fees for loan servicing are recognized upon rendering of services. Loan syndication fees are recognized in the income statement when such services have been provided. Other commissions are recognized upon rendering of services.

#### **Foreign currency translation**

The financial statements are presented in Kazakhstani Tenge, which is the Corporation's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange, ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the income statement as gains less losses from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined

### 3. Summary of significant accounting policies

#### Foreign currency translation (continued)

Differences between the contractual exchange rate of a transaction in a foreign currency and the Kazakhstan Stock Exchange official exchange rate on the date of the transaction are included in gains less losses from dealing in foreign. Below are the exchange rates used by the Corporation in preparation of these financial statements:

	31 December	
	2009	2008
Tenge/ USD	148.46	120.77
Tenge / Euro	213.95	170.89
Tenge / Russian Rouble	4.90	4.11

#### Future changes in accounting policies

*Standards and interpretations issued but not yet effective*

*Amendment to IAS 39 "Financial Instruments: recognition and measurement" - Eligible Hedged Items*

The amendment to IAS 39 was issued in August 2008, and becomes effective for annual periods beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item. Management does not expect the amendment to IAS 39 to affect the Corporation's financial statements as the Corporation has not entered into any such hedges.

*IFRS 3 "Business Combinations" (revised) and IAS 27 "Consolidated and Separate Financial Statements" (revised)*

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Corporation believes that these amendments will have no effect on its financial statements, since the Corporation does not have subsidiaries.

*IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions*

The amendment to IFRS 2 was issued in June 2009 and become effective for financial years beginning on or after 1 January 2010. The amendment clarifies the scope and the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The Corporation expects that this amendment will have no impact on the Corporation's financial statements.

*IFRIC 17 "Distribution of Non-Cash Assets to Owners"*

IFRIC Interpretation 17 was issued on 27 November 2008 and is effective for annual periods beginning on or after 1 July 2009. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions and requires that a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; an entity should measure the dividend payable at the fair value of the net assets to be distributed; an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distributions to owners meet the definition of a discontinued operation. The Corporation expects that this interpretation will have no impact on the Corporation's financial statements.

*Improvements to IFRSs*

In April 2009 the IASB issued the second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2010. There are separate transitional provisions for each standard. Amendments included in April 2009 "Improvements to IFRS" will have no impact on the accounting policies, financial position or performance of the Corporation, except the following amendments resulting in changes to accounting policies, as described below.

### **3. Summary of significant accounting policies**

#### **Future changes in accounting policies (continued)**

##### *Amendments to IAS 32 "Financial instruments: Presentation": Classification of Rights Issues"*

In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. Earlier application is permitted. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The Corporation expects that this amendment will have no impact on its financial statements.

##### *IFRS 9 "Financial Instruments" (first phase)*

In November 2009 the IASB issued the first phase of IFRS 9 Financial instruments. This Standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 becomes effective for financial years beginning on or after 1 January 2013. Entities may adopt the first phase for reporting periods ending on or after 31 December 2009. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial assets. In particular, for subsequent measurement all financial assets are to be classified at amortized cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. The Corporation now evaluates the impact of the adoption of new Standard and considers the initial application date.

### **4. Significant accounting judgments and estimates**

#### *Estimation uncertainty*

In the process of applying the Corporation's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

#### *Fair value of financial instruments*

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

#### *Allowance for loan impairment*

The Corporation regularly reviews its loans and receivables to assess impairment. The Corporation uses its experienced judgment to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Corporation estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Corporation uses its experienced judgment to adjust observable data for a group of loans or receivables to reflect current circumstances.

#### *Collateral valuation*

Management monitors market value of collateral on a regular basis. Management uses its experienced judgment or independent opinion to adjust the fair value of collateral to reflect current circumstances. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty.

#### 4. Significant accounting judgments and estimates (continued)

##### Taxation

Tax, currency and customs legislation of the Republic of Kazakhstan is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Corporation may be challenged by the relevant regional and republic authorities. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that as at 31 December 2009 its interpretation of the relevant legislation is appropriate and that the Corporation's tax, currency and customs positions will be sustained.

#### 5. Cash and cash equivalents

Cash and cash equivalents comprise:

	<u>2009</u>	<u>2008</u>
Cash on hand	16	146
Term deposits with banks	-	1,556,916
Cash on settlement account	3,269,718	476,980
<b>Cash and cash equivalents</b>	<b><u>3,269,734</u></b>	<b><u>2,033,970</u></b>

#### 6. Derivative financial instruments

The table below shows the fair values of trading derivative financial instruments, recorded as assets or liabilities, together with their notional amounts:

	<u>2009</u>		<u>2008</u>	
	<u>Notional</u>	<u>Fair values</u>	<u>Notional</u>	<u>Fair values</u>
	<u>amount</u>	<u>Asset</u>	<u>amount</u>	<u>Asset</u>
		<u>Liability</u>		<u>Liability</u>
<b>Options in US Dollars</b>	<b>16,587,459</b>	<b>3,422,177</b>	<b>-</b>	<b>16,645,017</b>
			<b>1,436,422</b>	<b>-</b>

##### Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

As at 31 December 2009 and 2008 the Corporation had certain loans that are foreign currency linked debt instruments with a floor feature, i.e. where interest and principal payments are linked to foreign currencies, in such a way, that the Corporation has an option to demand higher payments if the foreign currency specified in the contract will appreciate above a certain floor (floor is generally set at the level of spot rates prevailing on the loans issue date). At the same time, if the foreign currency rates will fall below the floor, interest and principal payments will remain at original level.

