KazAgroFinance JSC
Financial statements

Year ended 31 December 2009
Together with Independent Auditors' Report

Ernst & Young

ERNST & YOUNG

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NOTES TO FINANCIAL STATEMENTS

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Independent Auditors' Report

To the Shareholder and Board of Directors of KazAgroFinance JSC:

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

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

Ernst & Young LLP

Ernst and Young LLP

Evgeny Zhemaletdinov
Auditor / General Director
Ernst and Young LLP

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

Qualification certificate № 0000553 dated 24 December 2003.

23 March 2010

STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

(In thousands of Kazakhstani tenge)

	Note	2009	2008
Assets			
Cash and cash equivalents	5	**7,548,196**	4,814,347
Amounts due from credit institutions	6	**8,336,246**	2,925,987
Derivative financial assets	7	**12,890,268**	4,215,506
Loans to customers	8	**23,948,563**	27,483,614
Finance lease receivables	9	**44,012,399**	34,914,800
Assets held for sale	8	**463,109**	–
Property held for financial leases	10	**3,837,654**	3,161,500
Property and equipment	11	**1,123,105**	1,110,610
Intangible assets		**103,136**	113,733
Prepayment for income taxes		**96,531**	62,559
VAT and other taxes receivable	12	**304,972**	323,771
Advances paid	13	**2,637,143**	7,413,332
Other assets	16	**30,548**	128,978
Total assets		**105,331,870**	86,668,737
Liabilities			
Amounts due to credit institutions	19	**35,372,943**	29,931,798
Amounts due to the Government of the Republic of Kazakhstan	17	**806,546**	1,600,240
Debt securities issued	20	**3,071,229**	2,919,017
Amounts due to shareholder	18	**9,140,933**	–
Deferred income tax liabilities	14	**1,704,066**	121,283
Advances received	21	**3,124,009**	3,119,449
Deferred VAT		**355,720**	305,302
Other liabilities	16	**756,744**	1,271,497
Total liabilities		**54,332,190**	39,268,586
Equity	22		
Share capital		**48,450,191**	47,150,191
Additional paid-in capital		**3,135,044**	968,902
Reserve capital		**806,358**	168,133
Retained earnings		**2,005,853**	2,194,415
Deemed distribution reserve		**(3,397,766)**	(3,081,490)
Total equity		**50,999,680**	47,400,151
Total liabilities and equity		**105,331,870**	86,668,737

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

Dulat N. Aitzhanov　　　　Chairman of the Board

Gulnara T. Shodanova　　　　Chief Accountant

23 March 2010

The accompanying notes on pages 6 to 37 are an integral part of these financial statements

INCOME STATEMENT

For the year ended 31 December 2009

(In thousands of Kazakhstani tenge)

	Note	2009	2008
Interest income			
Finance leases receivables		3,571,865	2,480,212
Loans to customers		3,032,494	2,917,742
Amounts due from credit institutions		231,913	300,816
Reverse repurchase agreements		–	38,877
		6,836,272	5,737,647
Interest expenses			
Amounts due to credit institutions		(1,516,427)	(1,562,014)
Debt securities issued		(296,183)	(243,948)
Amounts due to shareholder		(106,993)	–
Amounts due to the Government of the Republic of Kazakhstan		(46,851)	(70,396)
		(1,966,454)	(1,876,358)
Net interest income		4,869,818	3,861,289
Loan impairment charge	8, 9	(1,345,020)	(2,196,788)
Net interest income after loan impairment charge		3,524,798	1,664,501
Net gains on trading derivatives		5,270,773	1,254,710
Net translation losses from foreign currencies		(5,984,522)	(235,504)
Other income	25	503,049	571,118
Non-interest (losses)/income		(210,700)	1,590,324
Personnel expenses	24	(1,129,041)	(883,958)
Depreciation and amortization		(72,742)	(73,627)
Initial recognition loss on loans, adjusted for gain on changes of future cash flows	26	391,619	179,324
Other operating expenses	24	(368,554)	(354,022)
Other impairment and provisions	15	59,296	(254,921)
Non-interest expenses		(1,119,422)	(1,387,204)
Profit before income tax expense		2,194,676	1,867,621
Income tax expense	14	(1,106,787)	(591,170)
Profit for the year		1,087,889	1,276,451
Basic and diluted earnings per share	27	22.67	32.98

The accompanying notes on pages 6 to 37 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2009
(In thousands of Kazakhstani tenge)

	Note	2009	2008
Profit for the year		**1,087,889**	1,276,451
Other comprehensive income			
Deemed distribution reserve		**(381,816)**	(1,366,908)
Initial recognition of income on loans, acquired the below market rates		**2,707,678**	–
Deferred corporate income tax (expense) benefit	14	**(475,996)**	217,306
Other comprehensive income (loss), net of taxes		**1,849,866**	(1,149,602)
Total comprehensive income for the year		**2,937,755**	126,849

The accompanying notes on pages 6 to 37 are an integral part of these financial statements

STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2009

(In thousands of Kazakhstani tenge)

	Note	*Share capital*	*Additional paid-in capital*	*Reserve capital*	*Deemed distribution reserve*	*Retained earnings*	*Total*
At 31 December 2007		28,825,591	968,902	168,133	(1,931,888)	1,265,748	29,296,486
Total comprehensive income for the year		–	–	–	(1,149,602)	1,276,451	126,849
Cash contribution for increase in share capital		18,324,600	–	–	–	–	18,324,600
Dividends declared and paid		–	–	–	–	(273,060)	(273,060)
Distribution to the shareholder		–	–	–	–	(74,724)	(74,724)
At 31 December 2008		**47,150,191**	**968,902**	**168,133**	**(3,081,490)**	**2,194,415**	**47,400,151**
Total comprehensive income for the year		**–**	**2,166,142**	**–**	**(316,276)**	**1,087,889**	**2,937,755**
Cash contribution for increase in share capital		**1,300,000**	**–**	**–**	**–**	**–**	**1,300,000**
Reserve capital increase	22	**–**	**–**	**638,225**	**–**	**(638,225)**	**–**
Dividends declared and paid	22	**–**	**–**	**–**	**–**	**(638,226)**	**(638,226)**
At 31 December 2009		**48,450,191**	**3,135,044**	**806,358**	**(3,397,766)**	**2,005,853**	**50,999,680**

The accompanying notes on pages 6 to 37 are an integral part of these financial statements

STATEMENT OF CASH FLOWS
For the year ended 31 December 2009
(In thousands of Kazakhstani tenge)

