

**JOINT STOCK COMPANY
“EXIMBANK KAZAKHSTAN”**

Financial Statements
for the Year Ended 31 December 2009

JOINT STOCK COMPANY "EXIMBANK KAZAKHSTAN"

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JOINT STOCK COMPANY "EXIMBANK KAZAKHSTAN"

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the financial statements of Joint Stock Company "Eximbank Kazakhstan" (the "Bank").

Management of the Bank is responsible for the preparation of the financial statements that present fairly the financial position of the Bank as at 31 December 2009, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:


- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent; and
- Preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Bank will continue in business for the foreseeable future.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Bank;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Detecting and preventing fraud and other irregularities.


The financial statements for the year ended 31 December 2009 were authorized for issue on 1 March 2010 by the Management Board of the Bank.

On behalf of the Management Board:


Rimer N.G.
Acting Chairman

1 March 2010
Almaty, Kazakhstan




Krivtsova T.L.
Chief Accountant

1 March 2010
Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Joint Stock Company "Eximbank Kazakhstan":

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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


JOINT STOCK COMPANY “EXIMBANK KAZAKHSTAN”

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

(in thousands of Kazakhstani Tenge, except for earnings per share which are in Tenge)


	Notes	Year ended 31 December 2009	Year ended 31 December 2008
Interest income	4, 27	7,126,567	5,067,517
Interest expense	4, 27	(3,851,695)	(2,583,280)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		3,274,872	2,484,237
Provision for impairment losses on interest bearing assets	5, 27	(2,443,621)	(1,126,388)
NET INTEREST INCOME		831,251	1,357,849
Net gain on financial assets and liabilities at fair value through profit or loss	6	507,969	150,726
Net gain on foreign exchange operations	7	593,821	290,158
Fee and commission income	8, 27	239,157	241,652
Fee and commission expense	8	(11,375)	(31,942)
(Provision)/recovery of provision for impairment losses on other operations	5	(98,912)	10,199
Other income	9	12,370	9,701
NET NON-INTEREST INCOME		1,243,030	670,494
OPERATING INCOME		2,074,281	2,028,343
OPERATING EXPENSES	10, 27	(1,528,921)	(1,254,423)
PROFIT BEFORE INCOME TAX		545,360	773,920
Income tax expense	11	(247,640)	(385,347)
NET PROFIT		297,720	388,573
OTHER COMPREHENSIVE INCOME			
Revaluation of property and equipment, net of deferred income tax effect of KZT 39,848 thousand		87,352	-
Effect of change in income tax rate (Note 11)		-	32,250
OTHER COMPREHENSIVE INCOME AFTER INCOME TAX		87,352	32,250
TOTAL COMPREHENSIVE INCOME		385,072	420,823
EARNINGS PER SHARE			
Basic and diluted (KZT)	12	31.71	43.18

On behalf of the Management Board:


Rimer N.G.
Acting Chairman

1 March 2010
Almaty, Kazakhstan




Krivtsova T. L.
Chief Accountant

1 March 2010
Almaty, Kazakhstan

The notes on pages 9-55 form an integral part of these financial statements.


JOINT STOCK COMPANY "EXIMBANK KAZAKHSTAN"

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2009

(in thousands of Kazakhstani Tenge)


	Notes	31 December 2009	31 December 2008
ASSETS:			
Cash and balances with the National Bank of the Republic of Kazakhstan	13	7,698,056	6,921,202
Financial assets at fair value through profit or loss	14	1,041,029	2,283,036
Due from banks	15	429,385	442,120
Loans to customers	16, 27	54,559,079	39,737,763
Property, equipment and intangible assets	17	3,402,537	1,549,224
Current income tax assets		7,605	69,000
Other assets	18, 27	238,866	272,109
TOTAL ASSETS		67,376,557	51,274,454
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	19	532,065	783,649
Customer accounts	20, 27	37,919,000	23,172,647
Debt securities issued	21	15,135,984	14,061,073
Other borrowed funds	22	5,616	13,635
Deferred income tax liabilities	11	112,213	64,266
Other liabilities	23	326,789	555,833
		54,031,667	38,651,103
Subordinated debt	24	2,016,156	2,018,128
Total liabilities		56,047,823	40,669,231
EQUITY:			
Share capital			
-ordinary shares	25	9,559,062	9,200,000
-preferred shares	25	361,249	381,872
Property and equipment revaluation reserve		534,852	455,562
Retained earnings		873,571	567,789
Total equity		11,328,734	10,605,223
TOTAL LIABILITIES AND EQUITY		67,376,557	51,274,454

On behalf of the Management Board:


Rimer N.G.
Acting Chairman

1 March 2010
Almaty, Kazakhstan




Krivtsova T. L.
Chief Accountant

1 March 2010
Almaty, Kazakhstan


The notes on pages 9-55 form an integral part of these financial statements.

JOINT STOCK COMPANY "EXIMBANK KAZAKHSTAN"

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009 (in thousands of Kazakhstani Tenge)


	Share capital		Property and equipment revaluation reserve	Retained earnings	Total equity
	ordinary shares	preferred shares			
31 December 2007	9,000,000	381,872	428,351	174,177	9,984,400
Total comprehensive income for the year	-	-	32,250	388,573	420,823
Share capital increase	200,000	-	-	-	200,000
Depreciation of property and equipment revaluation reserve	-	-	(5,039)	5,039	-
31 December 2008	9,200,000	381,872	455,562	567,789	10,605,223
Total comprehensive income for the year	-	-	87,352	297,720	385,072
Share capital increase	500,000	-	-	-	500,000
Repurchase of treasury shares	(140,938)	(20,623)	-	-	(161,561)
Depreciation of property and equipment revaluation reserve	-	-	(8,062)	8,062	-
31 December 2009	<u>9,559,062</u>	<u>361,249</u>	<u>534,852</u>	<u>873,571</u>	<u>11,328,734</u>

On behalf of the Management Board:


Rimer N.G.
Acting Chairman

1 March 2010
Almaty, Kazakhstan




Krivtsova T. L.
Chief Accountant

1 March 2010
Almaty, Kazakhstan

The notes on pages 9-55 form an integral part of these financial statements.

JOINT STOCK COMPANY "EXIMBANK KAZAKHSTAN"
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from financial assets at fair value through profit or loss		132,554	29,463
Interest received on due from banks		41,332	85,173
Interest received on loans to customers		5,337,949	3,888,826
Interest paid on due to banks		(11,208)	(17,259)
Interest paid on customer accounts		(1,573,419)	(1,087,338)
Interest paid on debt securities issued		(1,752,392)	(1,743,700)
Interest paid on other borrowed funds		(473)	(613)
Fee and commission received		44,684	237,083
Fee and commission paid		(11,375)	(31,942)
Other income		12,370	9,701
Operating expenses paid		<u>(1,269,648)</u>	<u>(1,089,221)</u>
Cash inflow from operating activities before changes in operating assets and liabilities		950,374	280,173
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Financial assets at fair value through profit or loss		1,687,992	(1,993,113)
Due from banks		(59,736)	879,939
Loans to customers		(15,574,498)	(7,837,643)
Other assets		142,688	76,162
Increase/(decrease) in operating liabilities:			
Due to banks		(250,560)	592,602
Customer accounts		14,449,057	9,232,273
Other borrowed funds		(7,831)	(4,938)
Other liabilities		<u>(258,666)</u>	<u>389,848</u>
Cash inflow from operating activities before taxation		1,078,820	1,615,303
Income taxes paid		<u>(178,146)</u>	<u>(465,387)</u>
Net cash inflow from operating activities		<u>900,674</u>	<u>1,149,916</u>

JOINT STOCK COMPANY “EXIMBANK KAZAKHSTAN”

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (in thousands of Kazakhstani Tenge)

1 ORGANISATION

JSC “Eximbank Kazakhstan” (the “Bank”) is a joint-stock company and operates in the Republic of Kazakhstan since 1994. The Bank is regulated by the National Bank of the Republic of Kazakhstan (the “NBRK”) and by the Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial institutions (the “FMSA”) under license #232 dated 20 June 2008 for activities regulated by banking law in national and foreign currency. The Bank’s primary business consists of commercial activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The Bank’s registered legal address is 80 Bogenbay Batyr street, Almaty, Republic of Kazakhstan.

As at 31 December 2009 and 2008 the Bank had 4 branches in the Republic of Kazakhstan. The total number of employees of the Bank as of 31 December 2009 and 2008 was 233 and 201, respectively.

As at 31 December 2009 and 2008 the following shareholders owned the issued ordinary shares of the Bank:

	31 December 2009		31 December 2008	
	Number of shares	% of direct ownership	Number of shares	% of direct ownership
JSC “Central Asian Heating Energy Company”	6,491,081	66.92	5,720,988	62.18
JSC “Centerstroyenergy”	812,533	8.38	812,533	8.83
LLP “Investment Technologies”	621,494	6.41	160,360	1.74
JSC “APF Amanat Kazakhstan”	526,966	5.43	208,728	2.27
JSC “Astana Finance”	-	-	770,093	8.37
“Stroienergoremont-Pavlodar” LLP	-	-	615,953	6.70
Other shareholders owning less than 5% of shares	1,028,538	10.60	911,345	9.91
Shares repurchased	219,388	2.26	-	-
Total	9,700,000	100.00	9,200,000	100.00

2 BASIS OF PRESENTATION

Accounting basis

These financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”).

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Bank in the Republic of Kazakhstan both in corporate and retail segments. The Management believe that the going concern assumption is appropriate for the Bank due to it’s sufficient capital adequacy ratio which has been further strengthened with the subsequent issue of shares illustrating the commitment of shareholders to support the Bank and based on historical experience that short-term obligations will be refinanced in the normal course of business.

These financial statements are presented in thousands of Kazakhstani tenge (“KZT” or “Tenge”), unless otherwise indicated. These financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments and measurement of buildings at revalued amounts according to International Accounting Standard (“IAS”) 16 “Property, Plant and Equipment”.

Functional currency

Items included in the financial statement of the Bank are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that Bank (the “functional currency”). The functional currency of these financial statements is Kazakhstani tenge.

3 SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

The Bank recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

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 derecognized where:

- the rights to receive cash flows from the asset have expired;
- the Bank 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 Bank 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.

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Bank either: (a) transfers the contractual rights to receive the asset’s cash flows; or (b) retains the right to the asset’s cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains in the statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Bank assesses whether or not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

A financial liability is derecognized when the obligation is **discharged, 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, **unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan and due from banks in countries included in the Organization for Economic Co-operation and Development (“OECD”) with original maturity within 90 days.**

The minimum reserve deposits with the National Bank of the Republic of Kazakhstan are not subject to restrictions to its availability and therefore are included in cash and cash equivalents.

Due from banks

In the normal course of business, the Bank maintains advances and deposits for various periods of time with other banks. Due from banks are initially recognized at fair value. Due from banks are subsequently measured at amortized cost using the effective interest method. Amounts due from credit institutions are carried net of any allowance for impairment losses.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss represent derivative instruments or securities (1) acquired principally for the purpose of selling them in the near future, (2) which are a part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking, or (3) are designated as derivatives (except for the case when a derivative is defined as an effective hedging instrument).

