



International Financial Reporting Standards

Financial Statements and Independent Auditor's Report

31 December 2009

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of JSC Kazinvestbank

We have audited the accompanying financial statements of JSC Kazinvestbank ("the Bank") which comprise the statement of financial position as of 31 December 2009 and the statement of comprehensive income, statement of changes in equity and statement 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.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Opinion

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

PricewaterhouseCoopers LLP

Almaty, Kazakhstan
18 March 2010



Zhanbota T. Bekenov
General Director of PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the
Republic of Kazakhstan №0000005 dated
21 October 1999)

Signed by:



Irina K. Taskayeva
Auditor in charge
(Qualified Auditor's Certificate
№00000465 dated
14 November 1998)

JSC Kazinvestbank
Statement of Financial Position

<i>In thousands of Tenge</i>	Note	31 December 2009	31 December 2008
ASSETS			
Cash and cash equivalents	7	18,925,801	13,576,375
Loans and advances to customers	8	51,377,406	52,383,822
Other financial assets	9	47,184	44,118
Intangible assets	10	325,276	333,563
Premises and equipment	10	1,104,057	1,231,575
Current income tax prepayment		138,246	342,937
Other assets	11	399,563	311,417
TOTAL ASSETS		72,317,533	68,223,807
LIABILITIES			
Due to other banks		-	61,447
Customer accounts	12	54,656,689	47,313,414
Other financial liabilities	13	82,968	41,619
Debt securities in issue	14	5,186,998	4,984,709
Other borrowed funds	15	-	3,444,185
Subordinated debt	16	1,185,219	1,171,968
Other liabilities	17	254,875	349,563
Provision for liabilities and other charges		-	16,016
Deferred tax liability	24	42,562	47,312
TOTAL LIABILITIES		61,409,311	57,430,233
EQUITY			
Capital	18	9,437,920	9,411,778
Retained earnings		245,953	257,447
Other reserves	19	1,224,349	1,124,349
TOTAL EQUITY		10,908,222	10,793,574
TOTAL LIABILITIES AND EQUITY		72,317,533	68,223,807

Approved for issue and signed on behalf of the Board of Directors on 18 March 2010.


 Adnan Ally Agha
 Chief Executive Officer




 Natalya Yagina
 Chief Accountant

JSC Kazinvestbank
Statement of Comprehensive Income

<i>In thousands of Tenge</i>	Note	2009	2008
Interest income	20	9,417,594	9,086,151
Interest expense	20	(5,721,420)	(4,817,050)
Net interest income		3,696,174	4,269,101
Provision for loan impairment	8	(1,983,588)	(2,629,627)
Net interest income after provision for loan impairment		1,712,586	1,639,474
Fee and commission income	21	457,729	447,485
Fee and commission expense	21	(160,846)	(70,926)
Loss on redemption of bonds		(228)	(3,831)
(Losses less gains)/gains less losses from foreign exchange forwards		(256,400)	58,624
(Losses less gains)/gains less losses from foreign exchange swaps		(1,110)	1,725
Gains less losses from trading in foreign currencies		376,454	359,995
Foreign exchange translation gains less losses		369,775	47,297
Other operating income/(loss)	22	11,974	(11,772)
Administrative and other operating expenses	23	(2,399,074)	(2,195,777)
Profit before tax		110,860	272,294
Income tax expense	24	(22,354)	(14,847)
Profit for the year		88,506	257,447
Total comprehensive income for the year		88,506	257,447
Earnings per share – basic (Tenge per share)	25	1.29	3.74
Earnings per share – diluted (Tenge per share)	25	1.12	3.26

JSC Kazinvestbank
Statement of Changes in Equity

<i>In thousands of Tenge</i>	Note	Share capital	Other reserves	Retained earnings	Total
Balance at 31 December 2007		9,466,772	99,689	1,024,660	10,591,121
Total comprehensive income for the year		-	-	257,447	257,447
Share issue	18	17,731	-	-	17,731
Treasury shares					
- Acquisitions	18	(72,725)	-	-	(72,725)
Change in mandatory statutory reserve	19	-	1,024,660	(1,024,660)	-
Balance at 31 December 2008		9,411,778	1,124,349	257,447	10,793,574
Total comprehensive income for the year		-	-	88,506	88,506
Share issue	18	31,105	-	-	31,105
Treasury shares					
- Acquisitions	18	(4,963)	-	-	(4,963)
Change in mandatory statutory reserve	19	-	100,000	(100,000)	-
Balance at 31 December 2009		9,437,920	1,224,349	245,953	10,908,222

JSC Kazinvestbank
Statement of Cash Flows

<i>In thousands of Tenge</i>	Note	2009	2008
Cash flows from operating activities			
Interest received		8,026,124	8,490,346
Interest paid		(5,992,908)	(4,470,055)
Fees and commissions received		447,259	459,401
Fees and commissions paid		(173,244)	(73,817)
Income received from trading in trading securities		(228)	-
Income received from financial derivatives		(241,480)	50,819
Income received from trading in foreign currencies		376,386	359,995
Other operating income received		(12,049)	(2,185)
Staff costs paid		(1,300,657)	(1,088,071)
Administrative and other operating expenses paid		(998,863)	(893,158)
Income tax paid		174,494	(303,439)
Cash flows from operating activities before changes in operating assets and liabilities		304,834	2,529,836
Changes in operating assets and liabilities			
Net decrease/(increase) in loans and advances to customers		576,521	(16,570,226)
Net decrease/(increase) in other financial assets		553	(1,235)
Net increase in other assets		(542)	(36,634)
Net decrease in due to other banks		(61,161)	(2,322,289)
Net decrease in other payables		(19,746)	-
Net increase in customer accounts		7,782,555	16,599,759
Net decrease in other borrowed funds		(3,382,120)	(4,896,187)
Net (decrease)/increase in provisions for liabilities and charges and other liabilities		(16,016)	15,650
Net cash from/(used in) operating activities		5,184,878	(4,681,326)
Cash flows from investing activities			
Acquisition of premises and equipment	10	(16,583)	(426,738)
Proceeds from disposal of premises and equipment	10	-	2,045
Acquisition of intangible assets	10	(38,625)	(156,149)
Net cash used in investing activities		(55,208)	(580,842)
Cash flows from financing activities			
Issue of debt securities		-	1,185,224
Redemption of debt securities		(3,501)	(896,584)
Redemption of subordinated securities		(3,800)	-
Issue of ordinary shares	18	31,105	17,731
Acquisition of treasury shares	18	(4,963)	(72,725)
Net cash from financing activities		18,841	233,646
Effect of exchange rate changes on cash and cash equivalents		200,915	47,297
Net increase/(decrease) in cash and cash equivalents		5,349,426	(4,981,225)
Cash and cash equivalents at the beginning of the year		13,576,375	18,557,600
Cash and cash equivalents at the end of the year	7	18,925,801	13,576,375

1 Introduction

These financial statements have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2009 for Joint Stock Company Kazinvestbank (the "Bank"). The Bank was established in September 1993, is incorporated and domiciled in the Republic of Kazakhstan. The Bank is a joint stock company limited by shares and was set up in accordance with Kazakhstan regulations.

Principal activity. The Bank's principal business activity is commercial and retail banking operations within the Republic of Kazakhstan. The Bank has operated under a banking license reissued by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "Agency") on 25 January 2006. The Bank has seven (2008: six) branches within the Republic of Kazakhstan. Information about shareholders of the Bank is presented in Note 18.

Registered address and place of business. The Bank's registered address is: 176 Dostyk Avenue, Almaty 050051, Kazakhstan.

Presentation currency. These financial statements are presented in thousands of Tenge.

2 Operating Environment of the Bank

Whilst there have been improvements in the economic situation in the Republic of Kazakhstan in years preceding the global financial crisis, the economy of Kazakhstan continues to display characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible outside of the country, a low level of liquidity in the public and private debt and equity markets and lack of market conformity and transparency.

Additionally, the banking sector in Kazakhstan is particularly impacted by political, legislative, fiscal and regulatory developments in Kazakhstan. These prospects for future economic stability in Kazakhstan in 2010-2011 are largely dependent upon the effectiveness of a range of measures undertaken by the Government. There remains the possibility of unpredictable changes in the financial and economic environment that may have an adverse effect on the Bank's operations. Management of the Bank is unable to predict the extent and duration of future economic difficulties. Consequently these financial statements do not include any adjustments that may result from the future resolution of these uncertainties. Such adjustments, if any, will be reported in the Bank's financial statements in the period when they become known and estimable.

Economic conditions continue to limit the volume of activity in the financial markets. Low liquidity of local financial market does not allow to reflect the real values for financial instruments, which would be established in an efficient, active market involving many willing buyers and willing sellers.

Recent volatility in global and Kazakhstan financial markets. The ongoing global liquidity crisis which commenced in the middle of 2007 has resulted in, among other things, an inability to attract funds on capital markets. Though in the liquidity in the banking sector had improved due to investments by Government of significant funds, increase in lending did not result as most banks continue to suffer from bad debts issued in prior periods. The bankruptcy of several financial institutions in Republic of Kazakhstan postpones possibilities of economic recovery.

Borrowers of the Bank may be affected by low liquidity at the market which could subsequently impact their ability to repay the amounts owed. Deteriorating operating conditions for borrowers may also have an impact on Management's cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

The amount of provision for impaired loans is based on Management's appraisals of these assets at the end of the reporting period after taking into consideration the cash flows that may result from foreclosure less costs for obtaining and selling the collateral. The market in Kazakhstan for many types of collateral, especially real estate, has been severely affected by the recent volatility in global financial markets resulting in there being a low level of liquidity for certain types of assets. As a result, the actual realisable value on foreclosure may differ from the value ascribed in estimating allowances for impairment.