	Note	2009	2008
Cash flows from operating activities:			
Interest received		4,966,770	4,202,945
Interest paid		(1,995,523)	(2,011,141)
Income from derivative financial assets received		1,239,965	304,889
Personnel expenses paid		(1,137,202)	(840,961)
Operating expenses paid		(965,302)	(359,221)
Realized (loss)/gain from operations with foreign currency		(1,381,316)	(257,803)
Cash flows from operating activities before changes in operating assets and liabilities		727,392	1,038,708
Net (increase)decrease in operating assets			
Amounts due from credit institutions		(5,055,298)	(2,197,713)
Derivative financial assets		(4,643,954)	(1,166,399)
Loans to customers		3,141,158	(9,817,440)
Finance lease receivables		(8,103,322)	(10,882,950)
Assets held for lease		(676,154)	(1,363,180)
VAT and other taxes receivable		18,799	(177,280)
Advances paid		4,911,569	(2,103,609)
Other assets		(570,341)	(149,852)
Net increase (decrease) in operating liabilities			
Amounts due to the Government of the Republic of Kazakhstan		(791,196)	(942,846)
Amounts due to shareholder		11,001,677	–
Amounts due to credit institutions		(183,528)	9,855,229
Advances received		4,560	2,451,911
Other liabilities		1,113,063	1,249,579
Net cash flows used in operating activities before income tax		894,425	(14,205,842)
Income tax paid		(33,972)	(123,026)
Net cash used in operating activities		860,453	(14,328,868)
Cash flows from investing activities			
Purchase of property and equipment and intangible assets		(74,640)	(285,713)
Proceeds from sale of property and equipment		–	160
Net cash used in investing activities		(74,640)	(285,553)
Cash flows from financing activities			
Proceeds from issue of share capital	22	1,300,000	18,324,600
Distribution to shareholder		–	(74,724)
Issued debt securities		417,595	739,070
Dividends paid to shareholder	22	(319,113)	(273,060)
Coupon paid on debt securities issued		(138,000)	(242,689)
Net cash from financing activities		1,260,482	18,473,197
Effect of exchange rates changes on cash and cash equivalents		687,554	36,951
Net increase in cash and cash equivalents		2,733,849	3,895,727
Cash and cash equivalents, beginning	5	4,814,347	918,620
Cash and cash equivalents, ending	5	7,548,196	4,814,347

The accompanying notes on pages 6 to 37 are an integral part of these financial statements

1. Principal activities

KazAgroFinance JSC (the "Company") was established by the Decree of the Government of the Republic of Kazakhstan No. 1777 dated 24 November 1999 "On certain agricultural issues" in the form of joint stock company in accordance with Kazakhstan legislation by separation from closed joint stock company "Fund of financial support to agricultural sector". The Company performs its activities on the basis of a license issued by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "FMSA") for conducting operations specified by the banking legislation of the Republic of Kazakhstan No. 16 dated 31 March 2006. Additionally, the Company has a status of financial agency assigned by the resolution of the FMSA Management Board dated 23 September 2006, No. 195.

The main activities of the Company comprise:

- participation in the development and implementation of state programs of crediting and providing financial support to agricultural producers;
- to lease facilities and technological equipment to agricultural organizations involved in production and processing of agricultural products;
- issue guarantees to the second tier banks against agricultural producers property in order to provide lending for agricultural producers;
- providing support to agricultural sector from its own funds, and against attracted investments by lending.

The Company's registered office is: 51 Kenesary street, Astana, Republic of Kazakhstan.

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

The Company has 10 registered branches and 4 representative offices throughout Kazakhstan.

2. Basis of preparation

General

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

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

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

Reclassifications:

The following reclassifications have been made to 2008 balances to conform to the 2009 presentation.

31 December 2008	*As previously reported*	*Reclassification*	*As reported herein*	*Comments*
Net income from operations with financial derivatives	949,821	304,889	1,254,710	Reclassification of income from indexation from interest income to income from financial instruments
Interest income	6,042,536	(304,889)	5,737,647	

3. Summary of significant accounting policies

Changes in accounting policies

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

IAS 1 Presentation of Financial Statements (Revised)

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

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

IFRS 7 "Financial Instruments: Disclosures"

The amendments to IFRS 7 were issued in March 2009, to enhance fair value and liquidity disclosures. With respect to fair value, the amendments require disclosure of a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value and specific disclosures related to the transfers between levels in the hierarchy and detailed disclosures related to level 3 of the fair value hierarchy. In addition, the amendments modify the required liquidity disclosures with respect to derivative transactions and assets used for liquidity management.

IAS 23 "Borrowing Costs"(Revised)

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

IAS 24 "Related party disclosures" (Revised)

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

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

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

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

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

3. Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

IFRS 8 "Operating Segments"

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

IFRIC 13 "Customer Loyalty Programmes"

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

IFRIC 15 "Agreements for the Construction of Real Estate"

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

IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"

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

Amendments to IFRIC 9 "Reassessment of Embedded Derivatives"

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

IFRIC 18 Transfers of Assets from Customers

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

3. Summary of significant accounting policies (continued)

Financial assets

Initial recognition

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

Date of recognition

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss represent embedded derivative financial instruments. Derivative financial instruments embedded into other financial instruments or other host contracts as separate derivative instruments, when their risks and characteristics are not related to those of the host contracts, and host contracts are not at fair value though profit or loss. Embedded derivative instrument is a component of hybrid (combined) financial instrument, which includes both derivative and host contract, with the result that a portion of cash flows on combined instrument varies similar to derivative instrument.The Company enters into contracts with derivatives in order to manage currency risks.

The Company determines fair value using valuation method, usually applied by market participants. As for embedded derivative instruments assumptions are made on the basis of market rates adjusted by specific characteristics of the instrument. The Company uses Black-Scholes model to evaluate its financial instruments and assumptions used in valuation model (such as risk-free rates and volatility coefficients), are determined on the basis of financial instruments with similar characteristics quoted at Bloomberg.

Loans and receivables

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

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

Determination of fair value

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

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

Offsetting

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

3. Summary of significant accounting policies (continued)

Cash and cash equivalents

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

Repurchase and reverse repurchase agreements

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Lease

Finance – Company as lessee

The Company recognises finance leases as assets and liabilities in the statement of financial position at the date of commencement of the lease term at amounts equal to the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Subsequently, lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Contingent rental payable are recognised as an expense in the period in which they are incurred. Depreciation of leasing assets is charged in accordance with depreciation policy, which is applied to assets owned by the Company.

Finance – Company as lessor

The Company recognises lease receivables at value equal to the net investment in the lease, starting from the date of commencement of the lease term. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

Operating – Company as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

Operating – Company as lessor

The Company presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in the income statement on a straight-line basis over the lease term as other income. The aggregate cost of incentives provided to lessees is recognised as a reduction of rental income over the lease term on a straight-line basis.

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Company first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

3. Summary of significant accounting policies (continued)

Impairment of financial assets

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

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Company's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Renegotiated loans

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

Derecognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Companyhas 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 Company either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

3. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities (continued)

Financial liabilities

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

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

Taxation

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

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

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

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

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

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

Property and equipment

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

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

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Depreciation rates
Buildings	2%
Motor vehicles	10-14%
Computers and office equipment	20%
Other	10-20%
Intangibles	15%

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

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

Construction in progress

Construction-in-progress represents property and equipment under construction and is stated at cost. Construction-in-progress includes cost of construction and other direct costs. Depreciation of construction-in-progress commences when construction of such assets is completed and ready for its intended use.

3. Summary of significant accounting policies (continued)

Property held for finance lease

Property held for finance lease is stated at the lower of cost and net realisable value. Cost comprises charges incurred in bringing the property to its present location and condition.

Intangible assets

Intangible assets include computer software and licenses.