A financial asset other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or (2) the financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank’s documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 “Financial Instruments: Recognition and Measurement” permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Bank uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. The fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the statement of comprehensive income for the period. The Bank does not reclassify financial instruments in or out of this category while they are held.

Derivative financial instruments

In the normal course of business, the Bank enters into various derivative financial instruments including forwards to manage currency and liquidity risks and for trading purposes. Derivative financial instruments entered into by the Bank are not designated as hedges and do not qualify for hedge accounting. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the statement of financial position. Gains and losses resulting from these instruments are included in Net gain/loss from financial assets and liabilities at fair value through profit or loss in the statement of comprehensive income.

Securities repurchase and reverse repurchase agreements and securities lending transactions

In the normal course of business, the Bank enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Bank as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collateralized deposit received within balances due to banks.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit which is collateralized by securities and other assets and classified as due from banks.

In the event that assets purchased under reverse repo are sold to third parties, the results are recorded with the gain or loss included in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the statement of comprehensive income.

The Bank enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Republic of Kazakhstan and other CIS states, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

Loans to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans granted by the Bank with fixed maturities are initially recognized at fair value plus related transaction costs. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the statement of comprehensive income according to nature of these losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans

Due from banks and loans to customers are written off against allowance for impairment losses in case of uncollectibility of loans. Due from banks and loans to customers are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the statement of comprehensive income in the period of recovery.

Allowance for impairment losses

The Bank accounts for impairment of financial assets not recorded at fair value when there is an objective evidence of impairment of a financial asset or a group of financial assets. The impairment of financial assets represents a difference between the carrying value of the asset and current value of estimated future cash flows including amounts which can be received on guarantees and security discounted using an initial effective interest rate on financial assets recorded at amortized value. If in a subsequent period the impairment amount decreases and such a decrease can be objectively associated with an event occurring after recognition of the impairment then the previously recognized impairment loss is reversed with an adjustment of the provision account.

For the financial instruments recorded at cost the impairment represents the difference between the carrying value of the financial asset and current value of the estimated future cash flows discounted using the current market interest rate for a similar financial instrument. Such impairment losses are not reversed.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

The change in the impairment is included into profits using the provision account (financial assets recorded at amortized cost) or by a direct write-off (financial assets recorded at cost). The assets recorded in the statement of financial position are reduced by the amount of the impairment. The factors the Bank evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Bank believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is not improbable that in certain periods the Bank can incur losses greater compared to recorded impairment.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any, except for the land and buildings, which are carried at revalued amounts less accumulated depreciation and any impairment loss.

Depreciation and amortization are charged on the carrying value of property, equipment and intangible assets are designed to write off assets over their useful economic lives. Depreciation and amortization are calculated on a straight line basis at the following annual prescribed rates:

Buildings	2.5%
Computers	40%
Vehicles	25%
Other fixed assets	15%
Intangible assets	15%

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Land and buildings held for use in supply of services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to profit or loss for the period to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is charged to the statement of comprehensive income. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

Market value of property is assessed using three methods:

- The comparable sales method which involves analysis of market sales prices for similar real estate property;
- The income-based method which assumes a direct relationship between revenues generated by the property and its market value;
- The costs method which presumes the value of property to be equal to its recoverable amount less any depreciation charges.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit before tax as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Bank's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset and reported net in the statement of financial position if:

- The Bank has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

The Republic of Kazakhstan where the Bank operates also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the statement of comprehensive income.

Due to banks, customer accounts, debt securities issued, other borrowed funds and subordinated debt

Due to banks, customer accounts, debt securities issued, other borrowed funds and subordinated debt are initially recognized at fair value. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings, using the effective interest method.

Provisions

Provisions are recognized when the Bank 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 obligation can be made.

Financial guarantee contracts and letters of credit issued

Financial guarantee contracts and letters of credit issued by the Bank provide for specified payments to be made in order to reimburse the holder for a loss incurred such that payments are made when a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

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.

Share capital

Contributions to share capital are recognized at cost.

External costs directly attributable to the issue of new shares are deducted from equity net of any related income taxes.

Treasury shares repurchased from shareholders are recognized at cost of acquisition. When such repurchased treasury shares are further sold, any difference between their selling price and the cost of acquisition is either charged to additional paid-in capital (if positive) or to retained earnings (if negative).

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after reporting sheet date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Preferred shares

Preferred shares, for which dividends are set, are considered as combined financial instruments according to the nature of a contractual agreement, accordingly the components of the liability and equity are presented separately in the statement of financial position. Upon the initial recognition the component of the equity is assigned the net book value after deduction from initial carrying value of the instrument of the fair value of the component of the liability. Upon the initial recognition the fair value of the component of the liability is measured by discounting the expected future cash flows at the market rate similar to a debt instrument. Subsequently the component of the liability is measured according to the same principles as the subordinate debt and the component of the equity is measured according to the same principles as for the share capital.

Retirement and other benefit obligation

In accordance with the requirements of the legislation of the Republic of Kazakhstan, certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds as selected by employees. The Bank does not have any pension arrangements separate from the state pension system of the Republic of Kazakhstan. In addition, the Bank has no post-retirement benefits or other significant compensated benefits requiring accrual.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the statement of comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the statement of comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the statement of comprehensive income when the syndication has been completed. All other commissions are recognized when services are provided.

Foreign currency translation

The financial statements of the Bank are presented in the currency of the primary economic environment in which the Bank operates. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain on foreign exchange operations.

Rates of exchange

The exchange rates at the year-end used by the Bank in the preparation of the financial statements are as follows:

	31 December 2009	31 December 2008
KZT/1 US Dollar	148.46	120.79
KZT/1 Euro	213.95	170.24

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the statement of financial position when the Bank has a legally enforceable right to set off the recognized amounts and the Bank intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Bank does not offset the transferred asset and the associated liability.

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Bank that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Bank measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets any one of the following quantitative thresholds:

- its reported revenue, from both external customers and intersegment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments; or
- the absolute measure of its reported profit or loss is 10% or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- its assets are 10% or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75% of the entity's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75 per cent of the Bank's revenue is included in reportable segments.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Bank's financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgments on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Bank's financial condition.

Allowance for impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess for impairment. The Bank's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Bank considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Bank's estimated losses and actual losses will require the Bank to record provisions which could have a material impact on its financial statements in future periods.

The Bank uses management's judgement to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Bank estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and 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 Bank uses management's judgement to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the financial statements have been determined on the basis of existing economic and political conditions. The Bank is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2009 and 2008 the gross loans to customers totaled KZT 59,962,461 thousand and KZT 42,807,663 thousand, respectively, and allowance for impairment losses amounted to KZT 5,403,382 thousand and KZT 3,069,900 thousand, respectively.

Valuation of Financial Instruments

Financial instruments that are classified at fair value through profit or loss or available for sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not directly observable, management will make a judgement as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgement, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the statement of comprehensive income on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

The Bank considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognizing a change in the valuations would have on the assets reported in the statement of financial position as well as its profit/(loss) could be material.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the Bank's reported net income.

The carrying value of financial assets at fair value through profit or loss amounted to KZT 1,041,029 thousand and KZT 2,283,036 thousand as at 31 December 2009 and 2008, respectively.

Property, plant and equipment

Certain property (land and buildings) is measured at revalued amounts. The date of the latest appraisal was 23 November 2009. The next revaluation is preliminary scheduled at 31 December 2011. The carrying value of revalued property amounted to KZT 1,006,826 thousand and KZT 972,053 thousand as at 31 December 2009 and 2008, respectively.

Adoption of new and revised standards

In the current year, the Bank has adopted all of the new and revised Standards and Interpretations issued by IASB and IFRIC of the IASB that are relevant to its operations and effective for annual reporting periods ending on 31 December 2009. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the Bank's accounting policies that have affected the amounts reported for the current or prior years, except for amendments to IAS 1 "Presentation of Financial Statements" (revised 2007).

IAS 1 (revised 2007) requires the presentation of a statement of changes in equity as a primary statement and disclosure of other comprehensive income either as part of the statement of comprehensive income or as a separate statement immediately following statement of profit and loss. As a result, the statement of comprehensive income disclosing other comprehensive income for the year has been included as the primary financial statement.

IFRS 8 “Operating Segments” – On 30 November 2006, the IASB issued IFRS 8 that replaces IAS 14 “Segment Reporting” and which requires segmental analysis reported by an entity to be based on information used by management. IFRS 8 is effective for periods beginning on or after 1 January 2009.

On 5 March 2009, the IASB issued amendments to IFRS 7 “Financial instruments: Disclosures” named “Improving Disclosures about Financial Instruments”. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. The Bank applied this amendment for the annual period beginning on 1 January 2009.

Amendments to IAS 39 and IFRS 7 “Financial Instruments: Disclosures”, titled “Reclassification of Financial Assets” – On 13 October 2008 IASB issued amendments to IAS 39 and IFRS 7 which permits certain reclassifications of non-derivative financial assets (other than those designated as at fair value through profit or loss at initial recognition under the fair value option) out of the fair value through profit or loss category and also allow reclassification of financial assets from the available-for-sale category to the loans and receivables category in particular circumstances. The amendments to IFRS 7 introduce additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendments to IAS 39. The amendments are effective as of 13 October 2008 and in certain circumstances can be applied retrospectively from 1 July 2008. No reclassification was made by the Bank.

Standards and interpretations issued and not yet adopted

The Bank has not applied the following IFRS and IFRIC that have been issued:

In December 2008, the IFRIC issued interpretation IFRIC 17 “Distributions of Non-Cash Assets to Owners” and the IASB made consequential amendments to IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations” effective for the annual periods beginning on or after 1 July 2009. The interpretation requires distributions to be presented at fair value with any surplus or deficit to be recognized in statement of comprehensive income. The amendment to IFRS 5 extends the definition of disposal groups and discontinued operations to disposals by way of distribution. The changes are not expected to have a material effect on the Bank.

Financial instruments: Classification and Measurement - On 12 November 2009, the IASB issued IFRS 9 “Financial instruments” as the first step in its project to replace IAS 39 “Recognition and Measurement”. IFRS 9 introduces new requirements for classifying and measuring financial assets. Those requirements must be applied starting 1 January 2013, with earlier adoption permitted including for 2009. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. By the end of 2010, IFRS 9 will be a complete replacement for IAS 39 – mandatory for 2013 and optional in earlier years. Management of the Bank decided not to adopt early this standard. The Management of the Bank has not yet completed the assessment of the effect of the standard on the financial statements once it will be adopted.

In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for annual periods beginning on or after 1 February 2010. The Management of the Bank currently assesses the impact on adoption the amendment.