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

3 Summary of Significant Accounting Policies

Basis of Preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and trading financial assets. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented.

Financial instruments - key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. Fair value is the current bid price for financial assets and current asking price for financial liabilities which are quoted in an active market. For assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or other institution and those prices represent actual and regularly occurring market transactions on an arm’s length basis.

Valuation techniques such as discounted cash flow models or models based on recent arms length transactions or consideration of financial data of the investees are used to fair value certain financial instruments for which external market pricing information is not available. Valuation techniques may require assumptions not supported by observable market data. Disclosures are made in these financial statements if changing any such assumptions to a reasonably possible alternative would result in significantly different profit, income, total assets or total liabilities.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy).

Initial recognition of financial instruments. Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention (“regular way” purchases and sales) are recorded at trade date, which is the date that the Bank commits to deliver a financial asset. All other purchases and sales are recognised on the settlement date with the change in value between the commitment date and settlement date not recognised for assets carried at cost or amortised cost; recognised in profit or loss for trading securities, derivatives and other financial assets at fair value through profit or loss; and recognised in equity for assets classified as available for sale.

3 Summary of Significant Accounting Policies (Continued)

Derecognition of financial assets. The Bank derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (ii) the Bank has transferred substantially all the risks and rewards of ownership of the assets or (iii) the Bank has neither transferred nor retained substantially all risks and rewards of ownership but has not retained control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include mandatory reserve deposits with the NBRK and all interbank placements with original maturities of less than three months. The minimum reserve deposits with the NBRK are not subject to restrictions to its availability and therefore are included in cash and cash equivalents. Funds restricted for a period of more than three months are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost.

Due from other banks. Amounts due from other banks are recorded when the Bank advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost

Loans and advances to customers. Loans and advances to customers are recorded when the Bank advances money to purchase or originate an unquoted non-derivative receivable from a customer due on fixed or determinable dates and has no intention of trading the receivable. Loans and advances to customers are carried at amortised cost.

Impairment of financial assets carried at amortised cost. The Bank assess at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- any instalment is overdue due to the deterioration of the financial standing of the borrower and the late payment cannot be attributed to a delay caused by the settlement systems;
- the borrower experiences a significant financial difficulty as evidenced by the borrower's financial information that the Bank obtains;
- the borrower considers bankruptcy or a financial reorganisation;
- there is adverse change in the payment status of the borrower as a result of changes in the national or local economic conditions that impact the borrower;
- the value of collateral significantly decreases as a result of deteriorating market conditions.

The estimated period between a loss occurring and its identification is determined by Management for each identified portfolio. In general, the periods used vary between three months and twelve months; in exceptional cases, longer periods are warranted.

The Bank assesses corporate and mortgage loans, cash and cash equivalents and other financial assets on an individual basis because the number of counterparties in each of these categories is insignificant.

The Bank does not use collective impairment for consumer loans because of limited history of lending, and creates hundred percent provision for all loans overdue more than sixty days.

The amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. 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 statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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.

3 Summary of Significant Accounting Policies (Continued)

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Uncollectible assets are written off against the related impairment loss provision after all the necessary procedures to recover the asset have been completed and the amount of the loss has been determined.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account through profit or loss. The amount of the reversal is recognised in the statement of comprehensive income in impairment charge for credit losses.

Credit related commitments. The Bank enters into credit related commitments, including letters of credit and financial guarantees. Financial guarantees represent irrevocable assurances to make payments in the event a customer cannot meet its obligations to third parties and carry the same credit risk as loans. Financial guarantees and commitments to provide a loan are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment. At the end of each reporting period, the commitments are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at the end of the reporting period.

Investment securities available for sale. This classification includes investment securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. The Bank classifies investments as available for sale at the time of purchase.

Investment securities available for sale are carried at fair value. Interest income on available for sale debt securities is calculated using the effective interest method and recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Bank's right to receive payment is established. All other elements of changes in the fair value are deferred in equity until the investment is derecognised or impaired, at which time the cumulative gain or loss is removed from equity to profit or loss.

Impairment losses are recognised in profit or loss when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of investment securities available for sale. A significant or prolonged decline in the fair value of an equity security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through current period's profit or loss.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements are treated as secured financing transactions. Securities sold under sale and repurchase agreements are not derecognised. The securities are not reclassified in the statement of financial position unless the transferee has the right by contract or custom to sell or pledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds. The difference between the sale and repurchase price is treated as interest expense and accrued over the life of repo agreements using the effective interest method.

Securities purchased under agreements to resell ("reverse repurchase agreements") are recorded as due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or pledge the securities, in which case they are reclassified and presented separately. Securities borrowed are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss within gains less losses arising from trading securities. The proceeds from the sale are recorded in cash and the obligation to return the securities is recorded at fair value in other borrowed funds.

3 Summary of Significant Accounting Policies (Continued)

Premises and equipment. Premises and equipment are stated at cost less accumulated depreciation and provision for impairment, where required.

Construction in progress is carried at cost less provision for impairment where required. Upon completion, assets are transferred to premises and equipment at their carrying amount. Construction in progress is not depreciated until the asset is available for use.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

At each reporting date Management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, Management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the statement of comprehensive income. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss.

Depreciation. Land is not depreciated. Depreciation on other items of premises and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives at the following annual rates:

	<u>Annual rates</u>
Premises	2%
Computers and computer equipment	20 – 33%
Vehicles	20%
Other fixed assets	10 – 33%

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets. All of the Bank's intangible assets have definite useful life and primarily include capitalised computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of three to ten years.

Operating leases. Where the Bank is a lessee in a lease which does not transfer substantially all the risks and rewards incidental to ownership from the lessor to the Bank, the total lease payments are charged to profit or loss on a straight-line basis over the period of the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at amortised cost. If the Bank purchases its own debt, it is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt. Obligation to return securities borrowed and sold to third parties is carried at fair value through profit or loss.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Debt securities in issue. Debt securities in issue include bonds issued by the Bank. Debt securities are stated at amortised cost. If the Bank purchases its own debt securities in issue, they are removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Other borrowed funds. Other borrowed funds include shareholder loans and are carried at amortised cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts and currency rate swaps are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss. The Bank does not apply hedge accounting.

Certain derivative instruments embedded in other financial instruments are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

Income taxes. Income taxes have been provided for in the financial statements in accordance with Kazakhstani legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in the statement of comprehensive income except if it is recognised directly in equity because it relates to transactions that are also recognised, in the same or a different period, directly in equity.

Current tax is the amount expected to be paid to or recovered from the taxation authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by management at every reporting date. Liabilities are recorded for income tax positions that are determined by management as less likely than not to be sustained if challenged by tax authorities, based on the interpretation of tax laws that have been enacted or substantively enacted by the reporting date. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the reporting date.

Financial guarantees. Financial guarantees are contracts that requires the Bank to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts, other banking facilities and performance under tenders.

Financial guarantees are initially recognised in the financial statements at fair value on the date guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the initial measurement, less amortisation calculated to recognise in the statement of comprehensive income the fee income earned on a straight line basis over the life of the guarantee and the best estimate of the expenditure required to settle any financial obligation arising at the end of the reporting period. These estimates are determined based on judgement of Management. Any increase in the liability relating to guarantees is taken to the statement of comprehensive income under administrative and other operating expenses.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

3 Summary of Significant Accounting Policies (Continued)

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Bank has a present legal or constructive obligation as a result of past events, 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 the obligation can be made.

Share capital. Ordinary shares are both classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Share premium. Share premium represents the excess of contributions over the nominal value of the shares issued.

Treasury shares. Where the Bank purchases its equity instruments, the consideration paid including any attributable incremental external costs net of income taxes is deducted from equity attributable to the equity holders of the Bank until they are cancelled or disposed of. Where such shares are subsequently disposed or reissued, any consideration received is included in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Dividends declared after the end of the reporting period and before the financial statements are authorised for issue are disclosed in the subsequent events note. The financial statements prepared in accordance with IFRS are the basis for profit distribution and other appropriations. Kazakhstan legislation identifies the basis of distribution as the current year net profit and retained earnings.

Income and expense recognition. Interest income and expense are recorded in the statement of comprehensive income for all debt instruments on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at fair value through profit or loss.

When loans and other debt instruments become doubtful of collection, they are written down to present value of expected cash inflows and interest income is thereafter recorded for the unwinding of the present value discount based on the asset's effective interest rate which was used to measure the impairment loss.

All other fees, commissions and other income and expense items are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses, which are earned on execution of the underlying transaction are recorded on its completion. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-proportion basis. Asset management fees related to investment funds are recorded rateably over the period the service is provided. The same principle is applied for wealth management, financial planning and custody services that are continuously provided over an extended period of time.

Foreign currency translation. The functional currency of the Bank is the currency of the primary economic environment in which the entity operates. The Bank's functional currency and the Bank's presentation currency is the national currency of the Republic of Kazakhstan, Kazakhstani Tenge ("Tenge"). At 31 December 2009 the principal rate of exchange used for translating foreign currency balances was USD 1 = Tenge 148.46 (2008: USD 1 = Tenge 120.79); and Euro 1 = Tenge 213.95 (2008: Euro 1 = Tenge 170.24).

Monetary assets and liabilities are translated into the functional currency at the official exchange rate of the NBRK at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the NBRK are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. Effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

3 Summary of Significant Accounting Policies (Continued)

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

Earnings per share. Earnings per share is determined by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of participating shares outstanding during the reporting year.