The Corporation believes that the above feature comprises an embedded foreign currency option, an embedded derivative that should be separated from the host contract and recorded as a separate financial instrument measured at fair value through profit or loss in the financial statements.

#### 7. Loans to customers

Loans to customers comprise of:

	<u>2009</u>	<u>2008</u>
Loans to legal entities	66,818,550	49,534,585
Loans to individual entrepreneurs	2,829,612	2,317,080
<b>Total loans to customers</b>	<b>69,648,162</b>	<b>51,851,665</b>
Less- allowance for impairment	<b>(6,956,859)</b>	<b>(504,925)</b>
<b>Loans to customers</b>	<b><u>62,691,303</u></b>	<b><u>51,346,740</u></b>

## 7. Loans to customers (continued)

*Allowance for impairment of loans to customers and finance lease*

A reconciliation of the allowance for impairment of loans to customers and finance lease is as follows:

	<u>2009</u>	<u>2008</u>
<b>As at 1 January</b>	504,925	86,146
Charge for the year	6,643,847	465,734
Write-offs	(202,068)	(46,955)
Recoveries	10,155	-
<b>As at 31 December</b>	<b>6,956,859</b>	504,925
Individual impairment	5,314,204	504,925
Collective impairment	1,642,656	-
	<u>6,956,859</u>	<u>504,925</u>
<b>Loans, individually evaluated as impaired</b>	<b>11,431,602</b>	3,030,391

Interest income accrued on loans, for which individual impairment allowances have been recognized, for the year ended 31 December 2009, comprised KZT 1,342,164 thousand (2008: KZT 817,474 thousand),

### Collateral and other credit enhancements

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are as follows:

- For loans to customers - charges over real estate properties, agricultural equipment, inventory and trade receivables, guarantees.
- For loans to individual entrepreneurs - mortgages over residential properties.

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

### Concentration of loans to customers

As of 31 December 2009, the Corporation had a concentration of loans represented by KZT 17,100,432 thousand due from the ten largest third party entities (23.96% of gross loan portfolio) (2008: KZT 11,052,030 thousand (20.77 % of gross loan portfolio)).

## 8. Investments in associates

Corporation in its normal business operation make an investments in dependant Corporations according to charter on development of small and medium business. At 31 December 2009 and 2008 All Corporation investments in associates contained shares in 91 and 96 credit partnerships amounted from 6.7%to 42% of share capital. Corporation has great influence on farmers and represents as farmers unique source of financing.

Associated companies accounted by equity method

## 8. Investments in associates (continued)

Investment movements in associates as follows:

	<u>2009</u>	<u>2008</u>
Beginning balance	537,946	587,709
Cost of acquisition	–	47,250
Share in net profit	4,765	14,680
Sales of investments	<u>(27,644)</u>	<u>(111,693)</u>
<b>Ending balance of investment in associates</b>	<b><u>515,067</u></b>	<b><u>537,946</u></b>

Summarized financial information about associated companies as follows:

<b>Summarized assets and liabilities of associated companies</b>		<u>2009</u>	<u>2008</u>
Assets		30,477,728	29,370,012
Liabilities		<u>23,209,854</u>	<u>22,591,199</u>
<b>Net assets</b>		<b><u>7,267,874</u></b>	<b><u>6,778,813</u></b>
<b>Summarized proceeds and profit</b>		<u>2009</u>	<u>2008</u>
Proceeds		2,707,081	2,490,078
Profit		<u>21,615</u>	<u>29,159</u>