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

Assets classified as held for sale

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

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

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

Provisions

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

Share capital

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

Additional paid in capital

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

Dividends

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

Deemed distribution reserve

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

Contingencies

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

3. Summary of significant accounting policies (continued)

Recognition of income and expenses

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

Interest and similar income and expense

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

Fee and commission income

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

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

Foreign currency translation

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

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

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

3. Summary of significant accounting policies (continued)

Future changes in accounting policies

Standards and interpretations issued but not yet effective

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

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

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

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. Revised IFRS 3 introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. Revised IAS 27 requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Company believes that these amendments will have no effect on its financial statements, since the Company does not have subsidiaries. IFRS 2 Share-based Payment: Group Cash-settled Share-based Payment Transactions

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

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

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

Improvements to IFRSs

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

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

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

3. Summary of significant accounting policies (continued)

Future changes in accounting policies (continued)

IFRS 9 "Financial Instruments" (first phase)

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

4. Significant accounting judgments and estimates

Estimation uncertainty

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

Fair value of financial instruments

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

Allowance for loan impairment

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

Collateral valuation

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

Taxation

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

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

(In thousands of Kazakhstani tenge)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2009	*2008*
Cash on settlement account	**4,071,341**	2,364,706
Cash on currency account with resident banks	**3,021,233**	2,433,478
Cash in transit	**432,993**	–
Cash on card account	**22,629**	16,163
Cash and cash equivalents	**7,548,196**	4,814,347

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2009	*2008*
Cash in bank to cover letters of credit	**8,336,246**	2,510,163
Restricted cash in bank used as compensation for subsidized interest rate on finance lease receivables	**–**	415,824
Amounts due from credit institutions	**8,336,246**	2,925,987

Due from credit institutions represents restricted cash at bank accounts. These accounts are used as a pledge for letters of credit for the purchases of equipment for leases.

7. Derivative financial assets

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

	2009			*2008*		
	Notional amount	*Fair values*		*Notional amount*	*Fair values*	
		Asset	*Liability*		*Asset*	*Liability*
Options in Euro	**10,575,550**	**4,418,834**	**–**	12,535,737	2,196,313	–
Options in US Dollars	**28,827,765**	**8,471,434**	**–**	15,214,535	2,019,193	–
	39,403,315	**12,890,268**	**–**	27,750,272	4,215,506	–

8. Loans to customers

Loans to customers comprise of:

	2009	*2008*
Loans to legal entities	**26,638,490**	28,783,735
Loans to individuals	**28,470**	47,774
Total loans to customers	**26,666,960**	28,831,509
Less- allowance for impairment	**(2,718,397)**	(1,347,895)
Loans to customers	**23,948,563**	27,483,614

(In thousands of Kazakhstani tenge)

8. Loans to customers (continued)

Allowance for impairment of loans to customers and finance lease receivables

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

	Loans to customers 2009	*Finance lease receivables 2009*	*Total 2009*
At 1 January 2009	1,347,895	1,466,980	2,814,875
Charge/(reversal) for the year	1,370,502	(25,482)	1,345,020
Allowance transferred from other assets	–	114,860	114,860
At 31 December 2009	2,718,397	1,556,358	4,274,755
Individual impairment	2,331,687	1,019,806	3,351,493
Collective impairment	386,710	536,552	923,262
	2,718,397	1,556,358	4,274,755
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	15,299,215	6,659,524	21,958,739

	Loans to customers 2008	*Finance lease receivables 2008*	*Total 2008*
At 1 January 2008	259,513	358,574	618,087
Charge for the year	1,088,382	1,108,406	2,196,788
At 31 December 2008	1,347,895	1,466,980	2,814,875
Individual impairment	1,347,895	1,466,980	2,814,875
Collective impairment	–	–	–
	1,347,895	1,466,980	2,814,875
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	12,174,928	7,115,488	19,290,416

Interest income accrued on loans, for which individual impairment allowances have been recognized, for the year ended 31 December 2009, comprised KZT 1,847,491 thousand (2008: KZT 726,603 thousand).

The fair value of collateral that the Company holds relating to loans individually determined to be impaired at 31 December 2009 amounts to KZT 34,762,568 thousand (2008: KZT 21,964,782 thousand).

Collateral and other credit enhancements

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

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

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

During 2009, the Company took possession from defaulted borrower an industrial building and land with an estimated value of KZT 274,870 thousand and KZT 188,239 thousand, respectively, or a total of KZT 463,109 thousand. The Company is in the process of selling these assets.

(In thousands of Kazakhstani tenge)

8. Loans to customers (continued)

Concentration of loans to customers

As of 31 December 2009, the Company had a concentration of loans represented by KZT 12,274,889 thousand due from the ten largest third party entities (46.04% of gross loan portfolio) (2008: KZT 14,583,213 (50.6 % of gross loan portfolio)). An allowance of KZT 235,746 thousand (2008: KZT 144,449 thousand) was recognized against these loans.

Loans were issued within Kazakhstan in the following industries:

	2009	*2008*
Agriculture	**26,638,490**	28,783,735
Construction	**28,470**	47,774
Total:	**26,666,960**	28,831,509

9. Finance lease receivables

Included in corporate lending portfolio are finance lease receivables. The analysis of finance lease receivables at 31 December 2009 is as follows:

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Finance lease receivables	**11,590,801**	**35,401,756**	**9,113,956**	**56,106,513**
Unearned future finance income on finance leases	**(2,177,486)**	**(6,648,624)**	**(1,711,646)**	**(10,537,756)**
Total investment in finance leases	**9,413,315**	**28,753,132**	**7,402,310**	**45,568,757**
Less allowance for impairment	**(321,503)**	**(982,036)**	**(252,819)**	**(1,556,358)**
Net investment in finance leases	**9,091,812**	**27,771,096**	**7,149,491**	**44,012,399**

The analysis of finance lease receivables at 31 December 2008 is as follows:

	Not later than 1 year	*Later than 1 year and not later than 5 years*	*Later than 5 years*	*Total*
Finance lease receivables	7,015,273	28,127,017	6,864,230	42,006,520
Unearned future finance income on finance leases	(824,772)	(3,859,777)	(940,191)	(5,624,740)
Total investment in finance leases	6,190,501	24,267,240	5,924,039	36,381,780
Less allowance for impairment	(215,107)	(1,006,663)	(245,210)	(1,466,980)
Net investment in finance leases	5,975,394	23,260,577	5,678,829	34,914,800

10. Property held for financial leases

	2009	*2008*
Property, plant and equipment held for lease	**3,829,782**	3,115,410
Property, plant and equipment on secondary allocation to lease	–	45,847
Other materials	**7,872**	8,943
	3,837,654	3,170,200
Less allowance for impairment on property held for finance leases	–	(8,700)
Property held for finance leases	**3,837,654**	3,161,500

(In thousands of Kazakhstani tenge)