Staff costs and related contributions. Wages, salaries, contributions to pension funds, paid annual leave and sick leave, and bonuses are accrued in the year in which the associated services are rendered by the employees of the Bank. In accordance with the legal requirements of the Republic of Kazakhstan, the Bank withholds pension contributions from employee salaries and transfers them into state or private pension funds. Upon retirement of employees, all pension payments are administered by the above pension funds. The Bank does not have any legal or constructive obligation to provide further funding if the state or private pensions funds fail to make the pension payments.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Bank's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Impairment losses on loans and advances. The Bank regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the statement of comprehensive income, the Bank makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include 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 portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

As of 31 December 2009 the Bank had not collected sufficient statistical data about historical loss rates for groups of consumer loans as portfolio age was only twenty months. No reliable benchmark information about historical loss rates was available. Therefore, Management's estimated future cash flows used for estimation of the amount of impairment loss on consumer loans may deviate from future cash flow estimated based on historical loss experience rates, should such information be available to Management. Management will use estimated future cash flows based on historical loss rates as soon as sufficient statistical data is collected.

To the extent that the cash flow on repayment of the principal of loans provided for increases by 12 percent the provision would be approximately Tenge 1,201,936 thousand (2008: Tenge 354,171 thousand) lower. Should the cash flow decrease by 12 percent the provision would be approximately Tenge 1,129,842 thousand (2008: Tenge 442,715 thousand) higher.

Tax legislation. Kazakhstan tax and customs legislation is subject to varying interpretations. Refer to Note 24.

5 Adoption of New or Revised Standards and Interpretations

Certain new interpretations became effective for the Bank from 1 January 2009:

IFRS 8, Operating Segments. The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organisation for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes.

IAS 23, Borrowing Costs, revised in March 2007. The main change is the removal of the option of immediately recognising as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that is not carried at fair value and that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalisation is on or after 1 January 2009. Other borrowing costs are recognised as an expense using the effective interest method.

IAS 1, Presentation of Financial Statements, revised in September 2007. The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Bank has elected to present a single statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had no impact on the presentation of the Bank's current financial statements since during the periods ended 31 December 2009 and 31 December 2008 the Bank had no other comprehensive income or expense and no restatements or reclassifications of the comparatives were made.

Improvements to International Financial Reporting Standards issued in May 2008. In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting. The amendments did not have an impact on the Bank.

Puttable Financial Instruments and Obligations Arising on Liquidation—IAS 32 and IAS 1 Amendment. The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities. The amendment did not have an impact on these financial statements.

Vesting Conditions and Cancellations—Amendment to IFRS 2, Share-based Payment. The amendment clarified that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment did not have an impact on these financial statements.

IFRIC 13, Customer Loyalty Programmes. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. The amendment did not have an impact on these financial statements.

5 Adoption of New or Revised Standards and Interpretations (Continued)

IFRIC 15, Agreements for the Construction of Real Estate. The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions. The amendment did not have an impact on these financial statements.

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment, issued in May 2008. The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss for the year rather than as a recovery of the investment. The amendment did not have an impact on these financial statements.

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. The enhanced disclosures are included in these financial statements.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009. The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for. The amendment did not have an impact on these financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation. The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16. IFRIC 16 did not have an impact on these financial statements.

The International Financial Reporting Standard for Small and Medium-sized Entities issued in July 2009 is a self-contained standard, tailored to the needs and capabilities of smaller businesses. Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced. The IFRS for SMEs may be applied by entities which publish general purpose financial statements for external users and do not have public accountability. The Bank is not eligible to apply the IFRS for SMEs due to the public accountability of its banking business.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Bank's financial statements.

6 New Accounting Pronouncements

Certain new standards and interpretations have been published that are mandatory for the Bank's accounting periods beginning on or after 1 January 2010 or later periods and which the Bank has not early adopted:

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss for the year when the entity settles the dividend payable. IFRIC 17 is not relevant to the Bank's operations because it does not distribute non-cash assets to owners.

6 New Accounting Pronouncements (Continued)

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009). The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers. IFRIC 18 is not expected to have any impact on the Bank's financial statements.

Classification of Rights Issues - Amendment to IAS 32 (issued 8 October 2009; effective for annual periods beginning on or after 1 February 2010). The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. Amendment to IAS 32 is not expected to have any impact on the Bank's financial statements.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value. IAS 27 is not expected to have any impact on the Bank's financial statements.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognise the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognise at the acquisition date a liability for any contingent purchase consideration.

Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone. IFRS 3 is not relevant to the Bank as it does not expect a business combination to occur.

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009). The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment is not expected to have any impact on the Bank's financial statements as the Bank does not apply hedge accounting.

IFRS 1, First-time Adoption of International Financial Reporting Standards (following an amendment in December 2008, effective for the first IFRS financial statements for a period beginning on or after 1 July 2009). The revised IFRS 1 retains the substance of its previous version but within a changed structure in order to make it easier for the reader to understand and to better accommodate future changes. The Bank concluded that the revised standard does not have any effect on its financial statements.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, First-time Adoption of IFRS (effective for annual periods beginning on or after 1 January 2010). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result. The amendments will not have any impact on the Bank's financial statements.

interpretation. The amendments also clarify the defined terms in the Appendix to the standard. The Bank does not expect the amendments to have any material effect on its financial statements.

6 New Accounting Pronouncements (Continued)

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010). The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn. The amendments expand on the guidance given in IFRIC 11 to address plans that were previously not considered in the

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009; amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010). The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations: clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2; clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations; requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current; changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities; allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent; clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination; amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender; amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged. The Bank does not expect the amendments to have any material effect on its financial statements.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011). IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities. Amendment to IAS 24 is not expected to have any impact on the Bank's financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurement. IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. Key features are as follows:

- Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.
- An instrument is subsequently measured at amortised cost only if it is a debt instrument and both (i) the objective of the entity's business model is to hold the asset to collect the contractual cash flows, and (ii) the asset's contractual cash flows represent only payments of principal and interest (that is, it has only "basic loan features"). All other debt instruments are to be measured at fair value through profit or loss.
- All equity instruments are to be measured subsequently at fair value. Equity instruments that are held for trading will be measured at fair value through profit or loss. For all other equity investments, an irrevocable election can be made at initial recognition, to recognise unrealised and realised fair value gains and losses through other comprehensive income rather than profit or loss. There is to be no recycling of fair value gains and losses to profit or loss. This election may be made on an instrument-by-instrument basis. Dividends are to be presented in profit or loss, as long as they represent a return on investment.
- While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

The Bank is considering the implications of the standard, the impact on the Bank and the timing of its adoption by the Bank.

Unless otherwise described above, the new standards and interpretations are not expected to significantly affect the Bank's financial statements.

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Notes to the Financial Statements – 31 December 2009

7 Cash and Cash Equivalents

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Cash on hand	581,350	462,691
Cash balances with the NBRK (other than mandatory reserve deposits)	8,573,894	3,196,348
Mandatory cash balances with the NBRK	995,808	1,294,178
Correspondent accounts and overnight placements with other banks:		
- Republic of Kazakhstan	559,983	202,546
- other countries	3,229,420	4,949,648
NBRK notes with original maturities of less than three months	4,985,346	-
Placements with other banks with original maturities of less than three months	-	1,000,250
Reverse repurchase agreements with original maturities with less than three months	-	2,470,714
Total cash and cash equivalents	18,925,801	13,576,375

At 31 December 2009 the Bank had no cash and cash equivalents of securities purchased under reverse sale and repurchase agreements (31 December 2008: Tenge 2,470,714 thousand at a fair value of Tenge 2,470,714 thousand). Interest rate analysis of cash and cash equivalents is disclosed in Note 27. The information on related party balances is disclosed in Note 33. Mandatory cash balances with the NBRK are carried at amortised cost and represent non-interest bearing mandatory reserve balances which are not available to finance the Bank's day to day operations.

The credit quality of cash and cash equivalents, except cash on hand, balances may be summarised based on Standard and Poor's ratings as follows at 31 December 2009:

<i>In thousands of Tenge</i>	Cash balances with the NBRK	Corresponde nt accounts and overnight placements	Total
<i>Neither past due nor impaired</i>			
NBRK	14,555,048	-	14,555,048
AA-	-	329,061	329,061
A- to A+ rated	-	2,779,159	2,779,159
Lower than A- rated	-	681,183	681,183
Total cash and cash equivalents	14,555,048	3,789,403	18,344,451

The credit quality of cash and cash equivalents, except cash on hand, balances may be summarised based on Standard and Poor's ratings as follows at 31 December 2008:

<i>In thousands of Tenge</i>	Cash balances with the NBRK	Corresponde nt accounts and overnight placements	Placements with other banks	Reverse repurchase agreements	Total
<i>Neither past due nor impaired</i>					
NBRK	4,490,526	-	-	-	4,490,526
AA-	-	1,562,177	-	-	1,562,177
A- to A+ rated	-	3,376,490	-	-	3,376,490
Lower than A- rated	-	213,527	1,000,250	2,470,714	3,684,491
Total cash and cash equivalents	4,490,526	5,152,194	1,000,250	2,470,714	13,113,684

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8 Loans and Advances to Customers

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Corporate loans	52,900,395	52,426,393
Consumer loans	2,697,420	2,239,741
Mortgage loans	492,165	448,103
Gross loans and advances to customers	56,089,980	55,114,237
Less: Provision for loan impairment	(4,712,574)	(2,730,415)
Total loans and advances to customers	51,377,406	52,383,822
Current	40,782,372	38,303,908
Non-current	10,595,034	14,079,914

Movements in the provision for loan impairment during 2009 are as follows:

<i>In thousands of Tenge</i>	Corporate loans	Consumer loans	Mortgage loans	Total
Provision for loan impairment at 1 January	2,710,199	15,761	4,455	2,730,415
Provision for impairment during the year	1,737,444	234,567	11,577	1,983,588
Amounts written off during the year as uncollectible	650	(2,079)	-	(1,429)
Provision for loan impairment at 31 December	4,448,293	248,249	16,032	4,712,574

Movements in the provision for loan impairment during 2008 are as follows:

<i>In thousands of Tenge</i>	Corporate loans	Consumer loans	Mortgage loans	Total
Provision for loan impairment at 1 January	159,026	-	-	159,026
Provision for impairment during the year	2,608,230	16,942	4,455	2,629,627
Amounts written off during the year as uncollectible	(57,057)	(1,181)	-	(58,238)
Provision for loan impairment at 31 December	2,710,199	15,761	4,455	2,730,415

8 Loans and Advances to Customers (Continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

<i>In thousands of Tenge</i>	31 December 2009		31 December 2008	
	Amount	%	Amount	%
Trading of agriculture commodities	6,354,751	11.3	2,925,741	5.3
Wholesale and retail of consumer electronics	5,830,925	10.4	5,246,251	9.5
Construction	4,375,092	8.0	3,984,996	7.2
Agriculture	4,432,487	7.9	5,330,451	9.7
Hardware	4,381,129	7.8	4,559,999	8.3
Food and beverages	4,055,553	7.2	3,908,600	7.1
Recycling	3,725,694	6.6	3,867,860	7.0
Individuals	3,189,586	5.7	2,696,991	4.9
Wholesale and retail of FMCG, food & beverages	3,015,779	5.4	5,354,035	9.7
Oil and oil products trading	2,940,470	5.2	3,617,863	6.6
Auto sales and servicing	2,352,980	4.2	1,742,096	3.2
Concrete production and sale	2,029,927	3.6	1,897,561	3.4
Printing and packaging	1,665,140	3.0	1,230,688	2.2
Consumer goods	1,637,014	2.9	1,368,025	2.5
Tannery	1,502,498	2.7	1,222,462	2.2
Customs brokerage	1,189,169	2.1	1,248,580	2.3
Aircraft servicing	728,762	1.0	121,820	0.2
Pharmaceuticals	451,708	0.8	612,741	1.1
Private holding company	390,895	0.7	423,259	0.8
Host and travel	313,269	0.6	254,568	0.5
Transport	258,520	0.5	1,790,277	3.2
Road repair	201,365	0.4	135,000	0.2
Communications	201,050	0.4	755,644	1.4
Recruitment	101,593	0.2	101,568	0.2
Utilities	-	-	609,100	1.1
Other	764,624	1.4	108,061	0.2
Total gross loans and advances to customers	56,089,980	100.0	55,114,237	100.0

State and public organisations exclude government owned profit orientated businesses.

At 31 December 2009 the Bank had sixteen borrowers (31 December 2008: eleven borrowers) with aggregated loan amounts above Tenge 1,350,000 thousand. The total aggregate amount of these loans was at 31 December 2009 Tenge 29,758,713 thousand (31 December 2008: Tenge 19,344,430 thousand) or 53.1 percent of the gross loan portfolio (31 December 2008: 35.1 percent).

8 Loans and Advances to Customers (Continued)

Information about collateral at 31 December 2009 is as follows:

<i>In thousands of Tenge</i>	Corporate loans	Consumer loans	Mortgage loans	Total
Loans collateralised by:				
- non residential real estate	31,917,232	363,570	-	32,280,802
- stock	15,066,293	-	-	15,066,293
- residential real estate	1,788,057	460,610	370,790	2,619,457
- equipment	582,044	-	-	582,044
- cash deposits	285,261	2,108	-	287,369
- other assets	2,543,402	30,830	49,651	2,623,883
Total secured loans	52,182,289	857,118	420,441	53,459,848
Unsecured loans	718,106	1,840,302	71,724	2,630,132
Total gross loans and advances to customers	52,900,395	2,697,420	492,165	56,089,980

Information about collateral at 31 December 2008 is as follows:

<i>In thousands of Tenge</i>	Corporate loans	Consumer loans	Mortgage loans	Total
Loans collateralised by:				
- non residential real estate	21,621,612	-	17,179	21,638,791
- stock	23,110,193	-	-	23,110,193
- residential real estate	1,350,095	592,105	301,980	2,244,180
- equipment	2,203,299	-	-	2,203,299
- cash deposits	-	10,270	-	10,270
- other assets	3,054,034	796	-	3,054,830
Total secured loans	51,339,233	603,171	319,159	52,261,563
Unsecured loans	1,087,160	1,636,570	128,944	2,852,674
Total gross loans and advances to customers	52,426,393	2,239,741	448,103	55,114,237

8 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2009 is as follows:

<i>In thousands of Tenge</i>	Corporate loans	Consumer loans	Mortgage loans	Total
<i>Neither past due nor impaired</i>				
- No sign of weakness	29,698,900	2,229,345	476,133	32,404,378
- Signs of weakness	5,271,726	-	-	5,271,726
- Timely repayment at risk	2,957,948	-	-	2,957,948
Total neither past due nor impaired	37,928,574	2,229,345	476,133	40,634,052
<i>Past due but not impaired</i>				
- less than 30 days overdue	-	79,812	-	79,812
- 30 to 90 days overdue	1,410,598	237,294	-	1,647,892
Total past due but not impaired	1,410,598	317,106	-	1,727,704
Loans individually impaired but not past due	6,714,332		-	6,714,332
<i>Loans past due and impaired (gross)</i>				
- less than 180 days overdue	159,524	58,976	-	218,500
- 180 to 360 days overdue	2,649,764	64,241	16,032	2,730,037
- over 360 days overdue	4,037,603	27,752	-	4,065,355
Total past due and impaired (gross)	6,846,891	150,969	16,032	7,013,892
Gross loans and advances to customers	52,900,395	2,697,420	492,165	56,089,980
Less impairment provisions	(4,448,293)	(248,249)	(16,032)	(4,712,574)
Total loans and advances to customers	48,452,102	2,449,171	476,133	51,377,406

Due to the slowdown of the overall market during years 2008 and 2009, one of the Bank borrowers experienced in sales decrease. As a result the Bank decided to restructure the loan for a longer tenure and decrease the interest rate. Restructuring terms for loans are determined by the Bank on the case by case basis. Management strongly believes that no provision on loan impairment is required as the borrower will be able to service debt in full and the customer's sales position will recover along with the market.

As of 31 December 2009 the Bank had 9 renegotiated loans (31 December 2008: 2 loans) and regarded as impaired. Amount of provision created under such loans constituted Tenge 2,043,811 thousand (31 December 2008: Tenge 678,135 thousand).

8 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans outstanding at 31 December 2008 is as follows:

<i>In thousands of Tenge</i>	Corporate loans	Consumer loans	Mortgage loans	Total
<i>Neither past due nor impaired</i>				
- No sign of weakness	32,602,497	2,173,817	448,103	35,224,417
- Signs of weakness	7,836,709	-	-	7,836,709
- Timely repayment at risk	3,168,890	-	-	3,168,890
Total neither past due nor impaired	43,608,096	2,173,817	448,103	46,230,016
<i>Past due but not impaired</i>				
- less than 30 days overdue	1,035,015	6,892	-	1,041,907
- 30 to 90 days overdue	2,051,834	-	-	2,051,834
Total past due but not impaired	3,086,849	6,892	-	3,093,741
<i>Loans individually determined to be impaired (gross)</i>				
- less than 180 days overdue	259,887	59,032	-	318,919
- 180 to 360 days overdue	5,234,455	-	-	5,234,455
- over 360 days overdue	237,106	-	-	237,106
Total individually impaired loans (gross)	5,731,448	59,032	-	5,790,480
Gross loans and advances to customers	52,426,393	2,239,741	448,103	55,114,237
Less impairment provisions	(2,710,199)	(20,216)	-	(2,730,415)
Total loans and advances to customers	49,716,194	2,219,525	448,103	52,383,822

The Bank's policy is to classify each loan as 'neither past due nor impaired' until specific objective evidence of impairment of the loan is identified. The primary factors that the Bank considers whether a loan is impaired are its overdue status, financial position, prolongations or debt restructurings and realisability of related collateral, if any. As a result, the Bank presents above an ageing analysis of loans that are individually determined to be impaired.

Included in neither past due nor impaired, as at 31 December 2009 are renegotiated loans with the carrying amount of Tenge 4,191,962 thousand (31 December 2008: 5,087,347) that would otherwise be past due or impaired whose terms have been renegotiated. Past due but not impaired loans primarily include collateralised loans where the fair value of collateral covers the overdue interest and principal repayments. The amount reported as past due but not impaired is the whole balance of such loans, not only the individual instalments that are past due.

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8 Loans and Advances to Customers (Continued)

The fair value of collateral in respect of loans past due but not impaired and in respect of loans individually determined to be impaired at 31 December was as follows:

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
<i>Fair value of collateral – loans past due but not impaired</i>		
- real estate	1,353,885	4,313,395
- equipment	43,670	1,134,476
- other assets	-	268,150
<i>Fair value of collateral - individually impaired loans</i>		
- real estate	10,530,516	2,913,194
- equipment	534,094	108,055
- other assets	298,564	-
Total	12,760,729	8,737,270

All past due but not impaired and impaired consumer loans are unsecured.

Fair value of all collateral is determined through the use of professional appraisers at initiation of each credit. The fair value of collateral is updated by the Bank's credit department using Bank's internal guidelines on a regular basis. Re-appraisal of real estate is done through professional appraisers for impaired loans.