## 9. Property and equipment

	<u>Land</u>	<u>Buildings</u>	<u>Motor vehicles</u>	<u>Computers</u>	<u>Other</u>	<u>Total</u>
<b>At cost</b>						
<b>31 December 2007</b>	5,397	122,981	29,350	9,956	27,478	195,162
Additions	–	–	9,738	22,899	7,074	39,711
Disposals	–	–	(1,127)	–	(304)	(1,431)
<b>31 December 2008</b>	5,397	122,981	37,961	32,855	34,248	233,442
Additions	–	10,687	44,762	–	3,690	59,139
Disposals	–	–	(1,451)	–	(196)	(1,647)
<b>31 December 2009</b>	<b><u>5,397</u></b>	<b><u>133,668</u></b>	<b><u>81,272</u></b>	<b><u>32,855</u></b>	<b><u>37,742</u></b>	<b><u>290,934</u></b>
<b>Accumulated depreciation</b>						
<b>31 December 2007</b>		17,806	15,642	1,786	7,924	43,158
Charge for the year	–	5,534	5,908	2,352	2,964	16,758
Written-off on disposal	–	–	(917)	–	(135)	(1,052)
<b>31 December 2008</b>	–	23,340	20,633	4,138	10,753	58,864
Charge for the year	–	5,654	7,303	3,285	3,512	19,754
Written-off on disposal	–	–	(1,451)	–	(123)	(1,574)
<b>31 December 2009</b>	–	<b><u>28,994</u></b>	<b><u>26,485</u></b>	<b><u>7,423</u></b>	<b><u>14,142</u></b>	<b><u>77,044</u></b>
<b>Net book value</b>						
<b>31 December 2008</b>	5,397	99,641	17,328	28,717	23,495	174,578
<b>31 December 2009</b>	<b><u>5,397</u></b>	<b><u>104,674</u></b>	<b><u>54,787</u></b>	<b><u>25,431</u></b>	<b><u>23,600</u></b>	<b><u>213,889</u></b>

## 10. Intangible assets

	<u>Computer software</u>
<b>At cost:</b>	
<b>31 December 2007</b>	8,523
Additions	7,267
<b>31 December 2008</b>	15,790
Additions	366,893
Disposal	(1,485)
<b>31 December 2009</b>	<b>381,198</b>
<b>Accumulated amortization</b>	
<b>31 December 2007</b>	1,616
Charge for the year	2,560
Written-off on disposal	–
<b>31 December 2008</b>	4,176
Charge for the year	33,788
Written-off on disposal	(1,491)
<b>31 December 2009</b>	<b>36,473</b>
<b>Net book value</b>	
<b>31 December 2008</b>	11,614
<b>31 December 2009</b>	<b>344,725</b>

## 11. Amounts due to a credit institution

Foreign currency denominated loan from a bank follows:

Bank	Currency	Repayment date	Interest rate per annum	2009	2008
Dresdner Bank AG	USD	25-Feb-2013	10.33%	18,351,126	16,502,465

### Financial covenants

In accordance with the terms of the loan agreements, the Corporation is required to comply with certain financial covenants. Particularly net tangible worth at any time should be at least USD 100 million, and credit ratings of the Corporation should not be below certain level.

In December 2009 the terms in the credit agreement pertaining to an event of default resulting from credit rating downgrade were renegotiated. According to the new requirements, event of default occurs as credit ratings of senior unsecured debt of the Corporation fall below B+ per Standard & Poor's and below B1 per Moody's Investors Services, as well when either Standard & Poor's or Moody's withdraw their ratings of the Corporation. At 31 December 2009 the Corporation was in compliance with these covenants. On 21 December 2009 the Corporation's sole shareholder issued a guarantee to "Commerzbank AG" for the face value of the loan. Fair value of the guarantee in the amount of KZT 429,177 thousand was recognized as additional paid-in capital.

## 12. Amounts due to the shareholder

	<u>2009</u>	<u>2008</u>
Loans from shareholder	15,330,459	–
<b>Amounts due to the shareholder</b>	<b>15,330,459</b>	<b>–</b>

### Investment loan

On 18 May 2009 the Corporation entered into Master Lending Agreement # 36 ("Agreement") with the Parent, National Management Holding "KazAgro" JSC. In accordance with the Agreement, the Corporation obtains a long term loan to develop expand and modify material production in agricultural sphere. The proceeds from the loan are used by the Corporation to finance the long term investment projects in agricultural sector. The loan from the parent is funded via National Fund of the Republic of Kazakhstan under bond issuance program through "National Bank of the Republic of Kazakhstan" JSC. The senior unsecured investment loan matures on 30 December 2023, the undrawn amount under facility is at KZT 27.161 million as at 31 December 2009, and interest is accrued at nominal rate of 1.02% per annum (effective interest rate is 6.0%).

As at 31 December 2009 and 2008 the Corporation had no covenants under amounts payable to the Government of the Republic of Kazakhstan.

### 13. Debt securities issued

	<i>Maturity date</i>	<i>Rate %</i>	<i>Currency</i>	<i>2009</i>	<i>2008</i>
Indexed debt securities	10-Aug-12	6-9%	KZT	2,854,287	2,582,247
Fixed income debt securities	30-Dec-14	11%	KZT	367,173	–
				<b>3,221,460</b>	<b>2,582,247</b>

Indexed securities represent debt securities issued with coupon payments linked to the change in inflation measured by CPI (Consumer Price Index), floored at 6%, capped at 9%. The Corporation treats floor and cap as embedded interest rate derivatives which are closely related to the host contract and not separated from the debt instrument.