4 NET INTEREST INCOME

	Year ended 31 December 2009	Year ended 31 December 2008
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on impaired financial assets	5,455,525	4,183,787
- interest income on unimpaired financial assets	1,603,715	787,855
Interest on financial assets at fair value	<u>67,327</u>	<u>95,875</u>
Total interest income	<u>7,126,567</u>	<u>5,067,517</u>
Interest income on financial assets recorded at amortized cost comprises:		
Interest on loans to customers	7,017,964	4,886,375
Interest on due from banks	<u>41,276</u>	<u>85,267</u>
Total interest income on financial assets recorded at amortized cost	<u>7,059,240</u>	<u>4,971,642</u>
Interest income on financial assets at fair value:		
Interest income on financial assets at fair value through profit or loss	<u>67,327</u>	<u>95,875</u>
Total interest income on financial assets at fair value	<u>67,327</u>	<u>95,875</u>
Total interest income	<u>7,126,567</u>	<u>5,067,517</u>
Interest expense comprises:		
<i>Interest expense on financial liabilities at amortized cost</i>		
	<u>3,851,695</u>	<u>2,583,280</u>
Total interest expense	<u>3,851,695</u>	<u>2,583,280</u>
Interest expense on financial liabilities at amortized cost comprise:		
Interest on customer accounts	2,026,599	1,017,017
Interest on debt securities issued	1,616,412	1,350,320
Interest on preferred shares	198,027	200,000
Interest on deposits from banks	10,184	15,330
Interest on other borrowed funds	<u>473</u>	<u>613</u>
Total interest expense on financial liabilities recorded at amortized cost	<u>3,851,695</u>	<u>2,583,280</u>
Net interest income before provision for impairment losses on interest bearing financial assets	<u>3,274,872</u>	<u>2,484,237</u>

5 ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Due from banks (Note 15)	Loans to customers (Note 16)	Total
31 December 2007	170,225	1,913,756	2,083,981
(Recovery of provision)/provision	(29,505)	1,155,893	1,126,388
Recoveries of assets previously written off	<u>-</u>	<u>251</u>	<u>251</u>
31 December 2008	140,720	3,069,900	3,210,620
Provision	35,311	2,408,310	2,443,621
Write-off of assets	(176,031)	(93,968)	(269,999)
Recoveries of assets previously written off	<u>-</u>	<u>19,140</u>	<u>19,140</u>
31 December 2009	<u>-</u>	<u>5,403,382</u>	<u>5,403,382</u>

The movements in other allowances were as follows:

	Other assets (Note 18)	Guarantees (Note 26)	Total
31 December 2007	262,832	17,641	280,473
Provision/(recovery of provision)	1,826	(12,025)	(10,199)
Write-off of assets	<u>(52)</u>	<u>-</u>	<u>(52)</u>
31 December 2008	264,606	5,616	270,222
Provision	<u>58,418</u>	<u>40,494</u>	<u>98,912</u>
31 December 2009	<u>323,024</u>	<u>46,110</u>	<u>369,134</u>

6 NET GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2009	Year ended 31 December 2008
Net gain on financial assets held for trading	507,969	199,237
Net loss on operations with derivative financial instruments	<u>-</u>	<u>(48,511)</u>
Total net gain on financial assets and liabilities at fair value through profit or loss	<u>507,969</u>	<u>150,726</u>
Net gain on financial assets held for trading comprise:		
Realized gain on trading operations	566,255	218,788
Dividends received	1,105	33
Fair value adjustment	<u>(59,391)</u>	<u>(19,584)</u>
Total net gain on operations with financial assets held for trading	<u>507,969</u>	<u>199,237</u>

7 NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2009	Year ended 31 December 2008
Dealing, net	414,011	268,036
Translation differences, net	<u>179,810</u>	<u>22,122</u>
Total net gain on foreign exchange operations	<u>593,821</u>	<u>290,158</u>

8 FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income and expense comprise:

	Year ended 31 December 2009	Year ended 31 December 2008
Fee and commission income:		
Settlements	78,589	50,707
Foreign exchange operations	58,624	32,800
Bank guarantees issued	54,697	114,097
Cash operations	40,386	39,415
Opening and maintaining customer accounts	4,425	3,080
Other	2,436	1,553
Total fee and commission income	239,157	241,652
Fee and commission expense:		
Letters of credit	4,002	27,094
Settlements	3,001	1,410
Card account services	2,194	1,730
Information services and amendments	1,041	807
Brokerage services	602	8
Cash services	194	376
Other	341	517
Total fee and commission expense	11,375	31,942

9 OTHER INCOME

Other income comprises:

	Year ended 31 December 2009	Year ended 31 December 2008
Recovery of utility payments	6,553	8,103
Income from derecognition of financial liability expired	4,028	-
Net gain on sale of property and equipment	1,236	-
Payment of obligatory insurance	530	-
Recovery of accrued expenses of previous years	-	1,537
Other	23	61
Total other income	12,370	9,701

10 OPERATING EXPENSES

	Year ended 31 December 2009	Year ended 31 December 2008
Salary and bonuses	624,014	512,374
Depreciation and amortization	154,460	172,140
Security expenses	98,640	89,835
Impairment of property and equipment	92,427	-
Telecommunications	89,112	79,999
Charity and sponsorship expenses	84,989	35,110
Business trip expenses	57,992	57,887
Rent expenses	53,409	47,622
Social tax	51,603	28,790
Professional services	46,254	37,460
Value added tax	37,173	35,925
Property and equipment maintenance	32,713	23,377
Transportation expenses	28,899	43,440
Taxes, other than income tax	23,161	15,477
Advertising costs	10,357	8,028
Training and information services	9,319	24,217
Representative expenses	6,485	6,806
Mail and courier expenses	5,103	1,285
Stationery	3,601	2,888
Insurance expenses	854	2,192
Other expenses	18,356	29,571
Total operating expenses	<u>1,528,921</u>	<u>1,254,423</u>

11 INCOME TAX

The Bank provides for taxes for the current period based on the tax accounts maintained and prepared in accordance with the tax regulations of the Republic of Kazakhstan which may differ from International Financial Reporting Standards.

The Bank is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2009 and 2008 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

In November 2008, an amendment to the Tax Code was enacted to reduce the corporate income tax rate from 30% to 20% effective from 1 January 2009. Current year Kazakhstani income tax is measured at 20% (2008: 30%) of the estimated assessable profit for the year. Starting from December 2008 deferred taxes are measured at the rates expected to apply to the period when the asset is realized or liability is settled.

Temporary differences as at 31 December 2009 and 2008 comprise:

	31 December 2009	31 December 2008
Taxable temporary differences:		
Property, equipment and intangible assets	553,835	355,240
Unrealized income from revaluation of securities	10,629	-
Provisions for vacations and bonuses on year results	(3,398)	(33,908)
Total taxable temporary differences	<u>561,066</u>	<u>321,332</u>
Net deferred taxable temporary differences	(561,066)	(321,332)
Net deferred tax liability at statutory tax rate (20%)	<u>(112,213)</u>	<u>(64,266)</u>
Net deferred tax liabilities	(112,213)	(64,266)
Less: Opening balance of net deferred income tax liability	64,266	107,556
Adjustment of net deferred income tax liability from revaluation of property and equipment charged to other comprehensive income	39,848	-
Adjustment of net deferred income tax liability from reduction in income tax rate charged to other comprehensive income	-	(32,250)
Deferred tax (expense)/benefit related to the origination and reversal of temporary differences	<u>(8,099)</u>	<u>11,040</u>

Reconciliation between income tax expense and accounting profit for the years ended 31 December 2009 and 2008 is as follows:

	Year ended 31 December 2009	Year ended 31 December 2008
Profit before income tax	<u>545,360</u>	<u>773,920</u>
Tax at the statutory tax rate (20% for 2009 and 30% for 2008)	109,072	232,176
Effect of change in tax rate	-	116
Correction of prior years corporate income tax	(11,231)	72,601
Tax effect of permanent differences	<u>149,799</u>	<u>80,454</u>
Income tax expense	<u>247,640</u>	<u>385,347</u>
Current income tax expense	250,772	323,786
Correction of prior years corporate income tax	(11,231)	72,601
Increase/(decrease) of deferred tax liabilities	<u>8,099</u>	<u>(11,040)</u>
Income tax expense	<u>247,640</u>	<u>385,347</u>
Deferred tax liabilities	2009	2008
As at 1 January	64,266	107,556
Adjustment of net deferred income tax liability from reduction in income tax rate charged to other comprehensive income	-	(32,250)
Adjustment of net deferred income tax liability from revaluation of property and equipment charged to other comprehensive income	39,848	-
Change in deferred income tax balances recognized in profit or loss	<u>8,099</u>	<u>(11,040)</u>
As at 31 December	<u>112,213</u>	<u>64,266</u>

12 EARNINGS PER SHARE

	Year ended 31 December 2009	Year ended 31 December 2008
Profit:		
Net income	<u>297,720</u>	<u>388,573</u>
Net profit for the year attributable to ordinary shareholders	<u>297,720</u>	<u>388,573</u>
Weighted average number of ordinary shares for purposes of basic and diluted earnings per share	<u>9,387,662</u>	<u>9,000,000</u>
Basic and diluted earnings per share (KZT)	<u><u>31.71</u></u>	<u><u>43.18</u></u>

13 CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2009	31 December 2008
Balances with the National Bank of the Republic of Kazakhstan	7,540,411	6,706,181
Cash on hand	<u>157,645</u>	<u>215,021</u>
Total cash and balances with the National Bank of the Republic of Kazakhstan	<u><u>7,698,056</u></u>	<u><u>6,921,202</u></u>

The balances with the National Bank of the Republic of Kazakhstan (the "NBRK") as at 31 December 2009 and 2008 include KZT 1,003,487 thousand and KZT 907,028 thousand, respectively, which represents the minimum reserve deposits required by the NBRK. The minimum reserve deposits with the NBRK are not subject to restrictions to its availability and therefore are included in cash and cash equivalents.

Cash and cash equivalents for the purposes of the statement of cash flows comprise the following:

	31 December 2009	31 December 2008
Balances with the National Bank of the Republic of Kazakhstan	7,698,056	6,921,202
Due from banks in OECD countries (Note 31)	<u>324,690</u>	<u>406,924</u>
Total cash and cash equivalents	<u><u>8,022,746</u></u>	<u><u>7,328,126</u></u>

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	31 December 2009	31 December 2008
Financial assets held for trading:		
Debt securities	633,097	2,204,150
Equity securities	<u>407,932</u>	<u>78,886</u>
Total financial assets at fair value through profit or loss	<u><u>1,041,029</u></u>	<u><u>2,283,036</u></u>

Financial assets held for trading comprise:

	31 December 2009		31 December 2008	
	Nominal interest rate	Fair value	Nominal interest rate	Fair value
Debt securities:				
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	3.50 – 7.80	592,339	3.35 – 6.30	2,151,713
JSC “Kazagrofinance”	9.2	40,758	-	-
JSC “Temirbank”	-	-	9.75	52,437
Total debt securities		<u>633,097</u>		<u>2,204,150</u>
	31 December 2009		31 December 2008	
	Ownership interest	Fair value	Ownership interest	Fair value
Equity securities:				
JSC “URANIUM ONE Inc”	0.000300	77,124	-	-
JSC “Uralkalyi”	0.000056	75,136	-	-
JSC “Novolipezkyi metallurgicheskyy kombinat”	0.000027	74,661	-	-
JSC “Integra”	0.000880	70,548	-	-
JSC “Vypelkom”	0.000017	51,182	-	-
JSC “Severstal”	0.000031	43,887	-	-
JSC “Kazakhtelecom”	0.000076	15,394	-	-
Ordinary shares of “Kazakhmys” PLC	-	-	0.0200	41,902
Ordinary shares of “Eurasian Natural Resources Corporation PLC”	-	-	0.0055	36,984
Total equity securities		<u>407,932</u>		<u>78,886</u>
Total financial assets held for trading		<u>1,041,029</u>		<u>2,283,036</u>

As at 31 December 2009 and 2008 accrued interest, included in assets at fair value through profit or loss, amounted to KZT 231 thousand and KZT 2,891 thousand, respectively.