11. Property and equipment

	Land	*Buildings*	*Vehicles*	*Computers*	*Others*	*Construction in progress*	*Total*
At cost							
31 December 2007	15,662	805,855	64,211	79,662	26,719	71	992,180
Additions	18,965	84,959	29,923	42,208	41,169	68,011	285,235
Disposals	–	(1,158)	(3,566)	(5,498)	(1,071)	–	(11,293)
31 December 2008	34,627	889,656	90,568	116,372	66,817	68,082	1,266,122
Additions	–	9,888	360	21,406	14,768	25,033	71,455
Disposals	–	(383)	(5,386)	(6,307)	(2,076)	(45)	(14,197)
Internal transfer	–	93,070	–	–	–	(93,070)	–
31 December 2009	**34,627**	**992,231**	**85,542**	**131,471**	**79,509**	**–**	**1,323,380**
Accumulated depreciation							
31 December 2007	–	36,270	19,912	35,501	13,530	–	105,213
Charge for the year	–	20,659	9,016	22,487	6,717	–	58,879
Written off on disposal	–	(1,225)	(1,226)	(5,155)	(974)	–	(8,580)
31 December 2008	–	55,704	27,702	52,833	19,273	–	155,512
Charge for the year	–	28,186	6,865	16,690	5,540	–	57,281
Written off on disposal	–	(383)	(4,145)	(6,260)	(1,730)	–	(12,518)
31 December 2009	**–**	**83,507**	**30,422**	**63,263**	**23,083**	**–**	**200,275**
Net Book Value:							
31 December 2008	34,627	833,952	62,866	63,539	47,544	68,082	1,110,610
31 December 2009	**34,627**	**908,724**	**55,120**	**68,208**	**56,426**	**–**	**1,123,105**

12. VAT and other taxes receivables

	2009	*2008*
VAT recoverable	**245,860**	321,977
Other taxes	**59,112**	1,794
VAT and other taxes recoverable	**304,972**	323,771

(In thousands of Kazakhstani tenge)

13. Advances paid

	2009	2008
M.A.D.Developing Agricultural Projects(2003)Ltd	**927,836**	–
Lorenz HANDELS GmbH HOLZ-METELL MASCHINEN	**381,662**	–
Kazger Kus LLP	**355,331**	243,990
TECALIT S.R.L.	**147,683**	–
Agrisovgaz OOO	**132,913**	–
JIANGSU MUYANG GROUP CO., LTD	**120,803**	–
Yansen Linne B.V.	**116,551**	–
Agrotec International AG	**104,030**	–
Agrotech-Didam B.V	**66,640**	–
Techna OJSC	**62,521**	–
Rostselmash OJSC	**–**	4,254,298
Eurasia Group A.G.	**–**	708,015
Dalsem Horticultural Projects B.V.	**–**	650,101
Agromashholding OJSC	**–**	466,762
Delaval Export Service A.B.	**–**	387,439
Hunland Trade KFT	**–**	310,552
SINEKO International a/s	**–**	273,959
Naan Dan Jain Irrigation (C.S) LTD	**–**	75,188
AGRALIS GmbH	**–**	62,035
Other	**237,597**	132,799
	2,653,567	7,565,138
Less allowances (Note 15)	**(16,424)**	(151,806)
Advances paid	**2,637,143**	7,413,332

Advances paid represent cash prepayments for delivery of agricultural equipment and vehicles for leases.

14. Taxation

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

	2009	2008
Tax charge – current portion	**–**	158,004
Deferred tax charge- origination and reversal of temporary differences	**1,582,783**	215,860
Less: deferred tax recognized in other comprehensive income	**(475,996)**	217,306
Income tax expense	**1,106,787**	591,170

Deferred tax recognized in other comprehensive income is allocated as follows:

	2009	2008
On assets	**65,539**	217,306
On liabilities	**(541,535)**	–
Income tax (expense) benefit recognized in other comprehensive income	**(475,996)**	217,306

(In thousands of Kazakhstani tenge)

14. Taxation (continued)

	2009	*2008*
Profit before income tax expense	**2,194,676**	1,867,621
Statutory tax rate	**20%**	30%
Theoretical income tax expense at the statutory rate	**438,935**	560,286
Non-taxable interest income on finance lease receivables	**(335,444)**	(521,673)
Effect of tax rate change	**(66,754)**	(101,801)
Tax effect of permanent differences	**698,720**	649,941
Changes in valuation allowance	**371,330**	4,417
Income tax expense	**1,106,787**	591,170

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	2007	*In the income statement*	*In other compre-hensive income*	*2008*	*In the income statement*	*In other compre-hensive income*	*2009*
Tax effect of deductible temporary differences liabilities / (asset):							
Derivative financial instruments	59,355	(289,274)	–	(229,919)	987,920	–	**758,001**
Loans to customers	(239,117)	447,214	(217,306)	(9,209)	190,585	(65,539)	**115,837**
Finance lease receivables	42,881	285,733	–	328,614	(40,922)	–	**287,692**
Amounts due to the state	42,304	(28,854)	–	13,450	(8,360)	–	**5,090**
Amounts due to the shareholder	–	–	–	–	(20,174)	541,535	**521,361**
Property and equipment and intangible assets	–	31,559	–	31,559	3,777	–	**35,336**
Provision for unused vacations	–	(13,212)	–	(13,212)	(6,039)	–	**(19,251)**
Loss carry-forwards	–	–	–	–	(371,330)	–	**(371,330)**
Valuation allowance	–	–	–	–	371,330	–	**371,330**
Deferred tax liabilities (assets)	(94,577)	433,166	(217,306)	121,283	1,106,787	475,996	**1,704,066**

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Tax losses carried forward as of 31 December 2009 in the Republic of Kazakhstan expire for tax purposes ten years from the date they are incurred (2008: three years).

In December 2008 the government of the Republic of Kazakhstan approved amendments to the tax code effective January 1, 2009, in accordance to which the statutory income tax rates are changed to 20% in 2009, 17.5% in 2010 and 15% from 2011 onwards. The Company's calculation of deferred tax and income tax expense as at 31 December 2008 and for the year then ended reflects these changes in the tax law.

In 2009 the Government of the Republic of Kazakhstan approved further changes in tax code, effective since 1 January 2009, in accordance to which tax rates are fixed at 20% during the period from 2009 to 2012, 17.5% in 2013 and 15% in 2014 and onwards. The Company's calculation of deferred tax and income tax expense as at 31 December 2009 and for the year then ended reflects these changes in the tax law.

(In thousands of Kazakhstani tenge)

15. Other impairment and provisions

	Property held for finance lease	*Advances paid*	*Other assets*	*Total*
At 31 December 2007	8,700	4,901	79,559	93,160
Provision charge	14,801	146,905	93,215	254,921
Asset write-offs	(14,801)	–	(3)	(14,804)
At 31 December 2008	8,700	151,806	172,771	333,277
Provision charge	–	(135,382)	–	(135,382)
Provision reversal	–	–	76,084	76,084
Transferred to impairment of finance lease receivables	–	–	(114,860)	(114,860)
Asset write-offs	(8,700)	–	(5,093)	(13,793)
At 31 December 2009	**–**	**16,424**	**128,902**	**145,326**

16. Other assets and other liabilities

Other assets comprise:

	2009	*2008*
Accounts receivable	**130,294**	221,290
Deferred expenses	**8,622**	6,348
Other assets	**20,534**	74,111
	159,450	301,749
Less: allowance for impairment of other assets (Note 15)	**(128,902)**	(172,771)
Other assets	**30,548**	128,978

Other liabilities comprise:

	2009	*2008*
Accounts payable	**594,673**	1,105,324
Accrual for vacation	**96,262**	85,325
Taxes payable	**32,151**	62,187
Other current liabilities	**33,658**	18,661
Other liabilities	**756,744**	1,271,497

17. Amounts due to the Government of the Republic of Kazakhstan

	2009	*2008*
Long-term loans from the Government of the Republic of Kazakhstan	**799,941**	1,594,201
Accrued expenses in the form of interest on tenge-denominated obtained loans	**6,605**	6,039
Total	**806,546**	1,600,240

Loans within state program on lease of agricultural equipment

In 2003 and 2004, the Company obtained three state loans from the Ministry of Finance of the Republic of Kazakhstan in order to implement the state program on lease of agricultural equipment totaling to KZT 4,800,000 thousand. The term of each contract is seven years. As for two loans, the interest is accrued at nominal rate of 7.3% per annum, and for one loan the interest is accrued at nominal rate of 0.5% per annum with indemnity clause (effective interest rate is 2.9%). The loans issued within the state program on lease of agricultural equipment provide that any further loans taken by the Company shall be coordinated with the Ministry of Finance. As at 31 December 2009 and 2008, outstanding amounts under this agreement were KZT 806,546 thousand and KZT 1,448,004 thousand, respectively.

(In thousands of Kazakhstani tenge)

17. Amounts due to the Government of the Republic of Kazakhstan (continued)

State loans

On 4 July 2002, the Company entered into agreement with the Ministry of Finance of the Republic of Kazakhstan at the amount of KZT 1,100,000 thousand for the purpose to purchase agricultural equipment for further lease. The term of the agreement is seven years, and the interest is accrued at nominal rate of 4.0% per annum with indemnity clause (effective interest rate is 2.9%). As at 2008, outstanding principal amount under this agreement was KZT 152,236 thousand; in October 2009 the principal amount and interest payable were repaid.

18. Amounts due to shareholder

	2009	*2008*
Loans from shareholder	8,723,823	–
Dividends payable	319,113	–
Interest payable on loans from shareholder	97,997	–
Amounts due to shareholder	9,140,933	–

Investment loan

On 18 May 2009, the Company entered into Master Lending Agreement No. 35 ("Agreement") with the Parent, National Managing Holding "KazAgro" JSC. Under this Agreement, the Company obtains investment loan to fulfill the complex of measures to develop, expand and modify material production in agricultural sphere subject to conditions of maturity, availability at a fee and collectability. Within obtained amounts the Company realizes financing of the subjects of APK for realization of investment projects. The Holding financing is carried out from National Fund under bond program through "National Bank of the Republic of Kazakhstan" JSC. The investment loan matures on 30 December 2023, the limit is fixed at KZT 57,128 million, and interest is accrued at nominal rate of 1.02% per annum (effective interest rate is 6.0%).

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

19. Amounts due to credit institutions

	2009	*2008*
Foreign currency denominated loans from banks	35,083,400	29,527,727
Accrued interest on loans obtained in foreign currencies	289,543	404,071
Amounts due to credit institutions	35,372,943	29,931,798

(In thousands of Kazakhstani tenge)

19. Amounts due to credit institutions (continued)

Amounts due from credit institutions comprise:

Bank	*Currency*	*Maturity*	*Interest rate*	*2009*	*2008*
The Royal Bank of Scotland N.V.	USDollars	31.10.2012	6monthLIBOR+1.9%	**6,659,953**	7,205,241
The Royal Bank of Scotland N.V.	Euro	10.01.2012	6monthEURIBOR+1.4%	**1,754,865**	1,996,156
The Royal Bank of Scotland N.V.	Euro	26.07.2011	6monthEURIBOR+2.0%	**1,598,064**	1,944,244
The Royal Bank of Scotland N.V.	USDollars	28.02.2013	6monthEURIBOR+1.9%	**736,112**	689,120
The Royal Bank of Scotland N.V.	USDollars	05.01.2011	6monthLIBOR+0.15%	**169,278**	273,983
HSBC Bank Kazakhstan JSC	Euro	14.10.2013	6monthEURIBOR+3.5%	**3,243,968**	2,933,222
HSBC Bank Kazakhstan JSC	Euro	15.01.2013	6monthEURIBOR+1.75%	**2,723,081**	2,829,816
HSBC Bank Kazakhstan JSC	Euro	18.06.2012	6monthEURIBOR+1.25%	**2,021,320**	2,262,444
HSBC Bank (Germany)	Euro	21.07.2014	6monthEURIBOR+0.15%	**1,120,273**	1,082,540
HSBC Bank (Germany)	Euro	20.07.2015	6monthEURIBOR+0.15%	**902,532**	817,307
HSBC Bank (Germany)	Euro	30.05.2014	6monthEURIBOR+0.15%	**813,058**	787,094
Landensbank Berlin A.G.	Euro	15.07.2013	6monthEURIBOR+0.35%+ Funding spread	**881,459**	887,578
Landensbank Berlin A.G.	Euro	16.05.2015	6monthEURIBOR+0.35%+ Funding spread	**754,474**	704,221
Landensbank Berlin A.G.	Euro	05.08.2012	6monthEURIBOR+0.35%+ Funding spread	**373,604**	401,632
Landensbank Berlin A.G.	Euro	28.07.2011	6monthEURIBOR+0.5%+F unding spread	**81,167**	97,598
Landensbank Berlin A.G.	Euro	17.06.2010	6monthEURIBOR+1.25%+ Funding spread	**36,462**	87,056
Landensbank Berlin A.G.	Euro	15.07.2013	6monthEURIBOR+0,9%+F unding spread	**23,507**	–
Landensbank Berlin A.G.	USDollar	24.07.2013	6monthLIBOR+0.9%+Fundi ng spread	**250,026**	–
Landensbank Berlin A.G.	Euro	30.07.2013	6monthEURIBOR+0,9%+F unding spread	**133,758**	–
Landensbank Berlin A.G.	Euro	06.06.2014	6monthEURIBOR+1%+Fun ding spread	**166,634**	–
Landensbank Berlin A.G.	Euro	06.06.2014	6monthEURIBOR+1%+Fun ding spread	**131,438**	–
Landensbank Berlin A.G.	Euro	28.08.2016	6monthEURIBOR+1%+Fun ding spread	**646,750**	–
Societe General Bank (France)	USDollar	18.01.2014	6monthLIBOR+1.7%	**3,160,853**	2,788,986
Societe General Bank (Canada)	USDollar	06.06.2014	6monthLIBOR+1.5%	**2,365,455**	–
Deer Credit, Inc.	US Dollar	25.04.2013	LIBOR+ 2.5%	**3,591,950**	1,600,504
PEFCO	US Dollar	25.04.2013	LIBOR+ 0.4%	**814,466**	
Natexis Banques Populaires	Euro	05.05.2011	3.62%	**157,978**	208,282
Eximbank Kazakhstan JSC	US Dollar	01.11.2009	3.00%	–	177,399
Cooperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabo Bank B.A. Netherlands)	US Dollar	26.08.2010	6 month LIBOR +3.4%	**60,458**	99,545
Landensbank Baden – Vurttemberg	Euro	31.07.2011	6 month EURIBOR +0.35%	–	57,830
Total				**35,372,943**	29,931,798

Financial covenants

In accordance with the terms of the loan agreements with foreign banks, the Company is required to comply with certain financial covenants. Particularly with regard to agreements with RBS, HSBC and Societe Generale, the Company is required to comply with the minimum debt to equity ratio, as well as interest coverage ratio. As at 31 December 2009 the Company complied with the covenants under agreements concluded with these banks.