As at 31 December 2009 and 2008, according to the offering circulars for the notes there were no covenants specified, however as at 31 December 2009 the Corporation had a contractual arrangement one of its investors JSC Nurtrust whereby the Corporation is obliged to maintain equity to assets ratio of at least 65%, otherwise JSC Nurtrust will have a right to put 234.000 (2008; 700.000) bonds back to the Corporation at 15.23% yield to maturity. As at 31 December 2009 the Corporation did not comply with the covenant, however, the investor chose not to put the bonds back to the Corporation.

### 14. Amounts due to the Government of the Republic of Kazakhstan

	<i>2009</i>	<i>2008</i>
Ministry of Finance RK (due in 2011 denominated in tenge and with annual interest rate 0.5%)	936,412	1,525,335
Ministry of Agriculture RK (matured in 2021 and with annual interest rate 7%)	60,812	–
<b>Total amount due to the Government of the Republic of Kazakhstan.</b>	<b>997,224</b>	<b>1,525,335</b>

The Corporation receives loans from the Government of RK for agricultural sector development. Corporation follows Government decree No 645 of the Republic of Kazakhstan from 7 July 2006, which fully discloses crediting specifications and deadlines by nature.

### 15. Amounts due to government related entities

	<i>Currency</i>	<i>Maturity date</i>	<i>Interest rate</i>	<i>2009</i>	<i>2008</i>
Administration of business activities and industry in the Aktyubinsk region	KZT	23-Nov-14	1%	172,737	–
Administration of business activities and industry in the Almaty region	KZT	7-Aug-16	1%	166,574	–
				<b>339,311</b>	<b>–</b>

In 2009 the Corporation entered into loan agreements with the Administration of business activities and industry of Almaty and Aktubinsk regions. Proceeds from the loan were used for development of stock farming; plant rising and for processing of agricultural products. On initial recognition, the difference between fair value of the loan and a contractual amount was recognized in additional paid in capital.

## 16. Taxation

A reconciliation of the income tax benefit applied to the loss before taxes based on statutory rates with income tax expenses for the years ended December 31 is as follows:

	<i>2009</i>	<i>2008</i>
Tax charge – current portion	–	239,321
Deferred tax charge- origination and reversal of temporary differences	1,244,787	(31,914)
Less: deferred tax recognized in other comprehensive income	<b>(183,480)</b>	–
<b>Income tax expense</b>	<b>1,061,307</b>	<b>(207,407)</b>
Deferred tax recognized in other comprehensive income is allocated as follows:		
	<i>2009</i>	<i>2008</i>
On assets	103,588	–
On liabilities	<b>(287,068)</b>	–
<b>Income tax (expense) benefit recognized in other comprehensive income</b>	<b>(183,480)</b>	–
	<i>2009</i>	<i>2008</i>
(Loss) profit before income tax expense	<b>(5,692,654)</b>	530,561
Statutory tax rate	20%	30%
<b>Theoretical income tax (benefit) expense at the statutory rate</b>	<b>(1,138,531)</b>	159,168
Non deductible tax expenses	34,065	33,679
Non-deductible sponsorship expenses	2,260	20,781
Effect of tax rate change	26,673	(8,233)
Tax effect on permanent differences	14,226	2,012
<b>Income tax expense</b>	<b>1,061,307</b>	<b>207,407</b>

Deferred tax assets and liabilities at 31 December, and their movement for corresponding years as follows:

	<i>Origination and reversal of temporary differences</i>			<i>Origination and reversal of temporary differences</i>		
	<i>2007</i>	<i>In the income statement</i>	<i>In other compre- hensive income</i>	<i>2008</i>	<i>In the income statement</i>	<i>In other compre- hensive income</i>
<b>Tax effect of deductible temporary differences liabilities / (asset):</b>						
Derivative financial instruments	–	38,257	–	38,257	<b>(375,138)</b>	–
Loans to customers	9,963	(51,284)	–	(41,321)	<b>(36,641)</b>	103,588
Impairment charge	(9,190)	44,838	–	35,648	<b>(714,049)</b>	–
Investments in associates	(1,948)	(2,286)	–	(4,234)	<b>(922)</b>	–
Amounts due to the shareholder	–	–	–	–	–	<b>(287,068)</b>
Property, plant and equipment and intangible assets	–	4,841	–	4,841	<b>(11,571)</b>	–
Vacation accrual	–	(2,452)	–	(2,452)	1,191	–
Tax loss carried forward	–	–	–	–	<b>2,198,437</b>	–
<b>Deferred tax liabilities (assets)</b>	<b>(1,175)</b>	<b>31,914</b>		<b>30,739</b>	<b>1,061,307</b>	<b>(183,480)</b>
						<b>908,566</b>

## 16. Taxation (continued)

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Tax losses carried forward as of 31 December 31, 2009 in the Republic of Kazakhstan expire for tax purposes ten years from the date they are incurred (2008: three years).

In December 2008 the government of the Republic of Kazakhstan approved amendments to the tax code effective January 1, 2009, in accordance to which the statutory income tax rates are changed to 20% in 2009, 17,5% in 2010 and 15% from 2011 onwards. The Corporation's calculation of deferred tax and income tax expense as at 31 December 2008 and for the year then ended reflects these changes in the tax law.