As at 31 December 2009 and 2008 financial assets at fair value through profit or loss included treasury bonds of the Ministry of Finance of the Republic of Kazakhstan pledged under repurchase agreements with other banks amounting to KZT 589,887 thousand and KZT 67,112 thousand, respectively (Note 19). All the agreements have maturity within one month.

15 DUE FROM BANKS

Due from banks comprises:

	31 December 2009	31 December 2008
Time deposits with other banks	244,959	344,252
Correspondent accounts with other banks	184,426	97,868
Loans to banks	-	140,720
	<u>429,385</u>	<u>582,840</u>
Less: allowance for impairment losses	-	(140,720)
Total due from banks	<u>429,385</u>	<u>442,120</u>

Movements in allowances for impairment losses on due from banks for the years ended 31 December 2009 and 2008 are disclosed in Note 5.

As at 31 December 2009 and 2008 accrued interest, included in due from banks, amounted to KZT 10 thousand and KZT 9 thousand, respectively.

As at 31 December 2009 and 2008 the maximum credit risk exposure of loans and advances to banks amounted to KZT 429,385 thousand and KZT 442,120 thousand, respectively.

16 LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2009	31 December 2008
Loans to customers	59,962,461	42,307,312
Overdrafts	-	500,351
	<u>59,962,461</u>	<u>42,807,663</u>
Less: allowance for impairment losses	<u>(5,403,382)</u>	<u>(3,069,900)</u>
Total loans to customers	<u>54,559,079</u>	<u>39,737,763</u>

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2009 and 2008 are disclosed in Note 5.

As at 31 December 2009 and 2008 accrued interest, included in loans to customers, amounting to KZT 4,946,963 thousand and KZT 3,267,004 thousand, respectively.

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2009	31 December 2008
Loans collateralized by real estate and title thereto	31,461,988	23,991,008
Loans collateralized by cash or Kazakhstan Government guarantees	12,604,796	1,432,626
Loans collateralized by shares and bonds of other companies	9,229,929	11,761,997
Loans collateralized by vehicles	3,060,461	2,003,563
Loans collateralized by right for accounts receivable	1,626,938	2,026,057
Loans collateralized by equipment and inventories	926,513	193,767
Loans collateralized by guarantees of enterprises	599,895	376,242
Other collateral	17,719	30,241
Unsecured loans	<u>434,222</u>	<u>992,162</u>
	<u>59,962,461</u>	<u>42,807,663</u>
Less: allowance for impairment losses	<u>(5,403,382)</u>	<u>(3,069,900)</u>
Total loans to customers	<u>54,559,079</u>	<u>39,737,763</u>

	31 December 2009	31 December 2008
Analysis by sector:		
Trading	28,534,298	16,619,665
Construction	16,955,025	13,047,872
Individuals	2,535,353	2,300,911
Transport and communication	2,362,656	343,566
Chemical industry	1,936,542	638,000
Research and development	1,377,880	1,359,000
Machinery construction	1,229,389	878,614
Consulting	1,223,827	-
Energy	1,150,234	3,618,653
Medical instruments production	792,723	-
Real estate	533,626	2,154,014
Computer related activities	254,739	197,184
Manufacturing other non-metal mineral products	98,448	904,633
Investments and finance sector	25,052	52,342
Metallurgy	-	167,883
Agriculture	-	12,603
Other	952,669	512,723
	<u>59,962,461</u>	<u>42,807,663</u>
Less allowance for impairment losses	<u>(5,403,382)</u>	<u>(3,069,900)</u>
Total loans to customers	<u><u>54,559,079</u></u>	<u><u>39,737,763</u></u>

Loans to individuals comprise the following products:

	31 December 2009	31 December 2008
Consumer loans	2,062,369	1,802,650
Mortgage loans	382,464	394,063
Car loans	4,705	7,836
Other	85,815	96,362
	<u>2,535,353</u>	<u>2,300,911</u>
Less: allowance for impairment losses	<u>(1,015,594)</u>	<u>(710,765)</u>
Total loans to individuals	<u><u>1,519,759</u></u>	<u><u>1,590,146</u></u>

As at 31 December 2009 and 2008 the Bank provided loans to 16 and 13 borrowers amounting to KZT 33,026,332 thousand and KZT 25,616,464 thousand, respectively, which individually exceed 10% of the Bank's equity.

As at 31 December 2009 and 2008 99.8% of the portfolio was issued to companies operating in the Republic of Kazakhstan, which represents a significant geographic concentration.

As at 31 December 2009 and 2008 loans to customers included loans amounting to KZT 30,258,027 thousand and KZT 15,430,573 thousand, respectively, whose terms have been renegotiated. These amounts include both impaired and unimpaired loans.

As at 31 December 2009 and 2008 the maximum credit risk exposure of loans to customers amounted to KZT 54,559,079 thousand and KZT 39,737,763 thousand, respectively.

As at 31 December 2009 and 2008 loans to customers before allowance for impairment included loans of KZT 43,588,008 thousand and KZT 35,414,688 thousand, respectively, that were individually determined to be impaired due to worsening of financial status, quality of collateral, overdue in repayment, and prolongation.

The table below summarizes an analysis of loans to customers by impairment

	December 31, 2009			December 31, 2008		
	Carrying value before allowance	Allowance for impairment losses	Carrying value	Carrying value before allowance	Allowance for impairment losses	Carrying value
Loans to customers individually determined to be impaired	43,588,008	(5,403,382)	38,184,626	35,414,688	(3,069,900)	32,344,788
Unimpaired loans	16,374,453	-	16,374,453	7,392,975	-	7,392,975
Total	59,962,461	(5,403,382)	54,559,079	42,807,663	(3,069,900)	39,737,763

17 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Land, buildings and constructions	Computers	Vehicles	Other fixed assets	Intangible assets	Construction in progress	Total
At original / revalued cost							
31 December 2007	775,127	291,044	159,255	124,306	74,321	199,568	1,623,621
Additions	-	5,439	83,198	20,465	23,198	316,128	448,428
Transfers	257,564	-	-	20,790	-	(278,354)	-
Disposals	-	(4,478)	(36,773)	(7,998)	(5,648)	-	(54,897)
31 December 2008	1,032,691	292,005	205,680	157,563	91,871	237,342	2,017,152
Additions	1,822,778	23,306	4,739	25,953	22,049	75,822	1,974,647
Revaluation increase	127,200	-	-	-	-	-	127,200
Impairment	(92,427)	-	-	-	-	-	(92,427)
Transfers	1,158	94	16,456	4,759	-	(22,467)	-
Disposals	(658)	(1,039)	(10,348)	(8,561)	-	(10)	(20,616)
31 December 2009	2,890,742	314,366	216,527	179,714	113,920	290,687	4,005,956
Accumulated depreciation							
31 December 2007	33,721	178,562	56,009	43,556	15,259	-	327,107
Charge for the year	13,586	82,023	44,741	19,384	12,406	-	172,140
Eliminated on disposals	-	(4,190)	(19,241)	(7,439)	(449)	-	(31,319)
31 December 2008	47,307	256,395	81,509	55,501	27,216	-	467,928
Charge for the year	13,867	48,277	54,102	23,681	14,533	-	154,460
Transfers	183	-	-	(183)	-	-	-
Eliminated on disposals	(218)	(781)	(13,139)	(4,831)	-	-	(18,969)
31 December 2009	61,139	303,891	122,472	74,168	41,749	-	603,419
Net book value							
31 December 2009	2,829,603	10,475	94,055	105,546	72,171	290,687	3,402,537
31 December 2008	985,384	35,610	124,171	102,062	64,655	237,342	1,549,224

As at 31 December 2009 and 2008 included in property, equipment and intangible assets were fully depreciated assets of KZT 285,974 thousand and KZT 178,078 thousand, respectively.

As at 31 December 2009 land and buildings owned by the Bank were carried at revalued amounts based on an independent appraiser's report. The carrying value of these land and buildings totaled KZT 1,006,826 thousand. If the buildings were accounted for at historical cost restated according to inflation indices less accumulated depreciation and impairment losses, its carrying value would be KZT 972,053 thousand as at 31 December 2009.

Land and buildings owned by the Bank were revalued by independent appraisers, LLP "Baikos" as at 23 November 2009. Fair value was assessed by using the comparable sales method, which involves analysis of market sales prices for similar real estate property. For residence building, the appraisers applied the following adjustments: adjustment for sales (to offer price), adjustment for additional household outbuildings and adjustment for land size. For valuation of administrative building, the following adjustments were applied: adjustment for sales (to offer price), adjustment for building conditions, adjustment for land size, adjustment for operation life, for location, for difference in designated purpose and structure type.

As at 31 December 2009 The Bank recognized impairment loss from revaluation of property and equipment in amount of KZT 92,427 thousand, as disclosed in Note 10. It includes impairment of land amounting to KZT 82,875 thousand.

18 OTHER ASSETS

	31 December 2009	31 December 2008
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Debtors under guarantees	291,530	237,195
Debtors under the concession agreement	143,873	179,107
Other accounts receivable	18,378	16,034
Accrued commission income	5,670	10,005
Investments in non-marketable securities	200	200
	<u>459,651</u>	<u>442,541</u>
Less: allowance for impairment losses	<u>(317,054)</u>	<u>(262,131)</u>
	<u>142,597</u>	<u>180,410</u>
Other non-financial assets		
Prepayment for purchase of property and equipment	58,708	27,880
Other prepayments	31,234	35,094
Inventory	9,952	14,222
Tax settlements, other than income tax	1,741	9,998
Settlements with employees	604	6,980
	<u>102,239</u>	<u>94,174</u>
Less allowance for impairment losses	<u>(5,970)</u>	<u>(2,475)</u>
	<u>96,269</u>	<u>91,699</u>
Total other assets	<u><u>238,866</u></u>	<u><u>272,109</u></u>

Movements in allowances for impairment losses on other assets for the years ended 31 December 2009 and 2008 are disclosed in Note 5.

19 DUE TO BANKS

	31 December 2009	31 December 2008
Recorded at amortized cost:		
Loans under repurchase agreements	532,012	62,622
Time deposits of banks and other financial institutions	<u>53</u>	<u>721,027</u>
Total due to banks	<u><u>532,065</u></u>	<u><u>783,649</u></u>

As at 31 December 2009 and 2008 accrued interest included in due to banks, amounting to KZT 15 thousand and KZT 1,691 thousand, respectively.