Refer to Note 31 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 27. The information on related party balances is disclosed in Note 33.

9 Other Financial Assets

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Restricted cash held with market makers	24,023	-
Receivable under spot deal	10,698	-
Fee and commission income receivable	9,567	24,639
Investments in stock exchange	2,200	2,200
Penalties	696	1,249
Foreign exchange forward contracts	-	16,030
Total other financial assets	47,184	44,118
Current	20,961	41,918
Non-current	26,223	2,200

Investments in stock exchange as of 31 December 2009 represent the Bank's 1.33 percent membership ownership in the equity of Kazakhstan Stock Exchange (31 December 2008: 1.33 percent). These investments do not have a quoted market price in an active market and their fair value cannot be reliably measured. Therefore, investments in stock exchange are measured at cost.

As of 31 December 2009 the Bank had Tenge 3,417 thousand (31 December 2008: Tenge 1,620 thousand) commission income receivable overdue above 30 days. Other items of other financial assets had no weaknesses and were classified as neither past due nor impaired.

The primary factors that the Bank considers in determining whether a receivable is impaired are its overdue status and realisability of related collateral, if any. Information on related party balances is disclosed in Note 33. Refer to Note 31 for the disclosure of the fair value of each class of other financial assets.

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10 Premises, Equipment and Intangible Assets

<i>In thousands of Tenge</i>	Note	Land and premises	Office and computer equipment	Vehicles	Construction in progress	Total premises and equipment	Computer software licences
Cost at 31 December 2007		520,511	327,310	80,402	121,315	1,049,538	249,894
Accumulated depreciation/amortisation		(10,027)	(97,797)	(14,413)	-	(122,237)	(31,070)
Carrying amount at 31 December 2007		510,484	229,513	65,989	121,315	927,301	218,824
Additions		135,236	268,651	22,851	-	426,738	156,149
Disposals		-	(8,605)	(3,027)	-	(11,632)	-
Depreciation/amortisation charge	23	(19,732)	(72,461)	(18,639)	-	(110,832)	(41,410)
Carrying amount at 31 December 2008		625,988	417,098	67,174	121,315	1,231,575	333,563
Cost at 31 December 2008		655,747	569,723	98,473	121,315	1,445,258	406,043
Accumulated depreciation/amortisation		(29,759)	(152,625)	(31,299)	-	(213,683)	(72,480)
Carrying amount at 31 December 2008		625,988	417,098	67,174	121,315	1,231,575	333,563
Additions		1,901	6,132	8,550	-	16,583	38,625
Disposals		-	(2,225)	-	-	(2,225)	-
Depreciation/amortisation charge	23	(35,721)	(86,453)	(19,702)	-	(141,876)	(46,912)
Carrying amount at 31 December 2009		592,168	334,552	56,022	121,315	1,104,057	325,276
Cost at 31 December 2009		657,648	562,791	107,023	121,315	1,448,777	444,668
Accumulated depreciation/amortisation		(65,480)	(228,239)	(51,001)	-	(344,720)	(119,392)
Carrying amount at 31 December 2009		592,168	334,552	56,022	121,315	1,104,057	325,276

Construction in progress consists of construction and refurbishment of branch premises. Upon completion, assets are transferred to land and premises.

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11 Other Assets

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Prepayments for services	172,355	166,165
Prepayments for construction in progress	116,046	136,809
Prepaid taxes	101,350	669
Settlements with employees	5,244	4,225
Inventory	3,468	2,926
Other	1,100	623
Total other assets	399,563	311,417
Current	282,419	174,608
Non-current	117,144	136,809

Information on related party balances is disclosed in Note 33.

12 Customer Accounts

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Government owned profit oriented businesses		
- Current/settlement accounts	18,745,004	11,102,067
- Term deposits	3,408,604	1,324,569
Other legal entities		
- Current/settlement accounts	6,255,160	6,249,042
- Term deposits	7,454,825	16,237,969
Individuals		
- Current/demand accounts	670,583	577,337
- Term deposits	18,122,513	11,822,430
Total customer accounts	54,656,689	47,313,414
Current	40,008,335	34,886,862
Non-current	14,648,354	12,426,552
Total customer accounts	54,656,689	47,313,414

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12 Customer Accounts (Continued)

Economic sector concentrations within customer accounts are as follows:

<i>In thousands of Tenge</i>	31 December 2009		31 December 2008	
	Amount	%	Amount	%
Individuals	18,793,096	35	12,399,767	26
Education	8,730,967	16	1,046,407	2
Communication	6,372,183	12	5,515,145	12
Oil and gas sector	5,365,490	10	6,634,894	14
Government holding companies	4,658,779	9	3,155,382	7
Insurance and financial services	2,666,307	5	5,112,564	11
Geodesy and cartography	1,431,698	3	403	-
Transportation	1,334,980	3	5,049,281	11
Hospitality and travel services	1,133,635	2	15,480	-
Construction	931,477	2	614,993	1
Mining and metallurgy	480,174	1	2,262,764	5
Health	478,564	1	21,843	-
Agriculture	450,494	1	1,818,017	4
Wholesale and retail	428,521	-	401,565	1
Research and development	251,096	-	42,032	-
Professional services	243,488	-	224,891	-
Hardware	203,487	-	3,403	-
Utilities	200,921	-	288,967	1
Electronic and electrical equipment	145,238	-	42,398	-
Printing and packaging	102,791	-	83,277	-
Automobile sale and servicing	53,198	-	450,154	1
Private holding companies	51,215	-	973,147	2
Recycling	37,399	-	10,441	-
Food and beverages	33,602	-	1,081,762	2
Real estate	28,998	-	12,692	-
Public associations	24,585	-	25,995	-
Chemical industry	5,098	-	188	-
Other	19,208	-	25,562	-
Total customer accounts	54,656,689	100	47,313,414	100

At 31 December 2009 the Bank had eight customers (31 December 2008: ten customers) with balances above Tenge 1,000,000 thousand. The aggregate balance of these customers was Tenge 33,566,214 thousand (31 December 2008: Tenge 30,321,632 thousand) or 61.7 percent (31 December 2008: 64.1 percent) of total customer accounts.

At 31 December 2008 included in customer accounts are deposits of Tenge 8,800 thousand (31 December 2008: Tenge 8,800 thousand) held as collateral for loans and advances.

Refer to Note 31 for the disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 27. Information on related party balances is disclosed in Note 33.

13 Other Financial Liabilities

Other financial liabilities comprise the following:

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Operating expense accruals	55,878	12,761
Fee and commission payable	16,460	28,858
Payable under spot deals	10,630	-
Total other financial liabilities	82,968	41,619

All other financial liabilities are current (31 December 2008: current). Refer to Note 31 for the disclosure of the fair value of each class of other financial liabilities.

14 Debt Securities in Issue

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Bonds issued on domestic market	5,186,998	4,984,709
Current	5,186,998	257,184
Non-current	-	4,727,525

At 31 December 2009 the Bank has debt securities in issue with nominal amount of Tenge 5,140,180 thousand (31 December 2008: Tenge 5,143,680 thousand). These bonds mature on 14 August 2010, have a coupon rate of 10 percent and a weighted average yield to maturity of 14.5 percent.

Refer to Note 31 for the disclosure of the fair value of each class of debt securities in issue. Interest rate analyses of debt securities in issue are disclosed in Note 27.

15 Other Borrowed Funds

All other borrowed funds were composed of term borrowings from shareholder of Tenge 3,444,185 thousand as of 31 December 2008. The borrowing was related to loans received from the European Bank of Reconstruction and Development under a rollover trade finance facility. These loans had to mature between 20 January 2010 and 23 April 2010. However the Bank had repaid them in advance due to its extra liquidity. The European Bank for Reconstruction and Development owns 24.7 percent of the Bank.

16 Subordinated Debt

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Bonds issued on the domestic market	1,184,257	1,171,056
Convertible bonds	962	912
Total subordinated debt	1,185,219	1,171,968
Current	9,878	9,740
Non-current	1,175,341	1,162,228

The bonds issued on the domestic market of Tenge 1,184,257 thousand as of 31 December 2009 (31 December 2008: Tenge 1,171,056 thousand) carry a variable interest rate of 8 percent (31 December 2008: 11 percent) per annum and mature in December 2012. The debt ranks after all other creditors in case of liquidation. The above interest rate is fixed every six months at the current Kazakhstan inflation rate plus two percent, but not to exceed 11 percent. The convertible bonds of Tenge 962 thousand (31 December 2008: Tenge 912 thousand) is the liability portion of the compound instrument issued in 2007. Refer to Note 18.

Refer to Note 31 for the disclosure of the fair value of each class of other borrowed funds. Interest rate analysis of other borrowed funds is disclosed in Note 27. The information on related party balances is disclosed in Note 33.

17 Other Liabilities

Other liabilities comprise the following:

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Advances received	100,025	111,111
Taxes other than income tax payable	61,256	53,310
Fees received from issuance of financial guarantees and letters of credit	10,934	36,476
Salaries, bonuses	82,660	148,013
Other accrued liabilities	-	653
Total other liabilities	254,875	349,563

Included in salaries and bonuses as of 31 December 2009 is an amount of Tenge 74,892 thousand (31 December 2008: Tenge 144,000 thousand) which represents an annual performance bonus provided to the Bank's personnel.