In 2009 the Government of the Republic of Kazakhstan approved further changes in tax code, effective since 1 January 2009, in accordance to which tax rates are fixed at 20% during the period from 2009 to 2012, 17,5% in 2013 and 15% in 2014 and onwards. The Corporation's calculation of deferred tax and income tax expense as at 31 December 2009 and for the year then ended reflects these changes in the tax law.

## 17. Equity

Information on movements in issued, fully paid and outstanding shares is given below:

	<i>Placed value</i>	<i>Number of shares</i>	<i>Total</i>
<b>At 31 December 2007</b>	1000	24,440,471	24,440,471
Increase in share capital	1000	10,008,900	10,008,900
<b>At 31 December 2008</b>		34,449,371	34,449,371
Increase in share capital	1000	2,200,000	2,200,000
<b>At 31 December 2009</b>		<b>36,649,371</b>	<b>36,649,371</b>

As at 31 December 2009 and 2008 total amount of authorized common shares is 36,649,371 shares. From total amount of authorized shares, 36,649,371 shares were issued and fully paid (2008: 34,449,371). On the basis of order of the Government of the Republic of Kazakhstan the Corporation received KZT 2,200,000 thousand from sole shareholder as a contribution to share capital during 2009 (2008: KZT 10,008,900 thousand).

As at 31 December 2009 and 2008 the owner of common share has right for one vote and equal right for dividends. Distributable income is determined on the basis of income recorded in Corporation's financial statements. For the year ended 31 December 2007, dividends at the amount of KZT 206,240 thousand were declared and paid in 2008. In May 2008 the shareholder issued the order to the Corporation to pay the amount of KZT 62,426 thousand in order to render sponsor aid for social events

At the shareholder's meeting held on 24 August 2009 the Corporation declared dividends in respect of the year ended 31 December 2008, totaling KZT 161,577 on ordinary shares or KZT 7.57 per share.

### *Reserve Capital*

In accordance with Corporation's charter, reserve capital is formed for general bank risks, including deferred losses and other contingent risks and liabilities. Reserve capital is subject to distribution on the basis of decision of general shareholders meeting. It was also decided at the shareholder's meeting to allocate KZT 99,151 thousand to Reserve capital. (2008: KZT 206,240 thousand)

### *Deemed distribution reserve*

At 31 December 2009 the losses from initial recognition of fair value from loans to customers at a rate below market and funded by the Shareholder totaling KZT 579,394 thousand, are recognized in deemed distribution reserve as a shareholder distribution

According to changes in bank loan agreements, JSC NH "KazAgro" issued a guarantee to Commerzbank AG. Fair value of the guarantee of KZT 429,177 thousand was disclosed in additional paid-in capital (Note 11).

## 18. Commitments and contingencies

### Operating environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken By Government. The Kazakhstani economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within the Republic of Kazakhstan. While the Kazakhstani Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Kazakh banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Corporation and its counterparties, which could affect the Corporation's financial position, results of operations and business prospects.

Borrowers could also be affected by deterioration in liquidity and weather conditions that, in turn, affects their ability to settle their debt to the Corporation. The borrowers are also exposed to global commodity price risks and taking into account the cyclical nature of agricultural industry that could affect their ability to repay debt on time. While management believes it is

### Legal

In the ordinary course of business, the Corporation 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 condition or the results of future operations of the Corporation.

### Taxation

Kazakhstani commercial, and in particular, tax legislation contain regulations, interpretation of which could vary, and in certain cases the legislation could be amended with indirect retrospective impact. In addition, Corporation's management's interpretation of the legislation may differ from that of tax authorities, and in the result transactions carried out by the Corporation could be estimated by tax authorities in other way, and this could result in additional charge of taxes, fines and penalties. Corporation's management considers that all necessary tax accruals were fulfilled and, correspondingly, there were no any allowances charged in the statements. Tax periods remain open for five years.

As at 31 December Corporation's commitments and contingencies comprised the following:

	<u>2009</u>	<u>2008</u>
Undrawn credit lines – loans to customers	12,298,064	10,922,828

Credit lines represented by contingent liabilities of the Corporation to provide loan for credit partnerships in the future. Period of availability of unused credit lines is from 8 month to 6 years.

As at 31 December 2009, concentration of contingent liabilities to 10 biggest independent parties totalled KZT 1,989,567 thousand. (16.18% of the amount of undrawn credit lines), (2008: KZT 2,354,523 thousand.(21.56% of the undrawn credit lines).