As at 31 December 2008 due to banks amounted to KZT 721,027 thousand (92.01%), were due to 2 banks, which represents significant concentration.

All loans under repurchase agreements have maturity within one month.

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2009 and 2008 comprise:

	31 December 2009		31 December 2008	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Short-term bonds of Ministry of Finance of the Republic of Kazakhstan	<u>532,012</u>	<u>589,887</u>	<u>62,622</u>	<u>67,112</u>
Total	<u><u>532,012</u></u>	<u><u>589,887</u></u>	<u><u>62,622</u></u>	<u><u>67,112</u></u>

20 CUSTOMER ACCOUNTS

Customer accounts comprise:

	31 December 2009	31 December 2008
Recorded at amortized cost:		
Current / settlement accounts and deposits on demand	14,731,607	9,844,817
Deposits as collateral on loans issued	13,791,703	1,925,961
Long-term deposits	4,672,116	9,011,615
Short-term deposits	4,572,075	1,071,270
Deposits – guarantees	<u>151,499</u>	<u>1,318,984</u>
Total customer accounts	<u><u>37,919,000</u></u>	<u><u>23,172,647</u></u>

As at 31 December 2009 and 2008 customer accounts included accrued interest amounting to KZT 656,658 thousand and KZT 216,821 thousand, respectively.

As at 31 December 2009 and 2008 customer accounts amounting to KZT 34,461,675 thousand (91%) and KZT 18,938,621 thousand (82%), respectively, were due to 13 and 11 customers, which represents significant concentration.

	31 December 2009	31 December 2008
Analysis by sector:		
Energy	14,765,759	2,156,421
Transport and communication	5,137,478	29,614
Trade	4,814,047	7,941,608
Finance sector	4,689,065	8,214,066
Mining and metallurgy	3,984,697	2,242,420
Agriculture	2,448,433	-
Construction	1,148,603	1,930,253
Research and development	404,719	299,625
Culture and art	358,724	38,942
Information equipment	33,934	-
Real estate	28,020	1,274
Manufacturing other non-metal mineral products	26,909	33,133
State management	26,847	61,545
Services	24,132	178,526
Machinery construction	11,544	3,572
Other	16,089	41,648
Total customer accounts	37,919,000	23,172,647

21 DEBT SECURITIES ISSUED

Debt securities issued comprise:

	Maturity Date	Interest rate, %	31 December 2009	31 December 2008
Bonds of 1st issue	November 2013	9.0	9,689,023	9,737,524
Bonds of 2nd issue	June 2012	9.0	5,446,961	4,323,549
Total debt securities issued			15,135,984	14,061,073

As at 31 December 2009 and 2008 debt securities issued include accrued interest amounting to KZT 152,197 thousand and KZT 145,542 thousand, respectively.

22 OTHER BORROWED FUNDS

Other borrowed funds comprise:

	Currency of instrument	Maturity date	Interest rate, %	31 December 2009	Interest rate, %	31 December 2008
Credit line from the World Bank (technical support)	USD	September 2010	4.84	5,616	4.84	9,607
Astana Holding Corporation LLP	KZT	July 2007	-	-	-	4,028
Total other borrowed funds				5,616		13,635

On 26 April 1996 the Bank entered into the loan agreement for USD 500,000 with the Ministry of Finance of the Republic of Kazakhstan on the credit line from the World Bank. The amount was used for purchase of computers, equipment, software and consulting services to implement the Bank's computerization plan. The maturity of the loan is 1 September 2010.

23 OTHER LIABILITIES

Other liabilities comprise:

	31 December 2009	31 December 2008
Other financial liabilities:		
Creditors on documentary settlements	190,119	418,689
Reserves on vacations	34,409	30,585
Accrued expenses	6,694	10,441
Settlements with employees	5,975	35,675
Accounts payable	2,969	7,302
	<u>240,166</u>	<u>502,692</u>
Other non-financial liabilities:		
Provisions for losses on contingent liabilities	46,110	5,616
Prepaid commissions for guarantees issued	27,070	2,094
Taxes other than income tax	13,443	44,386
Other	-	1,045
	<u>86,623</u>	<u>53,141</u>
Total other liabilities	<u>326,789</u>	<u>555,833</u>

Movements in provision for guarantees and other commitments for the years ended 31 December 2009 and 2008 are disclosed in Note 5.

24 SUBORDINATED DEBT

	Currency	31 December 2009	31 December 2008
Discounted value of guaranteed dividends on preferred shares	KZT	1,818,128	1,818,128
Dividends accrued on preferred shares	KZT	198,028	200,000
		<u>2,016,156</u>	<u>2,018,128</u>

In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

25 SHARE CAPITAL

The Bank's share capital comprise:

	31 December 2009		31 December 2008	
	Number of shares	Amount	Number of shares	Amount
Ordinary shares	9,480,612	9,559,062	9,200,000	9,200,000
Preferred shares	1,980,274	361,249	2,000,000	381,872
Total share capital	<u>11,460,886</u>	<u>9,920,311</u>	<u>11,200,000</u>	<u>9,581,872</u>

The table below represents the change in the number of shares in circulation for the years ended 31 December 2009 and 2008:

	Preferred shares	Ordinary shares
31 December 2007	2,000,000	9,000,000
Issue of shares	-	200,000
31 December 2008	2,000,000	9,200,000
Issue of shares	-	500,000
Repurchase of shares	(19,726)	(219,388)
31 December 2009	<u>1,980,274</u>	<u>9,480,612</u>

The dividends declared during 2009 and 2008 on preferred shares amounted to KZT 100 and KZT 100 per share, respectively.

Preferred shares are compound instruments that contain both liability and equity elements. Initial carrying amount of a compound financial instrument amounting to KZT 2,000,000 thousand is allocated to its equity and liability components. The equity component is assigned the residual amount of KZT 381,872 thousand after deducting from the fair value of the instrument as a whole, the amount separately determined for the liability component in amount of 1,818,128, as disclosed in Note 24.

As at 31 December 2009 and 2008 property and equipment revaluation reserve includes increase arising on the revaluation of land and buildings amounting to KZT 455,562 thousand and KZT 534,852 thousand, respectively, net of deferred tax effect.

26 FINANCIAL COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Bank's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Bank uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance financial instruments.

Provision for losses on financial contingent liabilities amounted to KZT 46,110 thousand and KZT 5,616 thousand as at 31 December 2009 and 2008, respectively.

Movements in provisions for financial contingent liabilities and other commitments for the years ended 31 December 2009 and 2008 are disclosed in Note 5.

As at 31 December 2009 and 2008 contingent liabilities comprise:

	31 December 2009	31 December 2008
Contingent liabilities and credit commitments		
Guarantees issued and similar commitments	3,384,381	222,171
Letters of credit and other transaction related contingent obligations	-	398,607
Commitments on loans and unused credit lines	<u>8,015,228</u>	<u>6,914,143</u>
	11,399,609	7,534,921
Less allowance for impairment losses	<u>(46,110)</u>	<u>(5,616)</u>
Total contingent liabilities and credit commitments	<u><u>11,353,499</u></u>	<u><u>7,529,305</u></u>

Extension of loans to customers within credit line limits is approved by the Bank on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

Capital commitments

The Bank had no material commitments for capital expenditure outstanding as at 31 December 2009 and 2008.

Operating lease commitments

No material operating lease commitments were outstanding as at 31 December 2009 and 2008.

Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these financial statements.

Taxes

Due to the presence in Kazakhstani tax legislation of provisions allowing more than one interpretation, the tax authorities can make decisions based on their own arbitrary judgment. It often requires the taxpayer to defend its interests in the court due to an interpretation of tax law by the tax authorities differing from the taxpayer's position. It should be noted that for the purpose of interpreting the activity of the Bank the tax authorities can, in particular, use explanations of the court bodies fixing notions of "unreasonable tax benefit" and "actual economic sense of an operation" and the criterion of "business purpose" of the deal.

Such uncertainty may relate to the valuation of financial instruments and determination of the market level for the pricing of deals. It can also lead to interpretation by tax authorities of arising temporary tax differences on formation and recovery of provisions for possible losses on loans and liability equated to borrowing as an understatement of the taxable basis. The management of the bank believes that it provided for all the required tax accruals and, accordingly, no allowances are required in the financial statements.

Tax authorities can audit tax reports for the last five years. However, conducting a tax audit does not mean that the superior tax authority cannot conduct a recurring audit. In addition, according to explanations of the judicial bodies the period for which the tax reports can be audited can be recovered in principle, if the court recognizes the fact of impeding the audit by the tax authorities.

Operating environment

The Bank's principal business activities are within the Republic of Kazakhstan. Laws and regulations affecting the business environment in Kazakhstan are subject to rapid changes and the Bank's assets and operations could be at risk due to negative changes in the political and business environment.

Although in recent years there has been a general improvement in economic conditions in Kazakhstan, the country continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

As a result, laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the country are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of the country is largely dependent upon the effectiveness of economic, fiscal and monetary measures undertaken by the government, together with legal, regulatory, and political developments.

Ongoing global liquidity crisis

The financial markets, both globally and in the Republic of Kazakhstan, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets and the strength of counterparties. As such, many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

While many countries, including Kazakhstan, have recently reported an improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or from a decline in the oil and gas prices could slow or disrupt the Kazakhstan economy, adversely affect the Bank's access to capital and cost of capital for the Bank and its business, results of operations, financial condition and prospects.

While the Kazakhstan government has introduced a range of stabilization measures aimed at providing liquidity to Kazakhstani banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Bank and its counterparties, which could affect the Bank's financial position, results of operations and business prospects.

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

Recoverability of financial assets

As a result of recent economic turmoil in capital and credit markets globally, and the consequential economic uncertainties existing as at reporting date, there exists the potential that assets may not be recovered at their carrying amount in the regular course of business.

As at 31 December 2009, the Bank has financial assets amounting to KZT 63,870,146 thousand (as at 31 December 2008: KZT 49,564,531 thousand). The recoverability of these financial assets depends to a large extent on the efficacy of the fiscal measures and other measures and other actions, beyond the Bank's control, undertaken within various countries to achieve economic stability and recovery. The recoverability of the Bank's financial assets is determined based on conditions prevailing and information available as at reporting date. It is the management's opinion that no additional provision on financial assets is needed at present, based on prevailing market conditions and available information.

Devaluation of national currency

During 2008 the National Bank of the Republic of Kazakhstan supported exchange rate of the national currency to US Dollar in the range between 117 KZT to 1 US Dollar to 123 KZT to 1 US Dollar. On 4 February 2009 the NBRK announced a change to the supported level of exchange rate to around 150 KZT to 1 US Dollar.

Due to the fact that the Bank operates in the Republic of Kazakhstan and has certain assets and liabilities in foreign currencies, the financial position and the results of operations of the Bank were influenced by a change in the exchange rates.