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18 Share Capital

<i>In thousands of Tenge except for number of shares</i>	Number of outstanding shares in thousands	Ordinary shares	Share premium	Convertible bonds equity component	Treasury shares	Total
At 31 December 2007	68,995	6,910,085	1,563,862	1,003,374	(10,549)	9,466,772
New shares issued	50	4,992	12,739	-	-	17,731
Treasury shares purchased	(242)	-	(48,472)	-	(24,253)	(72,725)
At 31 December 2008	68,803	6,915,077	1,528,129	1,003,374	(34,802)	9,411,778
New shares issued	179	17,889	13,216	-	-	31,105
Treasury shares purchased	(24)	-	(2,549)	-	(2,414)	(4,963)
At 31 December 2009	68,958	6,932,966	1,538,796	1,003,374	(37,216)	9,437,920

The nominal registered amount of the Bank's issued share capital as of 31 December 2009 is Tenge 6,932,966 thousand (31 December 2008: Tenge 6,915,077 thousand).

The total authorised number of shares as of 31 December 2009 is 325,000 thousand shares (31 December 2008: 325,000 thousand) with a par value of Tenge 100 per share (2008: Tenge 100 per share). All issued shares are fully paid and rank equally. Each share carries one vote.

At 31 December 2009 treasury shares include 372,161 shares of the Bank (31 December 2008: 348,021 shares) owned by the Bank. These shares carry no voting rights.

Share premium represents the excess of contributions received over the nominal value of shares issued.

During 2007 the Bank issued 1,018 convertible bonds with a par value of Tenge 1,000 thousand. These bonds mature on 29 May 2106 and have a coupon rate of 0.01 percent. Each bond can be converted into ten thousand shares on the demand of the bond holders at any time. The bond is made up of three components being equity, subordinated debt and early redemption call options exercisable by the Bank. The early redemption call options exercisable by the Bank is callable after 25 years and has a nil value at 31 December 2009 (31 December 2008: nil) due to the very low coupon rate. The liability portion has been disclosed in Note 16.

As at 31 December the shareholders' structure was as follows:

Shareholder	31 December 2009	31 December 2008
	%	%
European Bank for Reconstruction and Development	24.7	24.7
Mr. Kapparov N. D.	24.2	24.3
Mr. Dosaev E. A.	15.8	15.8
Mr. Kaniyev B. S.	15.0	15.0
Mr. Pak Yu. E.	10.2	10.2
Citigroup Venture Capital International G.P.L.P.	9.4	9.4
Citigroup Venture Capital International Co-Investment L.P.	0.5	0.5
Other shareholders	0.2	0.1
Total	100.0	100.0

Citigroup Venture Capital International G.P.L.P. and Citigroup Venture Capital International Co-Investment L.P. are registered in Cayman Islands that were included to the list of off-shore zones in 2009 by the regulatory body. Under current banking legislations shareholders registered in the territories officially included to the list of off-shore zones shall have no voting rights. To be in compliance with legislative requirements the Bank intends to convert ordinary shares of the shareholders to preference shares in the next period.

19 Other Reserves

<i>In thousands of Tenge</i>	Mandatory statutory reserve	General provision for credit risk	Total Reserves
At 31 December 2007	66,716	32,973	99,689
Change of mandatory statutory reserve	1,057,633	(32,973)	1,024,660
At 31 December 2008	1,124,349	-	1,124,349
Change of mandatory statutory reserve	100,000	-	100,000
At 31 December 2009	1,224,349	-	1,224,349

The mandatory statutory reserve for credit risk represents mandatory statutory reserves created in accordance with the statutory requirements. Under applicable regulations approved in 2009, the mandatory general reserve as of 31 December 2009 should not be less than sum of reserve capital as of 1 January 2009 and net income of the period adjusted to the ration of classified assets as per the statutory definition (31 December 2008: two percent of total loan portfolio and letters of credit as per the statutory definition). These reserves are not provisions in line with IFRS and have therefore been taken directly to equity.

The general reserve for credit risk represented an increase in the provision for loan and customer advances specifically requested by the Agency due to the Bank's provision being the lowest in the market. This provision is not a provision in line with IFRS and has therefore been taken directly to equity.

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20 Interest Income and Expense

<i>In thousands of Tenge</i>	2009	2008
Interest income		
Loans and advances to customers	9,147,142	8,533,271
Placements with other banks	104,780	243,797
Cash and cash equivalents	89,244	157,699
Reverse repurchase agreements	67,929	46,340
Correspondent accounts with other banks	3,817	89,392
Overnight placements with other banks	4,682	15,652
Total interest income	9,417,594	9,086,151
Interest expense		
Term deposits of legal entities	1,364,263	1,951,713
Term deposits of individuals	1,936,884	1,115,609
Current/settlement accounts of clients	1,413,717	466,057
Debt securities in issue	719,832	747,510
Subordinated debt	152,582	151,286
Other borrowed funds	133,319	359,383
Term placements of other banks	167	20,064
Other	656	5,428
Total interest expense	5,721,420	4,817,050
Net interest income	3,696,174	4,269,101

Interest income accrued on impaired loans and advances in 2009 is Tenge 1,462,559 thousand (2008: Tenge 1,052,891 thousand).

21 Fee and Commission Income and Expense

<i>In thousands of Tenge</i>	2009	2008
Fee and commission income		
Settlement transactions	166,371	153,217
Letters of credit	96,106	61,330
Cash transactions	78,480	76,246
Card transactions	67,413	45,927
Guarantees issued	41,697	105,761
Other	7,662	5,004
Total fee and commission income	457,729	447,485
Fee and commission expense		
Cash transactions	48,234	29,636
Letters of credit	47,880	4,650
Settlement transactions	38,262	31,205
Interbank deposits	20,489	431
Guarantees	3,701	2,489
Transactions with securities	1,819	1,627
Other	461	888
Total fee and commission expense	160,846	70,926
Net fee and commission income	296,883	376,559

22 Other Operating Income/(Loss)

<i>In thousands of Tenge</i>	2009	2008
Income from sale of goods	179	198
Loss on disposal of premises and equipment	(2,227)	(9,587)
Other operating income from activity	10,946	(2,383)
Recovery of reserves on credit related commitments	3,076	-
Total other operating income/(loss)	11,974	(11,772)

23 Administrative and Other Operating Expenses

<i>In thousands of Tenge</i>	Note	2009	2008
Staff costs		1,235,304	1,164,747
Rent expense		367,362	354,758
Depreciation of premises and equipment	10	141,876	110,832
Deposit insurance payments		122,222	49,303
Other costs of premises and equipment		92,154	86,248
Taxes other than on income		80,210	84,440
Professional services		60,114	19,181
Communication services		50,629	66,154
Amortisation of software and other intangible assets	10	46,912	41,410
Insurance expenses		34,259	23,718
Business trip and representative expenses		28,278	56,131
Software maintenance		20,574	10,906
Cash collection expenses		16,743	12,341
Advertising and marketing services		7,254	40,177
Transportation services		9,884	12,163
Stationery		6,715	9,744
Membership fees		8,243	7,880
Listing fees		3,954	6,710
Card expenses		3,769	4,025
Training		1,977	1,418
Subscription fees		1,654	1,147
Provision		-	2,416
Other general and administrative expenses		58,987	29,928
Total administrative and other operating expenses		2,399,074	2,195,777

Included in staff costs for 2009 is statutory social tax of Tenge 106,884 thousand (2008: Tenge 76,438 thousand).

24 Income Taxes

Income tax expense recorded in the statement of comprehensive income comprises the following:

<i>In thousands of Tenge</i>	2009	2008
Current tax	27,104	21,921
Deferred (benefit)/tax	(4,750)	(7,074)
Income tax expense for the year	22,354	14,847

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24 Income Taxes (Continued)

The income tax rate applicable to the majority of the Bank's income is 20 percent (2008: 30 percent). Reconciliation between the expected and the actual taxation charge is provided below.

<i>In thousands of Tenge</i>	2009	2008
Profit before tax	110,860	272,294
Theoretical tax charge at statutory rate (2009: 20 percent; 2008: 30 percent)	22,171	81,688
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible leasehold improvements	5,110	37,967
- Non-deductible/(non-taxable) items	10,793	12,666
- Income on government securities taxed at different rates	(17,849)	(59,583)
Adjustment of prior year tax expense estimate	(22,318)	2,434
Change in deferred tax due to change in rate at which expected to be realised	24,447	(60,325)
Income tax expense for the year	22,354	14,847

In December 2008, Kazakhstan reduced the standard corporate income tax rate from 30 percent to 20 percent with effect from 1 January 2009, to 17.5 percent from 1 January 2013 and to 15 percent from 1 January 2014. The impact of the change in tax rate presented above represents the effect of applying the reduced tax rates to deferred tax balances at 31 December 2008.

Differences between IFRS and Kazakhstan statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate applicable to the period when the differences are expected to be deducted or taxed (2008: 30 percent).

<i>In thousands of Tenge</i>	31 December 2007	(Charged) credited to profit or loss	31 December 2008	(Charged) credited to profit or loss	31 December 2009
Tax effect of deductible temporary differences					
Accruals	23,756	7,786	31,542	(12,116)	19,426
Bonds discount accretion	-	133	133	(121)	12
Gross deferred tax asset	23,756	7,919	31,675	(12,237)	19,438
Tax effect of taxable temporary differences					
Loan impairment provisions	-	(4,268)	(4,268)	4,268	-
Premises and equipment	(74,676)	3,163	(71,513)	9,513	(62,000)
Foreign currency forwards	(1,950)	(1,256)	(3,206)	3,206	-
Accruals	(1,516)	1,516	-	-	-
Gross deferred tax (liability)	(78,142)	(845)	(78,987)	16,987	(62,000)
Net deferred tax asset/(liability)	(54,386)	7,074	(47,312)	4,750	(42,562)

As at 31 December 2009 deferred income tax liability in the amount of Tenge 62,000 thousand (2008: Tenge 75,781 thousand) was expected to be settled after more than twelve months.