## 19. Personnel and other operating expenses

	<i>2009</i>	<i>2008</i>
Salaries and bonuses	568,481	497,748
Social security costs	54,588	41,564
<b>Personnel expenses</b>	<b>623,069</b>	<b>539,312</b>
Professional services	51,761	33,728
Rent	48,619	40,557
Advertizing	48,185	5,528
Communication	24,809	23,927
Repair and maintenance	14,121	15,440
Business trip	12,954	9,023
Sponsorship	11,375	669
Bank commissions	7,486	5,321
Facilities	4,462	4,404
Trainings	3,448	4,378
Insurance	2,781	6,643
Municipals	2,251	1,652
Taxes	1,873	1,828
Security expense	509	505
Membership fee	281	270
Representatives	214	561
Other expenses	10,081	24,260
<b>Other operating expenses</b>	<b>245,210</b>	<b>178,694</b>

## 20. Earnings per share

Basic earnings per share is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of shares outstanding during the year.

The following reflects the income and share data used in the basic earnings per share computations for the years ended 31 December:

	<i>2009</i>	<i>2008</i>
Net (loss) income attributable to common shareholders for basic and diluted earnings per share (thousands tenge)	(4,578,885)	323,154
Weighted average number of common shares for basic and diluted earnings per share	35,549,371	33,337,938
Basic (losses)/earnings per share (in Kazakhstani tenge)	(128.8)	9.69

No dilutive instruments were outstanding as of 31 December 2009 and 2008.

## 21. Risk management

### Introduction

Risk is inherent in the Corporation's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Corporation's continuing profitability and each individual within the Corporation is accountable for the risk exposures relating to his or her responsibilities. The Corporation is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Corporation's strategic planning process.

### *Risk management structure*

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

## **21. Risk management (continued)**

### *Board of Directors*

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

### *Management Board*

The Management Board has the responsibility to monitor the overall risk process within the Corporation.

### *Risk Controlling*

The Risk Controlling Unit is responsible for monitoring compliance with risk principles, policies and limits, across the Corporation. Each business group has a decentralized unit which is responsible for the independent control of risks, including monitoring the risk of exposures against limits and the assessment of risks of new products and structured transactions. This unit also ensures the complete capture of the risks in risk measurement and reporting systems.

### *Corporation Treasury*

The Corporation's Treasury is responsible for managing the Corporation's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Corporation.

### *Internal audit*

Risk management processes throughout the Corporation are audited annually by the internal audit function that examines both the adequacy of the procedures and the Corporation's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

### *Risk measurement and reporting systems*

The Corporation's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Corporation also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

Monitoring and controlling risks is primarily performed based on limits established by the Corporation. These limits reflect the business strategy and market environment of the Corporation as well as the level of risk that the Corporation is willing to accept, with additional emphasis on selected industries. In addition the Corporation monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Information compiled from all the businesses is examined and processed in order to analyze, control and identify early risks. This information is presented and explained to the Board of Directors, the Management Board, the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes.

### *Risk mitigation*

As part of its overall risk management, the Corporation uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign currencies, equity risks, credit risks, and exposures arising from forecast transactions.

The Corporation actively uses collateral to reduce its credit risks (see below for more detail).

### **Credit risk**

Credit risk is the risk that the Corporation will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Corporation manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits

## 21. Risk management (continued)

### Credit risk (continued)

The Corporation has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision. The credit quality review process allows the Corporation to assess the potential loss as a result of the risks to which it is exposed and take corrective action.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	<i>Notes</i>	<i>Maximum exposure 2009</i>	<i>Maximum exposure 2008</i>
Cash and cash equivalents (excluding cash on hand)	5	3,269,718	2,033,824
Derivative financial assets	6	3,422,177	1,436,422
Loans to customers	7	<b>62,691,303</b>	51,346,740
		<b>69,383,198</b>	55,816,986
Financial commitments and contingencies	18	<b>12,298,064</b>	10,922,828
<b>Total credit risk exposure</b>		<b>81,681,262</b>	65,739,814

### *Credit quality per class of financial assets*

The credit quality of financial assets is managed by the Corporation internal credit ratings. The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position, based on the Corporation's credit rating system. Loans to borrowers with good financial position and no overdue payments are defined as standard. If there is a temporary decline in financial standing of the borrower and/or insufficient collateral without overdue payments, these loans are defined as substandard.

	<i>Standard rating</i>	<i>Substandard</i>	<i>Individually impaired</i>	<i>Total</i>
<b>Loans to customers</b>				
<b>2009</b>	5,821,280	45,438,420	11,431,602	62,691,303
<b>2008</b>	48,097,218	219,131	3,030,391	51,346,740

It is the Corporation's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk.