(In thousands of Kazakhstani tenge)

20. Debt securities issued

	2009	2008
Securities outstanding	**3,000,000**	3,000,000
Discount	**(57,688)**	(82,514)
Interest accrued	**128,917**	1,531
Securities outstanding	**3,071,229**	2,919,017

In September 2006, the Company issued bonds on local market at the amount of KZT 3,000,000 thousand maturing after five years and with interest rate varying in accordance with fluctuations of inflation rate ranging from 8.5% to 15%.

As at 31 December 2009 the Company had no any requirements on performance of financial indicators under issued debt securities.

21. Advances received

	2009	2008
Prepayment for the property held for finance lease	**3,124,009**	2,703,625
Prepayment for reimbursement of interest on finance lease	–	415,824
Advances received	**3,124,009**	3,119,449

Advances received comprise prepayment from clients for property held for finance lease, which was purchased in accordance with loan or finance lease agreements, but not transferred to the lessee.

Based on an order from the Government during 2008 the Company received KZT 415,824 thousand from the Ministry of Agriculture of the Republic of Kazakhstan as subsidy for the interest rate on finance leases given to farmers. This cash is deposited on a special account until due date of interest repayment

22. Equity

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

	Placed value	*Number of shares*	*Total*
At 31 December 2007	1000	28,825,591	28,825,591
Increase in share capital	1000	18,324,600	18,324,600
At 31 December 2008		47,150,191	47,150,191
Increase in share capital	1000	1,300,000	1,300,000
At 31 December 2009		**48,450,191**	**48,450,191**

As at 31 December 2009 and 2008 total amount of authorized common shares is 50,634,091 shares. From total amount of authorized shares, 48,450,191 shares were issued and fully paid (2008: 47,150,191). On the basis of order of the Government of the Republic of Kazakhstan the Company received KZT 1,300,000 thousand from sole shareholder as a contribution to share capital during 2009 (2008: KZT 18,324,600 thousand).

As at 31 December 2009 and 2008 the owner of common share has right for one vote and equal right for dividends. Distributable income is determined on the basis of income recorded in Company's financial statements.

For the year ended 31 December 2007, dividends at the amount of KZT 273,060 thousand were declared and paid in 2008. In May 2008 the shareholder issued the order to the Company to pay the amount of KZT 74,724 thousand in order to render sponsor aid for social events.

At the shareholder's meeting held on 24 August 2009 the Company declared dividends in respect of the year ended 31 December 2008, totaling KZT 638,226 on ordinary shares or KZT 13.17 per share.

For the year ended 31 December 2009 the Company did not declare any dividends for the reporting year.

In accordance with Company's position, reserve capital is formed for general bank risks, including deferred losses and other contingent risks and liabilities. Reserve capital is subject to distribution on the basis of decision of general shareholders meeting. It was also decided at the shareholder's meeting to forward the amount of KZT 638,225 thousand to form reserve capital.

On 31 December 2009 and 2008 the difference between the cost at initial recognition of loans from the Government of the Republic of Kazakhstan and fair value of these loans totaling KZT 3,135,044 thousand and KZT 968,902 thousand, respectively, is recognized as a shareholders' contribution as a part of additional paid in capital.

(In thousands of Kazakhstani tenge)

22. Equity (continued)

At 31 December 2009 and 2008 the losses totaling KZT 316,276 thousand and KZT 1,149,602 thousand, respectively, originating from evaluation of fair value of loans granted to clients at the rate below market, which were funded by the Government of the Republic of Kazakhstan, are recognized in retained earnings as distributions to the shareholder, which are subsequently assigned to the allowance for conditional distribution.

23. Commitments and contingencies

Operating environment

The Republic of Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the Government.

The Kazakhstani economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The ongoing global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, and tighter credit conditions within the Republic of Kazakhstan. While the Kazakhstani Government has introduced a range of stabilization measures aimed at providing liquidity and supporting refinancing of foreign debt for Kazakh banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Company and its counterparties, which could affect the Company's financial position, results of operations and business prospects.

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

While management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Company's results and financial position.

Legal

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

Taxation

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

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

	2009	*2008*
Unused credit facilities – finance lease	**2,093,882**	3,140,851
Unused credit facilities – loans to customers	**–**	116,995
Total	**2,093,882**	3,257,846

(In thousands of Kazakhstani tenge)

24. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2009	*2008*
Salaries and bonuses	(1,028,731)	(817,072)
Social security costs	(100,310)	(66,886)
Personnel expenses	**(1,129,041)**	(883,958)
Taxes except for income tax	(58,210)	(41,001)
Advertisement	(55,806)	(32,624)
Professional services	(49,796)	(74,363)
Rent	(32,259)	(24,653)
Bank commissions	(27,625)	(22,819)
Travel expenses	(26,418)	(32,150)
Communication	(24,610)	(27,392)
Materials	(21,064)	(22,458)
Repair and maintenance	(15,097)	(15,930)
Insurance	(9,948)	(5,853)
Trainings	(5,662)	(15,107)
Stationary	(5,482)	(4,797)
Sponsorship	(5,059)	(2,480)
Other	(31,518)	(32,395)
Other administrative expenses	**(368,554)**	(354,022)

25. Other income

	2009	*2008*
Penalty	496,585	589,339
Rent	2,702	211
Income/(loss) from sale of property and equipment	1,188	(19,187)
Other	2,574	755
Total	503,049	571,118

26. Initial recognition loss on loans, adjusted for gain on changes of future cash flows

	2009	*2008*
Initial recognition loss on loans granted at below market rates	60	(23,282)
Adjustment of changes of future cash flows	391,559	202,606
	391,619	179,324

27. Earnings per share

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

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

	2009	*2008*
Net income attributable to common shareholders for basic and diluted earnings per share (thousands tenge)	1,087,889	1,276,451
Weighted average number of common shares for basic and diluted earnings per share	47,992,773	38,703,901
Basic earnings per share (in Kazakhstani tenge)	22.67	32.98

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

28. Risk management

Introduction

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

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

Risk management structure

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

Board of Directors

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

Management Board

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

Risk Management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process.

Risk Controlling

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

Company Treasury

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

Internal audit

The objective of internal audit is to provide Board of Directors with independent, objective and unbiased information based on audits performed throughout the year. Risk management processes throughout the Company are audited annually by the internal audit function that examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board of Directors.

Risk measurement and reporting systems

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

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

(In thousands of Kazakhstani tenge)

28. Risk management (continued)

Introduction (continued)

Risk measurement and reporting systems (continued)

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

For all levels throughout the Company, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Company on the utilization of market limits, analysis of VaR, proprietary investments and liquidity, plus any other risk developments

Risk mitigation

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

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

Credit risk

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

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

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

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 8 and 9.