27 TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures", represent:

- (a) Parties that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with the Bank. (This includes holding companies, subsidiaries and fellow subsidiaries); own packages of shares of the Bank which allow them to exercise significant influence on operations of the Bank; and which have joint control over the Bank;
- (b) Associates – enterprises in which the Bank has significant influence and which is neither a subsidiary nor a joint venture of the investor;
- (c) Joint ventures in which the Bank is a venturer;
- (d) Members of key management personnel of the Bank or its parent;
- (e) Close members of the family of any individuals referred to in (a) or (d);
- (f) Parties that are entities controlled, jointly controlled or significantly influenced by, or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e).
- (g) Post-employment benefit plans for the benefit of employees of the Bank, or of any entity that is a related party of the Bank.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding as at 31 December 2009 and 2008 with related parties:

	31 December 2009		31 December 2008	
	Related party balances financial	Total category as per financial statements caption	Related party balances	Total category as per statements caption
Loans to customers	830,755	59,962,461	2,110,812	42,807,663
- the parent	-		281,557	
- entities under common control	830,755		1,829,255	
Allowance for impairment losses on loans to customers	(1,181)	(5,403,382)	(12,795)	(3,069,900)
- entities under common control	(1,181)		(12,795)	
Other assets	105	238,866	638	272,109
- entities under common control	105		638	
Customer accounts	19,298,895	37,919,000	2,359,045	23,172,647
- the parent	2,607,148		16,139	
- entities under common control	16,691,747		2,342,906	
Commitments on loans and unused credit lines	1,240,619	8,015,228	589,593	6,914,143
- the parent			349,444	
- entities under common control	1,240,619		240,149	
Guarantees issued and other similar commitments	17,964	3,384,381	22,856	222,171
- entities under common control	17,964		22,856	

	31 December 2009		31 December 2008	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Key management personnel compensation:				
Short-term compensation	<u>186,250</u>	<u>624,014</u>	<u>136,274</u>	<u>512,374</u>
Total	<u>186,250</u>	<u>624,014</u>	<u>136,274</u>	<u>512,374</u>

As at 31 December 2009 JSC "Central Asian Energy Company" placed a deposit with the Bank in the amount of KZT 2,800,000 thousand.

As at 31 December 2009 JSC "Central Asian Heating Energy Company" placed a deposit with the Bank in the amount of KZT 2,523,342 thousand.

As at 31 December 2009 JSC "SevKazEnergo" placed a deposit with the Bank in the amount of KZT 2,000,000 thousand.

As at 31 December 2009 and 2008 JSC "Pavlodarenergoservice" has a deposit with the Bank in the amount of KZT 2,508,376 and KZT 1,375,287 thousand.

The following amounts are included in the income statement for the years ended 31 December 2009 and 2008 which arose due to transactions with related parties:

	Year ended 31 December 2009		Year ended 31 December 2008	
	Related party transactions financial	Total category as per financial statements caption	Related party transactions	Total category as per statements caption
Interest income	34,711	7,126,567	277,217	5,067,517
-the parent	-		61,257	
- entities under common control	34,711		215,960	
Interest expense	(1,015,299)	(3,851,695)	(166,469)	(2,583,280)
»the parent	(231,785)			
- entities under common control	(783,514)		(166,469)	
Provision for impairment losses on interest bearing assets	(22,091)	(2,443,621)	(51,045)	(1,126,388)
• the parent	-		(8,250)	
- entities under common control	(22,091)		(42,795)	
Fee and commission income	33,019	239,157	15,030	241,652
-the parent	7,351		8,993	
- entities under common control	25,668		6,037	
Operating expenses	(38,252)	(1,528,921)	(224,019)	(1,254,423)
-the parent	(2,957)		(3,312)	
- entities under common control	(35,295)		(220,707)	

28 SEGMENT REPORTING

The Bank currently does not identify separate operating segments in its activity and considers management information on income and expenses for the year ended 31 December 2009 as a whole. It is caused by the fact that the bank's income is mainly generated by servicing corporate clients, the share of other operating segments being immaterial in the total scope of bank's operations.

Since currently the Bank does not have a license for servicing individuals by opening and maintaining customer accounts. The Bank services individuals only in the form of lending to its employees and employees of entities that are under common control with the Bank. As at 31 December 2009 the portfolio of loans issued to individuals amounted to KZT 2,535,359 thousand and KZT 2,300,911 thousand, respectively. Thus the share of loans to individuals amounts to 4.65% and 5.79%, respectively, of the Bank's total loan portfolio.

As at 31 December 2009 and 2008, the Bank's investments in financial instruments at fair value through profit or loss amounted to KZT 1,041,029 thousand and KZT 2,283,036 thousand, respectively, which makes up to 1.55% and 4.45%, respectively, of the total assets of the Bank.

The structure of the investments in financial instruments at fair value through profit or loss of the Bank is as follows:

	31 December 2009	31 December 2008
Debt securities of the Ministry of Finance of RK	592,339	2,151,713
Debt securities of Kazakh companies	40,758	52,437
Equity securities of other companies	<u>407,932</u>	<u>78,886</u>
Total	<u>1,041,029</u>	<u>2,283,036</u>

As at 31 December 2009 and 2008 the Bank has no investments in available-for-sale and held to maturity financial investments.

More than 90% of the Bank operations are conducted within the Republic of Kazakhstan.

29 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities that are not carried at fair value in the statement of financial position compared with the corresponding carrying value in the financial statements of the Bank is presented below:

	31 December 2008		31 December 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
Due to banks	532,065	589,940	783,649	783,392
Debt securities issued	15,135,984	11,902,501	14,061,073	12,102,007
Subordinated debt	2,016,156	2,098,790	2,018,128	1,628,569

The carrying value of cash and balances with the National Bank of the Republic of Kazakhstan and due from banks approximates their fair value due to short-term nature of these financial instruments.

As at 31 December 2009 and 2008 fair value of loans to customers with carrying value of KZT 54,559,079 thousand and KZT 39,737,763 thousand, respectively, and customer accounts with carrying value of KZT 37,919,000 thousand and KZT 23,172,647 thousand, respectively, cannot be reliably measured. Fair value information of these financial instruments has not been disclosed, as it is not practicable to estimate their fair value.

Financial instruments recognized at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs as follows:

- Quoted prices in an active market (Level 1) – Valuations based on quoted prices in active markets that the Bank has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products does not entail a significant amount of judgment.
- Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.
- Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Bank's valuation approach and fair value hierarchy categorisation for certain significant classes of financial instruments recognized at fair value is as follows:

	31 December 2009 Quoted prices in active market Level 1	31 December 2008 Quoted prices in active market Level 1
Financial assets at fair value through profit or loss	1,041,029	2,283,036

30 CAPITAL RISK MANAGEMENT

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the FMSA in supervising the Bank.

During the years ended at 31 December 2009 and 2008, the Bank had complied in full with all its externally imposed capital requirements.

The capital structure of the Bank consists of debt, which includes subordinated debt disclosed in Note 24, and equity, comprising issued capital, reserves and retained earnings as disclosed in statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the overall capital structure is balanced through payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

The general policy of the Bank regarding risks relating to capital management remains unchanged from 2008.

The ratio was calculated according to the principles employed by the Basel Committee by applying the following risk estimates to the assets and off-balance sheet commitments net of allowances for impairment losses:

	2009	2008
Movement in tier 1 capital:		
At 1 January	9,761,088	8,983,938
Increase in shares	338,439	200,000
Change in reserves	396,634	577,150
	<hr/>	<hr/>
At December 31	<u>10,496,161</u>	<u>9,761,088</u>

	31 December 2009	31 December 2008
Composition of regulatory capital:		
Tier 1 capital:		
Share capital	9,920,311	9,581,872
Disclosed reserves	1,110,702	634,778
Less: Revaluation reserve	<u>(534,852)</u>	<u>(455,562)</u>
Total qualifying tier 1 capital	10,496,161	9,761,088
Revaluation reserve	534,852	455,562
Subordinated debt	1,818,128	1,818,128
Loans, guarantees and corporate guarantees to shareholders and other related parties	<u>(847,538)</u>	<u>(2,120,873)</u>
Total regulatory capital	<u>12,001,603</u>	<u>9,913,905</u>
Capital Ratios:		
Tier 1 capital	19,68%	18,25%
Total capital	22,51%	18,53%

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

As at 31 December 2009 and 2008 the Bank included subordinated debt, limited to 50% of Tier 1 capital, in the computation of Total capital for Capital adequacy purposes. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

31 RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's business. The main risks inherent to the Bank's operations are as follows:

- credit risk,
- liquidity risk,
- market risk.

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. Through the risk management framework, the Bank manages the following risks:

Credit risk

The Bank is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Bank's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the branch risk-manager or the Risk Management Department. Daily risk management is performed by the Head of Credit Departments and Branch Credit Divisions.

The Bank structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. Limits on the level of credit risk by a borrower and a product (by industry sector, by region) are approved quarterly by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Bank obtains collateral and corporate and personal guarantees but a significant portion is personal lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Bank monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum Exposure of credit risk

Maximum size of credit risk of the Bank can significantly vary depending on individual risks inherent in certain assets and general market risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the balance sheet, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. The Bank's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 December 2009 Net exposure after offset and collateral
Financial assets at fair value through profit or loss	1,041,029	-	1,041,029	-	1,041,029
Due from banks	429,385	-	429,385	-	429,385
Loans to customers	54,559,079	-	54,559,079	(36,430,617)	18,128,462
Other financial assets	142,597	-	142,597	-	142,597

	Maximum exposure	Offset	Net exposure after offset	Collateral Pledged	31 December 2008 Net exposure after offset and collateral
Financial assets at fair value through profit or loss	2,283,036	-	2,283,036	-	2,283,036
Due from banks	442,120	-	442,120	-	442,120
Loans to customers	39,737,763	-	39,737,763	(29,652,455)	10,085,308
Other financial assets	180,410	-	180,410	-	180,410

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency such as Fitch, Standard & Poor's and Moody's. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

As of 31 December 2009 and 2008 the balances with the National Bank of the Republic of Kazakhstan amounted to KZT 7,540,411 thousand and KZT 6,706,181 thousand, respectively. The credit rating of the Republic of Kazakhstan according to the international rating agencies in 2009 corresponded to investment level BBB.

The following is the classification of financial assets of the Bank by credit ratings:

	AA	A	BBB	<BBB	Credit rating unassigned	31 December 2009 Total
Financial assets at fair value through profit or loss	-	-	718,182	59,281	263,566	1,041,029
Due from banks	277,416	47,274	103,834	861	-	429,385
Loans to customers	-	-	-	-	54,559,079	54,559,079
Other financial assets	-	-	-	-	142,597	142,597
	AA	A	BBB	<BBB	Credit rating unassigned	31 December 2008 Total
Financial assets at fair value through profit or loss	-	-	2,151,713	52,437	78,886	2,283,036
Due from banks	118	406,782	20,489	14,731	-	442,120
Loans to customers	-	-	-	-	39,737,763	39,737,763
Other financial assets	-	-	-	-	180,410	180,410

The banking industry is generally exposed to credit risk through its loans to customers and inter bank deposits. With regard to the loans to customers this risk exposure is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Bank's risk management policy are not breached.