### *Aging analysis of past due but not impaired loans per class of financial assets*

	<i>Less than</i>		<i>More than</i>		
	<i>30 days</i>	<i>31 to 60 days</i>	<i>31 to 60 days</i>	<i>90 days</i>	<i>Total</i>
<b>Loans to customers</b>					
<b>2009</b>	29,643,642	4,213,278	3,907,156	7,674,343	45,438,419
<b>2008</b>	2,568,733	130,055	69,643	481,091	3,249,522

### *Impairment assessment*

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Corporation addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances. Collectively assessed allowances are assessed collectively for losses on loans that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review

## 21. Risk management (continued)

### Credit risk (continued)

#### Collective assessment

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no yet objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration of the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the times a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Corporation's overall policy.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

### Liquidity risk and funding management

Liquidity risk is the risk that the Corporation will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

### Analysis of financial liabilities by remaining contractual maturities

The tables below summarize the maturity profile of the Corporation's financial liabilities at 31 December based on contractual undiscounted repayment obligations:

Financial liabilities	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
<b>As at 31 December 2009</b>					
Amounts due to credit institutions	2,967,200	4,413,012	14,170,174	–	21,550,386
Amounts due to the shareholder	10,080,176	263,291	5,027,699	1,225,049	16,596,215
Debt securities issued	90,044	–	2,965,438	316,620	3,372,102
Amounts due to the government related entities	–	2,000	344,562	69,020	415,582
Amounts due to the Government of the Republic of Kazakhstan	–	588,870	374,571	54,201	1,017,642
<b>Total undiscounted financial liabilities</b>	<b>13,137,420</b>	<b>5,267,173</b>	<b>22,882,444</b>	<b>1,664,890</b>	<b>42,951,927</b>

Financial liabilities	<i>Less than 3 months</i>	<i>3 to 12 months</i>	<i>1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
<b>As at 31 December 2008</b>					
Amounts due to the Government of the Republic of Kazakhstan	–	596,350	942,768	–	1,539,118
Debt securities issued	128,337	128,337	2,482,904	–	2,739,578
Amounts due to credit institutions	216,154	1,337,223	21,103,169	–	22,656,546
<b>Total undiscounted financial liabilities</b>	<b>344,491</b>	<b>2,061,910</b>	<b>24,528,841</b>	<b>–</b>	<b>26,935,242</b>

### Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The market risk for the trading and non-trading portfolio is managed and monitored using other sensitivity analysis.

### Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

### Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Management Board has set limits on positions by currency based on the FMSA recommendations.

Positions are monitored on a daily basis.

## 21. Risk management (continued)

The tables below indicate the currencies to which the Corporation had significant exposure at 31 December on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the KZT, with all other variables held constant on the income statement (due to the fair value of currency sensitive non-trading monetary assets and liabilities). The effect on equity does not differ from the effect on the income statement. A negative amount in the table reflects a potential net reduction in income statement or equity, while a positive amount reflects a net potential increase.

Currency	Change in currency rate in %	Effect on profit before tax	Change in currency rate in %	Effect on profit before tax
	2009	2009	2008	2008
USD	22.9	4,340,907	25	4,143,705

## 22. Fair values of financial instruments

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and;
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

31 December 2009	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>				
Derivative financial instruments	–	3,422,177	–	3,422,177
Total financial assets	–	3,422,177	–	3,422,177
<b>31 December 2008</b>				
<b>Financial assets</b>				
Derivative financial instruments	–	1,436,422	–	1,436,422
Total financial assets	–	1,436,422	–	1,436,422

Set out below is a comparison by class of the carrying amounts and fair values of the Corporation's financial instruments that are not carried at fair value in the statement of financial position; The table does not include the fair values of non-financial assets and non-financial liabilities.

	Carrying value 2009	Fair value 2009	Unrecognised gain/(loss) 2009
<b>Financial assets</b>			
Cash and cash equivalents	3,269,734	3,269,734	–
Derivative financial assets	3,422,177	3,422,177	–
Loans to customers	62,691,303	56,422,172	(6,269,131)
	69,383,214	63,114,083	(6,269,131)
<b>Financial liabilities</b>			
Amounts due to credit institutions	18,351,126	18,519,829	(168,703)
Amounts due to the shareholder	15,330,459	15,348,579	(18,120)
Debt securities issued	3,221,460	2,996,669	224,791
Amounts due to the Government of the Republic of Kazakhstan	997,224	946,009	51,151
Amounts due to government related entities	339,311	339,280	31
	38,239,580	38,150,366	89,214
<b>Total unrecognized change in unrealized fair value</b>			<b>(6,179,917)</b>

## 22. Fair values of financial instruments (continued)

	<i>Carrying value</i>	<i>Fair value</i>	<i>Unrecognised</i>
	<i>2008</i>	<i>2008</i>	<i>gain/(loss)</i>
			<i>2008</i>
<b>Financial assets</b>			
Cash and cash equivalents	2,033,970	2,033,970	–
Loans to customers	51,346,740	46,650,295	(4,696,445)
Derivative financial assets	1,436,422	1,436,422	–
	<u>54,817,132</u>	<u>50,120,687</u>	<u>(4,696,445)</u>
<b>Financial liabilities</b>			
Amounts due to credit institutions	16,502,465	11,084,137	5,418,328
Amounts due to the Government of the Republic of Kazakhstan	1,525,335	1,461,875	63,460
Debt securities issued	2,582,247	2,777,722	(195,475)
	<u>20,610,047</u>	<u>15,323,734</u>	<u>5,286,313</u>
<b>Total unrecognized change in unrealized fair value</b>			<u>589,868</u>

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements:

### Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value, This assumption is also applied to demand deposits and savings accounts without a specific maturity.