	Notes	*Maximum exposure 2009*	*Maximum exposure 2008*
Cash and cash equivalents (excluding cash on hand)	5	**7,548,196**	4,814,347
Amounts due from credit institutions	6	**8,336,246**	2,925,987
Derivative financial assets	7	**12,890,268**	4,215,506
Loans to customers	8	**23,948,563**	27,483,614
Finance lease receivables	9	**44,012,399**	34,914,800
		96,735,672	74,354,254
Financial commitments and contingencies	23	**2,093,882**	3,257,846
Total credit risk exposure		**98,829,554**	77,612,100

(In thousands of Kazakhstani tenge)

28. Risk management (continued)

Credit risk (continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Company internal credit ratings. The table below shows the credit quality by class of asset for loan-related lines in the statement of financial position, based on the Company's credit rating system.

2009	*Standard rating*	*Substandard*	*Individually impaired*	*Total 2009*
Loans to customers	**10,097,714**	**883,321**	**12,967,528**	**23,948,563**
Finance lease receivables	**36,854,920**	**1,517,761**	**5,639,718**	**44,012,399**
Total	**46,952,634**	**2,401,082**	**18,607,246**	**67,960,962**

2008	*Standard rating*	*Substandard*	*Individually impaired*	*Total 2008*
Loans to customers	21,771,850	63,166	5,648,598	27,483,614
Finance lease receivables	24,076,201	11,566	10,827,033	34,914,800
Total	45,848,051	74,732	16,475,631	62,398,414

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

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

	Less than 30 days 2009	*31 to 60 days 2009*	*61 to 90 days 2009*	*More than 90 days 2009*	*Total 2009*
Loans to customers, including					
- finance lease	**235,379**	**224,029**	**619,964**	**438,389**	**1,517,761**
- loan	**2,423**	**462,696**	**122,361**	**295,841**	**883,321**
Total	**237,802**	**686,725**	**742,325**	**734,230**	**2,401,082**

	Less than 30 days 2008	*31 to 60 days 2008*	*61 to 90 days 2008*	*More than 90 days 2008*	*Total 2008*
Loans to customers, including					
- finance lease	6,167	5,203	148	48	11,566
- loan	63,165	–	–	–	63,165
Total	69,332	5,203	148	48	74,731

See Note 8 and 9 for more detailed information with respect to the allowance for impairment of loans to customers.

Impairment assessment

The main considerations for the loan impairment assessment include whether any payments of principal or interest are overdue by more than 90 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Company addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

(In thousands of Kazakhstani tenge)

28. Risk management (continued)

Credit risk (continued)

Collectively assessed allowances

Allowances are assessed collectively for losses on loans that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

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

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

Carrying amount per class of financial assets whose terms have been renegotiated

The table below shows the carrying amount for renegotiated financial assets, by class:

	2009	*2008*
Finance lease receivables	**3,626,876**	107,671
Loans to customers	**1,611,469**	1,466,451
Total	**5,238,345**	1,574,122

Liquidity risk and funding management

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

Analysis of financial liabilities by remaining contractual maturities

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

Financial liabilities As at 31 December 2009	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Amounts due to the Government of the Republic of Kazakhstan	**8,765**	**720,771**	**143,581**	**–**	**873,117**
Amounts due to shareholder	**338,127**	**209,777**	**7,983,675**	**3,833,165**	**12,364,745**
Debt securities issued	**4,250**	**254,292**	**3,258,542**	**–**	**3,517,083**
Amounts due to credit institutions	**2,653,384**	**8,522,129**	**26,696,777**	**113,401**	**37,985,692**
Total undiscounted financial liabilities	**3,004,526**	**9,706,969**	**38,082,575**	**3,946,566**	**54,740,637**

Financial liabilities As at 31 December 2008	***Less than 3 months***	***3 to 12 months***	***1 to 5 years***	***Over 5 years***	***Total***
Amounts due to the Government of the Republic of Kazakhstan	–	920,351	866,950	–	1,787,301
Debt securities issued	–	276,000	3,552,000	–	3,828,000
Amounts due to credit institutions	1,829,664	5,996,633	24,821,672	127,148	32,775,117
Total undiscounted financial liabilities	1,829,664	7,192,984	29,240,622	127,148	38,390,418

The maturity analysis does not reflect the historical stability of current accounts. Their liquidation has historically taken place over a longer period than indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

(In thousands of Kazakhstani tenge)

28. Risk management (continued)

Market risk

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

VaR assumptions

The VaR that the Bank measures is an estimate, using a confidence level of 99% of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 99% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every hundred days

Market risk – Trading

Since VaR is an integral part of the Bank's market risk management, VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management.

	Foreign exchange	*Interest rate*	*Equity*	*Effects of correlation*	*Total*
2009 – 31 December	**1,068,325**	**999,305**	**–**	**3,097,035**	**5,164,665**
2008 – 31 December	798,168	245,551	–	–	1,043,719

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity to a reasonable possible change in interest rates, with all other variables held constant, of the Company's income statement.

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2009. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets at 31 December 2009 for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

Currency	*Increase in basis points 2009*	*Sensitivity of net interest income 2009*	*Sensitivity of equity 2009*
Tenge			
Euro	**100**	**(109,170)**	**(109,170)**
US Dollar	**100**	**(23,050)**	**(23,050)**

Currency	*Increase in basis points 2008*	*Sensitivity of net interest income 2008*	*Sensitivity of equity 2008*
Tenge			
Euro	100	(107,425)	(107,425)
US Dollar	100	24,693	24,693

(In thousands of Kazakhstani tenge)

28. Risk management (continued)

Currency risk

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

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

Currency	*Change in currency rate in % 2009*	*Effect on profit before tax 2009*	*Change in currency rate in % 2008*	*Effect on profit before tax 2008*
USD	**22.9**	**2,597,969**	**0.57**	**9,954**
USD	**10.0**	**702,009**	**10.00**	**266,028**
USD	**(15.0)**	**(699,471)**	**(15.0)**	**(345,369)**
EUR	**25.7**	**380,689**	**(4.70)**	**254,816**
EUR	**10.0**	**317,795**	**10.00**	**(715,136)**
EUR	**(15.0)**	**(365,847)**	**(15.0)**	**1,008,170**

Prepayment risk

If 10% of loan portfolio were to prepay at the beginning of the year, with all other variables held constant, the profit before tax for the year would be reduced by KZT 1,151,679 thousand (2008: KZT 357,753 thousand).

If 10% of debt portfolio were to prepay at the beginning of the year, with all other variables held constant, the profit before tax for the year would be increased by KZT 316,954 thousand (2008: KZT 324,339 thousand).

29. Fair values of financial instruments

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

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

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

31 December 2009	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Derivative financial instruments	**–**	**12,890,268**	**–**	**12,890,268**
Total financial assets	**–**	**–**	**–**	**12,890,268**

31 December 2008	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Derivative financial instruments	–	4,215,506	–	4,215,506
Total financial assets	–	–	–	4,215,506

Financial instruments recorded at fair value

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Company's estimate of assumptions that a market participant would make when valuing the instruments.