Classification of loans to customers by types is performed in accordance with Rules of Classification of assets, contingent liabilities and creation of loan loss allowance, approved by the Order # 226 of the Board of Management of the FMSA, dated 25 December 2006 and internal rules of assets classification.

Rating of customers is formed by using the number of points assigned to customers. The number of points is calculated based on the following factors: financial position of customers, overdue of payments, quality of collateral, number of prolongation, other overdue liabilities, share of funds used not for the stated purpose, write-off of liabilities against other creditors, availability of the rating of the customer.

Loans to customers are classified based on internal assessments and other information. Loans are classified according to their risk and the exposure that they potentially present to the Bank, and this classification is verified by the Risk Management function. At present, the Risk Management function uses classifications as follows:

Standard loans – The financial condition of the borrower is assessed as stable and there is no indication of any external or internal factors to suggest that the financial condition of the borrower has deteriorated. In case there are some minor negative indicators, the Bank has confidence that the borrower will be able to cope with such (temporary) difficulties. Interest and principal are repaid in full and in a timely fashion. The borrower is considered as having the ability to repay the loan in accordance with its terms and conditions. Security provided for the loan must cover at least 100 per cent of the outstanding amount, not less than 75 per cent in case of highly liquid collateral (which may include a Government guarantee, bank guarantee with an individual rating not lower than AA - from one of the rating agencies, corporate guarantee with an individual rating not lower than AA, cash collateral, Government securities or precious metals, the value of which covers 100 per cent of the exposure).

Doubtful 1st category – There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. The borrower repays the loan principal and the interest without delay and in full. The value of collateral covers at least 50 per cent of the Bank's exposure.

Doubtful 2nd category – There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. However, due to temporary difficulties the borrower repays the loan with delays and/or not in full. The value of collateral covers at least 50 per cent of the Bank's exposure.

Doubtful 3rd category – There is evidence of a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower can be considered unstable and raises concerns as to the ability of the borrower to improve its current financial performance, thus casting doubt on the borrower's ability to repay the loan and the interest in full. However, despite severe deterioration of financial health the borrower manages to repay the loan and interest in full and without delay. The value of collateral covers at least 50 per cent of the Bank's exposure.

Doubtful 4th category – There is evidence of a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower can be considered unstable and raises concerns as to the ability of the borrower to stabilize and improve its current financial performance and impairs the borrower's ability to repay the loan and the interest in full. The borrower repays the loan late and/or not in full. The value of collateral covers at least 50 per cent of the Bank's exposure.

Doubtful 5th category – The deterioration in the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position, negative equity and it is probable that the borrower will be unable to repay the loan and the interest in full. The quality of collateral can be classified as satisfactory (normally not highly liquid but covering not less than 100 per cent of the borrower's outstanding debt) or unsatisfactory (the value of which covers nearly but not less than 50 per cent of the borrower's outstanding debt).

Loss – In the absence of any information to the contrary, the borrower's financial condition and operations have reached the point where it is evident that the borrower cannot repay the loan and the collateral value is negligible. The loan is uncollateralized or the value of the collateral covers less than 50 per cent of the borrowers' outstanding debt.

	31 December 2009	31 December 2008
Standard loans	16,374,452	7,389,073
Doubtful 1st category	18,346,051	28,220,835
Doubtful 2nd category	13,942,152	2,499,121
Doubtful 3rd category	5,599,069	1,180,250
Doubtful 4th category	1,600,026	1,871,118
Doubtful 5th category	2,548,436	1,091,373
Loss	1,552,275	555,893
	<u>59,962,461</u>	<u>42,807,663</u>
Less – Allowance for loan impairment (Note 5)	<u>(5,403,382)</u>	<u>(3,069,900)</u>
Loans to customers	<u>54,559,079</u>	<u>39,737,763</u>

The following table details the ageing of financial assets that are past due but not impaired:

	Neither past due nor impaired	Financial assets past due but not impaired				Financial assets that have been impaired	31 December 2009 Total
		0-3 months	3-6 Months	6 months to 1 year	Greater than one year		
Financial assets at fair value through profit or loss	1,041,029	-	-	-	-	-	1,041,029
Due from banks	429,385	-	-	-	-	-	429,385
Loans to customers	16,374,453	-	-	-	-	38,184,626	54,559,079
Other financial assets	5,870	-	-	-	-	136,727	142,597

	Neither past due nor impaired	Financial assets past due but not impaired				Financial assets that have been impaired	31 December 2008 Total
		0-3 months	3-6 Months	6 months to 1 year	Greater than one year		
Financial assets at fair value through profit or loss	2,283,036	-	-	-	-	-	2,283,036
Due from banks	442,120	-	-	-	-	-	442,120
Loans to customers	7,392,975	-	-	-	-	32,344,788	39,737,763
Other financial assets	10,212	-	-	-	-	170,198	180,410

Geographical concentration

The Assets and Liabilities Management Committee (“ALMC”) exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Bank’s activity. This approach allows the Bank to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan.

The geographical concentration of financial assets and liabilities is set out below:

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2009 Total
FINANCIAL ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	7,698,056	-	-	7,698,056
Financial assets at fair value through profit or loss	648,491	77,124	315,414	1,041,029
Due from banks	861	324,690	103,834	429,385
Loans to customers	54,543,139	-	15,940	54,559,079
Other financial assets	142,597	-	-	142,597
TOTAL FINANCIAL ASSETS	63,033,144	401,814	435,188	63,870,146
FINANCIAL LIABILITIES:				
Due to banks	532,065	-	-	532,065
Customer accounts	37,897,328	10,705	10,967	37,919,000
Debt securities issued	15,135,984	-	-	15,135,984
Other borrowed funds	5,616	-	-	5,616
Other financial liabilities	240,136	-	30	240,166
Subordinated debt	2,016,156	-	-	2,016,156
TOTAL FINANCIAL LIABILITIES	55,827,285	10,705	10,997	55,848,987
NET POSITION	7,205,859	391,109	424,191	

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2008 Total
FINANCIAL ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	6,921,202	-	-	6,921,202
Financial assets at fair value through profit or loss	2,204,150	78,886	-	2,283,036
Due from banks	14,731	406,924	20,465	442,120
Loans to customers	39,609,935	121,812	6,016	39,737,763
Other financial assets	180,410	-	-	180,410
TOTAL FINANCIAL ASSETS	48,930,428	607,622	26,481	49,564,531
FINANCIAL LIABILITIES:				
Due to banks	783,649	-	-	783,649
Customer accounts	23,146,291	24,086	2,270	23,172,647
Debt securities issued	14,061,073	-	-	14,061,073
Other borrowed funds	13,635	-	-	13,635
Other financial liabilities	104,085	398,607	-	502,692
Subordinated debt	2,018,128	-	-	2,018,128
TOTAL FINANCIAL LIABILITIES	40,126,861	422,693	2,270	40,551,824
NET POSITION	8,803,567	184,929	24,211	

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The ALMC controls these types of risks by means of maturity analysis, determining the Bank's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Bank performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Further is analysis of liquidity and interest rate risks:

- (a) term to maturity of financial liabilities, that are not derivatives, calculated for non-discounted cash flows on financial liabilities (main debt and interests) on the earliest date, when the Bank will be liable to redeem the liability,
- (b) term to maturity of financial liabilities, that are derivatives, calculated for non-discounted cash flows on financial liabilities on the earliest date, when the Bank will be liable to redeem the liability, and
- (c) estimated term till maturity of financial assets, that are not derivatives, calculated for non-discounted cash flows on financial assets (including interests), which will be received on these assets based on contractual terms of maturity, except the cases when the Bank expects that cash flows will be received in the different time.

An analysis of the liquidity and interest rate risks is presented in the following table. The presentation below is based upon the information provided internally to key management personnel of the entity.

	Up to 1 month	1 month to 3 months	3 months - 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
FINANCIAL ASSETS:							
Financial assets at fair value through profit or loss	1,041,029	-	-	-	-	-	1,041,029
Due from banks	348,793	-	-	-	-	-	348,793
Loans to customers	2,093,555	5,508,712	17,105,923	27,325,132	2,525,757	-	54,559,079
Total interest bearing financial assets	3,483,377	5,508,712	17,105,923	27,325,132	2,525,757	-	55,948,901
Cash and balances with the National Bank of the Republic of Kazakhstan	7,698,056	-	-	-	-	-	7,698,056
Due from banks	80,592	-	-	-	-	-	80,592
Other financial assets	3,940	7,880	36,921	93,656	-	200	142,597
TOTAL FINANCIAL ASSETS	11,265,965	5,516,592	17,142,844	27,418,788	2,525,757	200	63,870,146
FINANCIAL LIABILITIES:							
Due to banks	532,012	53	-	-	-	-	532,065
Customer accounts	5,344,223	1,233,015	7,019,991	12,879,614	300,000	-	26,776,843
Debt securities issued	-	-	-	14,983,787	-	-	14,983,787
Other borrowed funds	-	2,762	2,854	-	-	-	5,616
Subordinated debt	-	-	-	-	-	1,818,128	1,818,128
Total interest bearing financial liabilities	5,876,235	1,235,830	7,022,845	27,863,401	300,000	1,818,128	44,116,439
Customer accounts	11,142,157	-	-	-	-	-	11,142,157
Accrued interest	-	-	350,225	-	-	-	350,225
Other financial liabilities	8,944	41,103	190,119	-	-	-	240,166
TOTAL FINANCIAL LIABILITIES	17,027,336	1,276,933	7,563,189	27,863,401	300,000	1,818,128	55,848,987
Liquidity gap	(5,761,371)	4,239,659	9,579,655	(444,613)	2,225,757	(1,817,928)	
Interest sensitivity gap	(2,392,858)	4,272,882	10,083,078	(538,269)	2,225,757	(1,818,128)	
Cumulative interest sensitivity gap	(2,392,858)	1,880,024	11,963,102	11,424,833	13,650,590	11,832,462	
Cumulative interest sensitivity gap as a percentage of total financial assets	(3.75%)	2.94%	18.73%	17.89%	21.37%	18.53%	
Guarantees issued and similar commitments	156,901	251,089	998,165	1,165,561	766,555	-	3,338,271
Commitments on loans and unused credit lines	101,410	1,735,766	1,029,483	4,315,443	833,126	-	8,015,228
Total commitments and contingencies	258,311	1,986,855	2,027,648	5,481,004	1,599,681	-	11,353,499