25 Earnings per Share

Basic earnings per share are calculated by dividing the profit or loss attributable to equity holders of the Bank by the weighted average number of ordinary shares in issue during the year, excluding treasury shares.

<i>In thousands of Tenge</i>	2009	2008
Profit for the year attributable to ordinary shareholders	88,506	257,447
Profit for the year	88,506	257,447
Weighted average number of ordinary shares in issue (thousands)	68,812	68,917
Basic earnings per ordinary share (Tenge per share)	1.29	3.74

Diluted earnings per share are calculated by dividing the diluted earnings for the year by the diluted weighted average number of shares in issue during the year.

<i>In thousands of Tenge</i>	2009	2008
Profit for the year attributable to ordinary shareholders	88,506	257,447
Interest incurred on convertible bonds	101	54
Profit for the year	88,607	257,501
Diluted weighted average number of ordinary shares in issue (thousands)	78,992	79,097
Diluted basic earnings per ordinary share (Tenge per share)	1.12	3.26

26 Segment Analysis

Starting from 1 January 2009, the Bank prepares its segment analysis in accordance with IFRS 8, Operating segments, which replaced IAS 14, Segment reporting. Comparatives were adjusted to conform to the presentation of current period amounts.

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of CODM are performed by CEO and Management Board of the Bank.

(a) Description of products and services from which each reportable segment derives its revenue

The Bank's primary format for reporting segment information is business segments. The Bank is organised on the basis of two main business segments:

- Retail banking – savings, deposits, and consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.

There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise loans and deposits, being the majority of the balances sheet.

26 Segment Analysis (Continued)

Business segments of the Bank are represented by strategic business units, oriented at various client base. Management of the segments is being performed separately as each individual business unit needs its own marketing strategies and level of service.

Analysis of segment financial information is performed by the Board of Directors of the Bank, responsible for operating decision making. This financial information coincides with the internal management information provided to the Board of Directors for decision making purposes. Thus, management applied the core principle of IFRS 8 “Operating segments” in deciding what components of partially agreed financial information have to be the base for operating segments disclosure.

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

<i>In thousands of Tenge</i>	Retail banking	Corporate banking	31 December 2009
Assets			
Loans and advances to customers	2,925,304	48,452,102	51,377,406
Total reportable segment assets	2,925,304	48,452,102	51,377,406
Liabilities			
Customer accounts	17,708,210	36,948,479	54,656,689
Total reportable segment liabilities	17,708,210	36,948,479	54,656,689

<i>In thousands of Tenge</i>	Retail banking	Corporate banking	2009
Interest income from loans	691,503	8,455,639	9,147,142
Interest expense from customer accounts	(1,936,884)	(2,777,980)	(4,714,864)
Net interest income	(1,245,381)	5,677,659	4,432,278
Provision for loan impairment	(246,144)	(1,737,444)	(1,983,588)
Net interest income after provision for loan portfolio impairment	(1,491,525)	3,940,215	2,448,690
Fee and commission income from reportable segments	67,413	390,316	457,729
Fee and commission expense from reportable segments	-	(138,077)	(138,077)
Segment result	(1,424,112)	4,192,454	2,768,342

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26 Segment Analysis (Continued)

Segment information for the reportable segments for the year ended 31 December 2008 is set out below:

<i>In thousands of Tenge</i>	Retail banking	Corporate banking	31 December 2008
Assets			
Loans and advances to customers	2,667,628	49,716,194	52,383,822
Total reportable segment assets	2,667,628	49,716,194	52,383,822
Liabilities			
Customer accounts	9,981,528	37,331,886	47,313,414
Total reportable segment liabilities	9,981,528	37,331,886	47,313,414

<i>In thousands of Tenge</i>	Retail banking	Corporate banking	2008
Interest income from loans	148,071	8,385,200	8,533,271
Interest expense from customer accounts	(1,115,609)	(2,417,770)	(3,533,379)
Net interest income	(967,538)	5,967,430	4,999,892
Provision for loan impairment	(21,397)	(2,608,230)	(2,629,627)
Net interest income after provision for loan portfolio impairment	(988,935)	3,359,200	2,370,265
Fee and commission income from reportable segments	45,927	401,558	447,485
Fee and commission expense from reportable segments	-	(67,980)	(67,980)
Segment result	(943,008)	3,692,778	2,749,770

The cash management is performed by Treasury Department to support liquidity of the Bank as a whole. Related income and expense is associated with interbank placements and transactions on correspondent accounts.

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26 Segment Analysis (Continued)

(b) Reconciliation of income and expenses, assets and liabilities for reportable segments:

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Total reportable segment assets	51,377,406	52,383,822
Cash and cash equivalents	18,925,801	13,576,375
Other financial assets	47,184	44,118
Intangible assets	325,276	333,563
Premises and equipment	1,104,057	1,231,575
Current income tax prepayment	138,246	342,937
Other assets	399,563	311,417
Total Assets	72,317,533	68,223,807
Total reportable segment liabilities	54,656,689	47,313,414
Due to other banks	-	61,447
Other financial liabilities	82,968	41,619
Debt securities in issue	5,186,998	4,984,709
Other borrowed funds	-	3,444,185
Subordinated debt	1,185,219	1,171,968
Other liabilities	254,875	349,563
Provision for liabilities and other charges	-	16,016
Deferred tax liability	42,562	47,312
Total Liabilities	61,409,311	57,430,233

<i>In thousands of Tenge</i>	2009	2008
Total segment result	2,768,342	2,749,770
Interest income from cash management	270,452	552,880
Interest expense from cash management	(1,006,556)	(1,283,671)
Fee and commission expense from cash management	(22,769)	(2,946)
Loss on redemption of bonds	(228)	(3,831)
(Losses less gains)/gains less losses from foreign exchange forwards	(256,400)	58,624
Gains less losses/(losses less gains) from foreign exchange swaps	(1,110)	1,725
Gains less losses from trading in foreign currencies	376,454	359,995
Foreign exchange translation gains less losses	369,775	47,297
Other operating income/(loss)	11,974	(11,772)
Administrative and other operating expenses	(2,399,074)	(2,195,777)
Profit before tax	110,860	272,294
Income tax expense	(22,354)	(14,847)
Total Income	88,506	257,447

All of the revenue mainly comes from Kazakstani customers. All of the Bank's assets are located in Kazakhstan. Geographical segments of the Bank have been reported in Note 27 of these financial statements based on the physical location of the counterparty, i.e. based on economic risk rather than legal risk of the counterparty.

The Bank has no customers which represent 10 percent or more of the total revenues generated in 2009 (2008: nil).

27 Financial Risk Management

The risk management framework at the Bank broadly covers credit risk, financial risk, operational risks and legal risks. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Credit Approval process takes place in various tiers i.e., Corporate Banking and Consumer Banking. The Bank has implemented a process of delegation of authorities. Policies and procedures have been updated in the form of manuals and product programs and these are to be reviewed at least annually. A centralized Credit Administration Department and a Risk Monitoring unit have been established. The Bank has its own credit rating system. The review process is capable of identifying problem loans at an early stage. A centralized Remedial Unit is responsible for the classified portfolio and its recovery.

The Bank manages all of its businesses in a disciplined and conservative manner with a strict focus on returns from all client relationships. Its primary objective is to create a thorough, transparent and methodological approach to credit risk in order to better understand, select and dynamically manage credit exposures to deliver reduced earnings volatility. The strategy is to ensure strong central oversight of credit risk in each business, reinforcing a culture of accountability, independence and balance.

Credit Risk is managed through a centralized infrastructure based on:

- The centralized approval of all credit risk policies and the discretionary limits of officers for extending lines of credit.
- The fundamental principle that underlines the Bank's Credit approval policy is that no credit is extended on the judgment of one Officer alone. The joint credit approval process which involves a minimum of "3 initials system" combines individuals with different skills, expertise and experience to bring a balanced perspective to credit decisions.
- The establishment of guidelines to monitor and limit concentrations in the portfolios in accordance with the approved, enterprise-wide policies, industry risk and group exposures.
- The development and implementation of models and policies for establishing Obligor Risk Ratings to quantify the level of risk and facilitate its management. These models are reviewed on a regular basis to ensure ongoing appropriateness, accuracy and validity.
- The Bank has a very robust credit risk exposure monitoring process. The key element of this process is the Stock Monitoring Report which was developed at the Bank and has now been implemented across the portfolio. This report captures the key elements of the cash flows on a monthly basis and significant changes and deviations are escalated to senior levels. Other elements of this process of monitoring are quarterly credit review and monthly portfolio reviews, comprehensive reports on the portfolio to ensure that the credit portfolio is current, updated and all securities are legally enforceable. All these elements contribute towards making a Comprehensive Monitoring Process which is capable of providing early warning signals on any negative changes in an account.
- The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 29. The credit risk is mitigated by collateral and other credit enhancements as disclosed in the Note 8.
- The Bank's risk management department reviews ageing analysis of outstanding loans and follows up past due balances. Management therefore considers it to be appropriate to provide ageing and other information about credit risk as disclosed in Note 27.

The credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

27 Financial Risk Management (Continued)

Market risk. Market risk is the risk of loss that results from changes in interest rate and foreign exchange rates, equity and commodity prices and credit spread.

At the Bank, the Asset-Liability Management Committee (ALCO) comprising senior management, is responsible for the supervision and management of market risk, while an independent middle office is responsible for measurement monitoring and analysis of risks inherent in treasury operations. Market risks arise from open positions in (a) currency and (b) interest rate products, all of which are exposed to general and specific market movements. Value at risk (VAR) limits are set for the treasury portfolio and these limits are monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of significant market movements.