(In thousands of Kazakhstani tenge)

29. Fair values of financial instruments (continued)

Fair value of financial assets and liabilities not carried at fair value

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

	Carrying value 2009	*Fair value 2009*	*Unrecognised gain/(loss) 2009*
Financial assets			
Cash and cash equivalents	7,548,196	7,548,196	–
Amounts due from credit institutions	8,336,246	8,336,246	–
Loans to customers	23,948,563	23,715,228	(233,335)
Finance lease receivables	44,012,399	40,070,484	(3,941,915)
Derivative financial assets	12,890,268	12,890,268	–
Other financial assets	30,548	30,548	–
	96,766,220	92,590,970	(4,175,250)
Financial liabilities			
Amounts due to the Government of the Republic of Kazakhstan	806,546	770,315	36,231
Amounts due to shareholder	9,140,933	8,758,113	382,820
Amounts due to credit institutions	35,372,943	30,516,110	4,856,833
Debt securities issued	3,071,229	2,804,477	266,752
Other financial liabilities	756,745	756,745	–
	49,148,396	43,605,760	5,542,636
Total unrecognized change in unrealized fair value			1,367,386

	Carrying value 2008	*Fair value 2008*	*Unrecognised gain/(loss) 2008*
Financial assets			
Cash and cash equivalents	4,814,347	4,814,347	–
Amounts due from credit institutions	2,925,987	2,925,987	–
Loans to customers	27,483,614	25,275,358	(2,208,256)
Finance lease receivables	34,914,800	28,579,974	(6,334,826)
Derivative financial assets	4,215,506	4,215,506	–
Other financial assets	128,978	128,978	–
	74,483,232	65,940,150	(8,543,082)
Financial liabilities			
Amounts due to the Government of the Republic of Kazakhstan	1,600,240	1,540,819	59,421
Amounts due to credit institutions	29,931,798	22,731,112	7,200,686
Debt securities issued	2,919,017	2,670,971	248,046
Other financial liabilities	1,271,497	1,271,497	–
	35,722,552	28,214,399	7,508,153
Total unrecognized change in unrealized fair value			(1,034,929)

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

Assets for which fair value approximates carrying value

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

Fixed and variable rate financial instruments

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

(In thousands of Kazakhstani tenge)

30. Maturity analysis of assets and liabilities

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

	2009			*2008*		
	Within one year	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Financial assets						
Cash and cash equivalents	7,548,196	–	7,548,196	4,814,347	–	4,814,347
Amounts due from credit institutions	8,336,246	–	8,336,246	2,925,987	–	2,925,987
Derivative financial assets	3,106,030	9,784,238	12,890,268	763,499	3,452,007	4,215,506
Loans to customers	5,770,629	18,177,934	23,948,563	6,418,282	21,065,332	27,483,614
Finance lease receivables	9,091,812	34,920,587	44,012,399	5,975,394	28,939,406	34,914,800
Other assets	30,548	–	30,548	128,978	–	128,978
	33,883,461	62,882,759	96,766,220	21,026,487	53,456,745	74,483,232
Financial liabilities						
Amounts due to the Government of the Republic of Kazakhstan	670,361	136,185	806,546	840,677	759,563	1,600,240
Amounts due to shareholder	740,235	8,400,698	9,140,933	–	–	–
Amounts due to credit institutions	9,468,434	25,904,509	35,372,943	7,404,607	22,527,191	29,931,798
Debt securities issued	128,917	2,942,312	3,071,229	–	2,919,017	2,919,017
Other liabilities	756,745	–	756,745	267,812	1,003,685	1,271,497
Total	11,764,692	37,383,704	49,148,396	8,513,096	27,209,456	35,722,552
Net position	22,118,769	25,499,055	47,617,824	12,513,391	26,247,289	38,760,680

31. Related party disclosures

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

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

	2009				*2008*			
	Parent	*Entities with significant influence over the Company*	*Associates*	*Key management personnel*	*Parent*	*Entities with significant influence over the Company*	*Associates*	*Key management personnel*
Loans outstanding at 1 January 2009	–	1,594,201	–	–	–	2,530,835	–	–
Loans issued during the year	9,246,066	–	–	–	–		–	–
Loan repayments during the year	522,243	794,260	–	–	–	936,634	–	–
Loans outstanding at 31 December 2009	8,723,823	799,941	–	–	–	1,594,201	–	–
Interest accrued as at 31 December 2008	–	6,039				9,145		
Accrued interest expense on loans during 2009	106,974	46,851	–	–	–	70,396	–	–
Interest repaid on loans received	8,977	46,285	–	–	–	73,502	–	–
Interest accrued as at 31 December 2009	97,998	6,605	–	–	–	6,039	–	–
Lease transactions as at 31 December 2008	–	–	36,533	–	–	–	3,790	–
Lease given during the year	–	–	1,500,977	–	–	–	45,591	–
Repaid during the year	–	–	310,340	–	–	–	12,848	–
Lease operations as at 31 December 2009	–	–	1,227,170	–	–	–	36,533	–
Interest income on lease operations	–	–	39,978	–	–	–	879	–

(In thousands of Kazakhstani tenge)

31. Related party disclosures (continued)

	2009				2008			
	Parent	*Entities with significant influence over the Company*	*Associates*	*Key manage-ment personnel*	*Parent*	*Entities with significant influence over the Company*	*Associates*	*Key manage-ment personnel*
Loans given as at 1 January 2009	–	–	3,118,186	6,315	–	–	2,013,542	6,681
Loans given during the year	–	–	129,710	539	–	–	1,741,760	2,319
Loans repaid during the year	–	–	640,350	4,567	–	–	637,116	2,685
Loans outstanding as at 31 December 2009	–	–	2,607,546	2,287	–	–	3,118,186	6,315
Interest income on loans given	–	–	490,473	307	–	–	358,932	213
Dividends payable as at 1 January 2009	638,226	–	–	–	–	–	–	–
Dividends paid during the year	319,113	–	–	–	–	–	–	–
Dividends payable as at 31 December 2009	319,113	–	–	–	–	–	–	–
Other income	–	–	78	–	–	–	14	–
Other expense	–	–	2,128	–	–	–	5,339	–

The volumes of related party transactions, outstanding balances at the year end, and related expense and income for the year are as follows:

32. Capital adequacy

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the ratios established by the FMSA in supervising the Company.

During 2009 and 2008, the Company had complied in full with all its capital requirements imposed by the legislation.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

Capital adequacy ratio under FMSA

The FMSA requires companies engaged in certain types of banking activities to maintain a minimum Tier 1 capital adequacy ratio of 6% of assets and minimum total capital adequacy ratio of 12% of risk-weighted assets. In 2009 and 2008 the risk-weighted assets, calculated under FMSA requirements were obtained on the basis of Company's separate financial statements prepared in accordance with Kazakhstani Accounting Standards. As of 31 December 2009, the Company's capital adequacy ratio on this basis was as follows:

	2009	*2008*
Tier 1 capital	49,808,654	46,009,967
Tier 2 capital	2,200,964	2,262,274
Total regulatory capital	52,009,618	48,272,241
Risk-weighted assets and off balance sheet commitments	91,139,858	82,123,690
Operational risk	2,078,849	804,781
Tier 1 capital ratio	47.3%	53.1%
Total capital ratio	57.8%	59.8%