	Up to 1 month	1 month to 3 months	3 months - 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 Total
FINANCIAL ASSETS:							
Financial assets at fair value through profit or loss	2,283,036	-	-	-	-	-	2,283,036
Due from banks	364,717	-	-	-	-	-	364,717
Loans to customers	5,686,542	11,167,232	11,688,135	9,543,818	1,652,036	-	39,737,763
Total interest bearing financial assets	8,334,295	11,167,232	11,688,135	9,543,818	1,652,036	-	42,385,516
Cash and balances with the National Bank of the Republic of Kazakhstan	6,921,202	-	-	-	-	-	6,921,202
Due from banks	77,403	-	-	-	-	-	77,403
Other financial assets	2,789	15,636	25,101	136,684	-	200	180,410
TOTAL FINANCIAL ASSETS	15,335,689	11,182,868	11,713,236	9,680,502	1,652,036	200	49,564,531
FINANCIAL LIABILITIES:							
Due to banks	783,649	-	-	-	-	-	783,649
Customer accounts	8,047,790	763,185	1,904,737	9,394,520	1,265,388	-	21,375,620
Debt securities issued	-	-	-	4,296,570	9,618,961	-	13,915,531
Other borrowed funds	-	2,460	2,460	4,687	-	-	9,607
Subordinated debt	-	-	-	-	-	1,818,128	1,818,128
Total interest bearing financial liabilities	8,831,439	765,645	1,907,197	13,695,777	10,884,349	1,818,128	37,902,535
Customer accounts	1,797,027	-	-	-	-	-	1,797,027
Other borrowed funds	-	-	4,028	-	-	-	4,028
Accrued interest	-	-	345,542	-	-	-	345,542
Other financial liabilities	7,302	10,441	484,949	-	-	-	502,692
TOTAL FINANCIAL LIABILITIES	10,635,768	776,086	2,741,716	13,695,777	10,884,349	1,818,128	40,551,824
Liquidity gap	4,699,921	10,406,782	8,971,520	(4,015,275)	(9,232,313)	(1,817,928)	
Interest sensitivity gap	(497,144)	10,401,587	9,780,938	(4,151,959)	(9,232,313)	(1,818,128)	
Cumulative interest sensitivity gap	(497,144)	9,904,443	19,685,381	15,533,422	6,301,109	4,482,981	
Cumulative interest sensitivity gap as a percentage of total financial assets	(1.00%)	19.98%	39.72%	31.34%	12.71%	9.04%	
Guarantees issued and similar commitments	79,384	20,636	78,188	38,347	-	-	216,555
Letters of credit and other transaction related contingent obligations	-	-	398,607	-	-	-	398,607
Commitments on loans and unused credit lines	47,464	42,000	250,405	6,157,099	417,175	-	6,914,143
Total commitments and contingencies	126,848	62,636	727,200	6,195,446	417,175	-	7,529,305

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded in the statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognized in the statement of financial position under the effective interest rate method.

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2009 Total
FINANCIAL LIABILITIES								
Due to banks	0.28%	532,136	53	-	-	-	-	532,189
Customer accounts	5.79%	5,370,009	1,250,863	7,426,448	15,817,923	381,000	-	30,246,243
Debt securities issued	9.00%	-	-	-	19,890,799	-	-	19,890,799
Other borrowed funds	4.84%	-	2,795	2,889	-	-	-	5,684
Subordinated debt	10.00%	-	198,028	-	792,112	990,140	1,818,128	3,798,408*
Total interest bearing financial liabilities		5,902,145	1,451,739	7,429,337	36,500,834	1,371,140	1,818,128	54,473,323
Customer accounts		11,142,157	-	-	-	-	-	11,142,157
Accrued interest		-	-	350,225	-	-	-	350,225
Other financial liabilities		8,944	41,103	190,119	-	-	-	240,166
Total financial liabilities		17,053,246	1,492,842	7,969,681	36,500,834	1,371,140	1,818,128	66,205,871

	Weighted average effective interest rate	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2008 Total
FINANCIAL LIABILITIES								
Due tanks	7.00%	788,220	-	-	-	-	-	788,220
Customer accounts	6.00%	8,088,029	774,633	1,914,261	11,098,360	1,645,004	-	23,520,287
Debt securities issued	9.00%	-	-	-	5,843,335	13,947,493	-	19,790,828
Other borrowed funds	5.00%	-	2,491	2,800	4,960	-	-	10,251
Subordinated debt	10.00%	-	200,000	-	800,000	1,000,000	1,818,128	3,818,128*
Total interest bearing financial liabilities		8,876,249	977,124	1,917,061	17,746,655	16,592,497	1,818,128	47,927,714
Customer accounts		1,797,027	-	-	-	-	-	1,797,027
Other borrowed funds		-	-	4,028	-	-	-	4,028
Accrued interest		-	-	345,542	-	-	-	345,542
Other financial liabilities		7,302	10,441	484,949	-	-	-	502,692
Total financial liabilities		10,680,578	987,565	2,751,580	17,746,655	16,592,497	1,818,128	50,577,003

* The contractual payments on subordinate debt, which is a liability component of preferred shares with undefined maturity, is calculated for 10 years ahead due to the fact that maturity of this financial investments is undefined.

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Bank is exposed. There have been no changes as to the way the Bank measures risk or to the risk it is exposed.

The ALMC manages interest rate and market risks by matching the Bank's interest rate position, which provides the Bank with a positive interest margin. The Treasury Department conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in interest rates and its influence on the Bank's profitability.

All of the Bank's loan contracts and other financial assets and liabilities that bear interest are fixed. The Bank monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

Interest rate sensitivity

The Bank manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Treasury Department conducts monitoring of the Bank's current financial performance, estimates the Bank's sensitivity to changes in fair value interest rates and its influence on the Bank's profitability.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before tax based on asset values as at 31 December 2009 and 2008 is presented below:

	At 31 December 2009		At 31 December 2008	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
Financial assets at fair value through profit or loss	<u>(9,491)</u>	<u>9,803</u>	<u>(237,102)</u>	<u>279,915</u>
Net impact on profit before tax	<u>(9,491)</u>	<u>9,803</u>	<u>(237,102)</u>	<u>279,915</u>

There is no direct impact on equity.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Financial committee controls currency risk by management of the open currency position on the estimated basis of KZT devaluation and other macroeconomic indicators, which gives the Bank an opportunity to minimize losses from significant currency rates fluctuations toward its national currency. The Treasury Department performs daily monitoring of the Bank's open currency position with the aim to match the requirements of the National Bank of the Republic of Kazakhstan.

The Bank's exposure to foreign currency exchange rate risk is presented in the tables below:

	KZT	USD USD 1 = KZT 148.46	EUR EUR 1 = KZT 213.95	Other currencies	31 December 2009 Total
FINANCIAL ASSETS:					
Cash and balances with the National Bank of the Republic of Kazakhstan	7,682,851	6,852	8,061	292	7,698,056
Financial assets at fair value through profit or loss	648,491	392,538	-	-	1,041,029
Due from banks	75	278,895	45,701	104,714	429,385
Loans to customers	49,017,470	5,541,609	-	-	54,559,079
Other financial assets	142,597	-	-	-	142,597
TOTAL FINANCIAL ASSETS	57,491,484	6,219,894	53,762	105,006	63,870,146
FINANCIAL LIABILITIES:					
Due to banks	532,065	-	-	-	532,065
Customer accounts	31,875,014	5,502,523	435,169	106,294	37,919,000
Debt securities issued	15,135,984	-	-	-	15,135,984
Other borrowed funds	-	5,616	-	-	5,616
Other financial liabilities	240,121	-	-	45	240,166
Subordinated debt	2,016,156	-	-	-	2,016,156
TOTAL FINANCIAL LIABILITIES	49,799,340	5,508,139	435,169	106,339	55,848,987
NET BALANCE SHEET POSITION	7,692,144	711,755	(381,407)	(1,333)	
	KZT	USD USD 1 = KZT 120.79	EUR EUR 1 = KZT 170.24	Other currencies	31 December 2008 Total
FINANCIAL ASSETS:					
Cash and balances with the National Bank of the Republic of Kazakhstan	3,395,345	3,523,977	488	1,392	6,921,202
Financial assets at fair value through profit or loss	2,204,150	78,886	-	-	2,283,036
Due from banks	140	409,676	10,654	21,650	442,120
Loans to customers	39,479,455	253,563	4,745	-	39,737,763
Other financial assets	180,410	-	-	-	180,410
TOTAL FINANCIAL ASSETS	45,259,500	4,266,102	15,887	23,042	49,564,531
FINANCIAL LIABILITIES:					
Due to banks	783,649	-	-	-	783,649
Customer accounts	19,384,759	3,754,772	33,116	-	23,172,647
Debt securities issued	14,061,073	-	-	-	14,061,073
Other borrowed funds	4,028	9,607	-	-	13,635
Other financial liabilities	104,073	398,607	-	12	502,692
Subordinated debt	2,018,128	-	-	-	2,018,128
TOTAL FINANCIAL LIABILITIES	36,355,710	4,162,986	33,116	12	40,551,824
NET BALANCE SHEET POSITION	8,903,790	103,116	(17,229)	23,030	

Currency risk sensitivity

The following table gives an analysis of sensitivity of the Bank to increase or decrease in USD and EUR exchange rate against the KZT. +10% and -15% change is the sensitivity rate used inside the bank in preparation of currency risk reports for key management personnel of the Bank and represents an evaluation by the management of the Bank of a possible change in exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at 31 December 2009 for a +10% and -15% and at 31 December 2008 for 25% change in foreign currency rates compared to effective ones. The sensitivity analysis includes loans to customers of the Bank, if such loans are issued in the currency other than the functional currency of the creditor or borrower.

	As of 31 December 2009		As of 31 December 2008	
	KZT/USD +10%	KZT/USD -15%	KZT/USD +25%	KZT/USD -25%
Impact on profit and loss	(71,175)	106,763	25,779	(25,779)

	As of 31 December 2009		As of 31 December 2008	
	KZT/EUR +10%	KZT/EUR -15%	KZT/EUR +25%	KZT/EUR -25%
Impact on profit and loss	(38,141)	57,211	(4,307)	4,307

Limitations of the sensitivity analysis

The above tables reflect the effect of change based on the main assumption whereas other assumptions remain unchanged. In fact, there is a connection between assumptions and other factors. It should also be noted that sensitivity does not have a linear nature, therefore interpolation or extrapolation of received results should not be performed.

The sensitivity analyses do not take into consideration that the Bank's assets and liabilities are actively managed. Additionally, the financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Bank manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Bank is potentially exposed to a loss of an amount equal to the total amount of such commitments. However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

The table below represents an analysis of sensitivity to price risk based on the balance sheet position for investments in equity securities at the reporting date.

The results of the analysis of the sensitivity of the Bank's profit before tax and other comprehensive income for the year to changes in prices of securities on a simplified scenario of 10% (for 2009) and 10% (for 2008) symmetrical increase or decrease in all securities prices are given in the table below:

	As of 31 December 2009		As of 31 December 2008	
	10% increase in securities price	10% decrease in securities price	10% increase in securities price	10% decrease in securities price
Impact on profits and losses	695	(695)	7,631	(7,631)
Impact on equity	695	(695)	7,631	(7,631)

32 SUBSEQUENT EVENTS

As a result of reviewing the consolidated and stand alone financial statements of JSC Central Asian Heating Energy Company (major shareholder and parent of the Bank, hereinafter JSC "CAHEC") the FMSA revealed the non-compliance with financial stability ratio required for banking holding participants and on 4 February 2010 the FMSA issued a letter under No. 02-03-12/153/207 "With the subject of enforcement action in respect of JSC "CAHEC". The letter prescribes to suspend until 31 March 2010 the transactions (direct and indirect) between the Bank and members of the banking holding as well as entities where the Bank is shareholder if such transactions may expose risk to the Bank.