### Fixed and variable rate financial instruments

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

### 23. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note “Risk management” for the Bank’s Corporation’s contractual undiscounted repayment obligations.

	2009			2008		
	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>	<i>Within one year</i>	<i>More than one year</i>	<i>Total</i>
<b>Financial assets</b>						
Cash and cash equivalents	3,269,734	–	3,269,734	2,033,824	–	2,033,824
Derivative financial assets	3,422,177	–	3,422,177	1,436,422	–	1,436,422
Loans to customers	33,735,909	28,955,394	62,691,303	4,001,242	47,345,498	51,346,740
	<u>40,427,820</u>	<u>28,955,394</u>	<u>69,383,214</u>	<u>7,471,488</u>	<u>47,345,498</u>	<u>54,816,986</u>
<b>Financial liabilities</b>						
Amounts due to credit institutions	6,144,065	12,297,061	18,351,126	216,154	16,286,311	16,502,465
Amounts due to the shareholder	9,439,678	5,890,781	15,330,459	–	–	–
Debt securities issued	88,334	3,133,126	3,221,460	99,343	2,482,904	2,582,247
Amounts due to the Government of the Republic of Kazakhstan	627,024	370,200	997,224	262	1,525,073	1,525,335
Amounts due to the government related entities	–	339,311	339,311	–	–	–
<b>Total</b>	<u>16,299,101</u>	<u>21,940,479</u>	<u>38,239,580</u>	<u>315,759</u>	<u>20,294,288</u>	<u>20,610,047</u>
<b>Net position</b>	<u>24,128,719</u>	<u>7,014,915</u>	<u>31,143,634</u>	<u>7,155,729</u>	<u>27,051,210</u>	<u>34,206,939</u>

### 24. Related party disclosures

In accordance with IAS 24 “Related Party Disclosures”, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

## 24. Related party disclosures (continued)

Volume of operations with related parties, Ending balance, income and expenses shown below:

2009	<i>Entities with significant influence over the Corporation</i>			<i>Key management personnel</i>	<i>Entities with significant influence over the Corporation</i>		
	<i>Parent</i>	<i>Associates</i>	<i>Parent</i>		<i>Associates</i>	<i>Parent</i>	<i>Associates</i>
Loans given as at 1 January	-	144,649	-	-	733,373	-	
Loans given during the year	21,962,370	7,355	315,667	-	-	-	
Loans repaid during the year	5,639,240	-	-	-	588,724	-	
Loans outstanding as at 31 December	16,323,130	152,004	315,667	-	144,649	-	
Accrued interest income on loans	-	5,993	-	-	454	-	
Accrued interest income during the year	113,777	14,701	-	-	10,378	-	
Interest paid during the year	99,403	15,300	-	-	10,570	-	
Accrued interest income for 31 December	14,373	5,393	-	-	262	-	
					<b>2009</b>	<b>2008</b>	
Undrawn credit lines – loans to associates					4.693,448	4.505,402	
Guaranty issued by shareholder					18.351,126	-	

## 25. Capital adequacy

The Corporation maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Corporation's capital is monitored using, among other measures, the ratios established by the FMSA in supervising the Corporation. During 2009 and 2008, the Corporation had complied in full with all its capital requirements imposed by the legislation. The primary objectives of the Corporation's capital management are to ensure that the Corporation complies with externally imposed capital requirements and that the Corporation maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' Value. Capital adequacy ratio under FMSA

The FMSA requires companies engaged in certain types of banking activities to maintain a minimum 1 Tier 1 capital adequacy ratio of 12% of assets and minimum general total capital adequacy ratio of 12% of risk-weighted assets. In 2009 and 2008 the risk-weighted assets, calculated under FMSA requirements were obtained on the basis of Corporation's separate financial statements prepared in accordance with Kazakhstani Accounting Standards. As of 31 December 2009, the

Corporation's capital adequacy ratio on this basis was as follows:

	<b>2009</b>	<b>2008</b>
Tier 1 capital	32,943,552	34,820,489
Tier 2 capital	895,019	260,728
Investments in associates	(515,067)	(537,946)
<b>Total regulatory capital</b>	<b>33,323,504</b>	<b>34,543,271</b>
Risk-weighted assets and off balance sheet commitments	71,601,560	52,819,924
Operational risk	3,362,966	4,175,406
Capital adequacy ratio (k1)	46%	62,4%
Capital adequacy ratio (k1-2)	39,6%	65,9%
Capital adequacy ratio (k1-3)	38,5%	60,6%

## 26. Event after the reporting period

On 9 February 2010, the Corporation repurchased its own 172,230 bonds from JSC "NH KazAgro" for a total amount of KZT 168,367 thousand.