Currency risk. In respect of currency risk, the Management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarises the Bank's exposure to foreign currency exchange rate risk at the end of the reporting period:

<i>In thousands of Tenge</i>	At 31 December 2009			At 31 December 2008			
	Monetary financial assets	Monetary financial liabilities	Net position	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
Tenge	49,561,873	(39,211,663)	10,350,210	48,832,322	(40,790,865)	982,350	9,023,807
US Dollars	19,808,261	(20,923,418)	(1,115,157)	16,548,772	(15,598,957)	(966,320)	(16,505)
Euros	520,687	(520,797)	(110)	552,500	(577,562)	-	(25,062)
Pound Sterling	314,830	(316,110)	(1,280)	36,435	(35,872)	-	563
Russian Roubles	122,410	(123,045)	(635)	14,930	(14,008)	-	922
Swiss Franc	16,859	(16,718)	141	632	-	-	632
Japanese Yen	1,206	(101)	1,105	494	(78)	-	416
UAE Dirham	2,065	(22)	2,043	-	-	-	-
Total	70,348,191	(61,111,874)	9,236,317	65,986,085	(57,017,342)	16,030	8,984,773

Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 27. The net total represents fair value of the currency derivatives.

The above analysis includes only monetary assets and liabilities. Investments in equities and non-monetary assets are not considered to give rise to any material currency risk.

27 Financial Risk Management (Continued)

The following table presents sensitivities of profit and loss to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the Bank, with all other variables held constant:

<i>In thousands of Tenge</i>	At 31 December 2009	At 31 December 2008
US Dollars strengthening by 20% (2008: 5%)	(223,031)	(825)
US Dollars weakening by 20% (2008: 5%)	223,031	825
Euro strengthening by 10% (2008: 10%)	(11)	(2,506)
Euro weakening by 10% (2008: 10%)	11	2,506
Pounds strengthening by 5% (2008: 10%)	(128)	56
Pounds weakening by 5% (2008: 10%)	128	(56)
Russian Rouble strengthening by 5% (2008: 5%)	(32)	46
Russian Rouble weakening by 5% (2008: 5%)	32	(46)
Swiss Franc strengthening by 5% (2008: 5%)	7	32
Swiss Franc weakening by 5% (2008: 5%)	(7)	(32)
Japanese Yen strengthening by 5% (2008: 5%)	55	21
Japanese Yen weakening by 5% (2008: 5%)	(55)	(21)
Total strengthening	(223,140)	(3,176)
Total weakening	223,140	3,176

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Bank. The Bank's exposure to currency risk at the end of the reporting period is representative of the typical exposure during the year.

Interest rate risk. Interest rate risk is defined as exposure of the Bank's financial condition to adverse movements in interest rates. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Bank applies gap analysis for interest rate risk management. The Bank combines financial assets and financial liabilities into periods of maturity or contractual repricing, whichever occurs earlier, and identifies the gap. The positive gap implies that increase in interest rates for this particular maturity would lead to increase of net interest income (decrease of interest rates would lead to decrease of net interest income). The negative gap implies that increase in interest rates for this particular maturity would lead to decrease of net interest income (decrease of interest rates would lead to increase of net interest income).

When interest rates are expected to increase the Bank increases maturity of borrowings; reduces fixed rate loans; reduces maturity of investment portfolio; disposes of securities; and recalls credit lines.

When interest rates are expected to decrease the Bank decreases maturity of borrowings; increases share of fixed rate loans; invests in securities with longer maturity; and extends credit lines.

To mitigate interest risk exposure the Bank includes provisions that envisage variable interest rates and early repayment into loan agreements; changes interest rates on deposits; may enter into swap and option agreements; and revises loan portfolio structure.

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27 Financial Risk Management (Continued)

The table below summarises the model used by the Bank to monitor its exposure to interest rate risks at 31 December 2009. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

<i>In thousands of Tenge</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
31 December 2009						
Total financial assets	62,403,255	5,009,369	10,263	2,925,304	2,200	70,350,391
Total financial liabilities	25,753,714	11,532,460	8,653,859	15,171,841	-	61,111,874
Net interest sensitivity gap at 31 December 2009						
	36,649,541	(6,523,091)	(8,643,596)	(12,246,537)	2,200	9,238,517

The table below summarises the model used by the Bank to monitor its exposure to interest rate risks at 31 December 2008. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

<i>In thousands of Tenge</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	Non-monetary	Total
31 December 2008						
Total financial assets	63,397,452	199,527	30,883	2,374,253	2,200	66,004,315
Total financial liabilities	25,670,168	10,612,124	5,090,795	15,644,255	-	57,017,342
Net interest sensitivity gap at 31 December 2008						
	37,727,284	(10,412,597)	(5,059,912)	(13,270,002)	2,200	8,986,973

The Bank also calculates the Earnings at Risk (EaR) which measures the potential pre-tax earnings impact on the non-trading portfolio for the given period of a specified parallel movement in interest rates. The Bank combines financial assets and liabilities at the end of the reporting period into groups with expected, rather than contractual, maturities or repricing periods. The Bank identifies gaps for maturities ranging from overnight to five years. The Bank applies possible shift in the interest rates to identified gaps and computes effect on the earnings.

At 31 December 2009, if interest rates at that date had been 200 basis points lower with all other variables held constant, profit for the year would have been Tenge 184,770 thousand higher, mainly as a result of lower interest expense on interest bearing liabilities.

At 31 December 2008, if interest rates at that date had been 200 basis points lower with all other variables held constant, profit for the year would have been Tenge 143,354 thousand higher, mainly as a result of lower interest expense on interest bearing liabilities.

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27 Financial Risk Management (Continued)

The Bank monitors interest rates for its financial instruments. The table below summarises interest rates based on reports reviewed by key management personnel:

<i>In % p.a.</i>	2009				2008			
	KZT	USD	Euro	Other	KZT	USD	Euro	Other
Assets								
Cash and cash equivalents	5.0	0.1	-	-	9.0	2.0	4.0	-
Loans and advances to customers	15.2	15.8	15.1	-	17.7	16.6	17.8	-
Liabilities								
Due to other banks	-	-	-	-	-	6.5	-	-
Customer accounts								
- current and settlement accounts	7.1	3.2	0.2	0.8	3.6	5.1	2.9	2.0
- term deposits	11.3	11.1	7.3	5.6	9.1	11.1	6.0	-
Debt securities in issue	14.5	-	-	-	14.5	-	-	-
Other borrowed funds	-	-	-	-	-	6.9	-	-
Subordinated debt	11.4	-	-	-	11.5	-	-	-

The sign “-” in the table above means that the Bank does not have the respective material interest bearing assets or liabilities in corresponding currency.

Other price risk. The Bank is exposed to prepayment risk through providing fixed and variable rate loans, including mortgages, which give the borrower the right to early repay the loans. The Bank’s current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2008: no material impact).

Geographical risk concentrations. The geographical concentration of the Bank’s financial assets at 31 December 2009 is set out below:

<i>In thousands of Tenge</i>	Kazakhstan	OECD	Other countries	Total
Assets				
Cash and cash equivalents	15,696,381	3,106,320	123,100	18,925,801
Loans and advances to customers	51,347,505	29,901	-	51,377,406
Other financial assets	47,184	-	-	47,184
Total financial assets	67,091,070	3,136,221	123,100	70,350,391
Non-financial assets	1,967,142	-	-	1,967,142
Total assets	69,058,212	3,136,221	123,100	72,317,533

27 Financial Risk Management (Continued)

The geographical concentration of the Bank's financial liabilities at 31 December 2009 is set out below:

<i>In thousands of Tenge</i>	Kazakhstan	OECD	Other countries	Total
Liabilities				
Due to other banks	53,353,766	1,302,920	3	54,656,689
Customer accounts	5,186,998	-	-	5,186,998
Other financial liabilities	77,982	4,986	-	82,968
Subordinated debt	1,184,257	962	-	1,185,219
Total financial liabilities	59,803,003	1,308,868	3	61,111,874
Non-financial liabilities	321,524	-	-	321,524
Total liabilities	60,124,527	1,308,868	3	61,433,398
Net balance sheet position	8,933,685	1,827,353	123,097	10,884,135
Credit related commitments	15,306,488	-	-	-

Assets, liabilities and credit related commitments have generally been based in the country in which the counterparty is located. Balances with Kazakhstan counterparties actually outstanding to/from off-shore companies of these Kazakhstan counterparties are allocated to the caption "Kazakhstan". Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

The geographical concentration of the Bank's assets at 31 December 2008 is set out below:

<i>In thousands of Tenge</i>	Kazakhstan	OECD	Other countries	Total
Assets				
Cash and cash equivalents	8,626,728	4,938,706	10,941	13,576,375
Loans and advances to customers	52,376,576	7,246	-	52,383,822
Other financial assets	44,118	-	-	44,118
Total financial assets	61,047,422	4,945,952	10,941	66,004,315
Non-financial assets	2,219,492	-	-	2,219,492
Total assets	63,266,914	4,945,952	10,941	68,223,807

27 Financial Risk Management (Continued)

The geographical concentration of the Bank's liabilities at 31 December 2008 is set out below:

<i>In thousands of Tenge</i>	Kazakhstan	OECD	Other countries	Total
Liabilities				
Due to other banks	-	61,447	-	61,447
Customer accounts	46,333,611	979,790	13	47,313,414
Other financial liabilities	38,731	2,888	-	41,619
Debt securities in issue	4,984,709	-	-	4,984,709
Other borrowed funds	-	3,444,185	-	3,444,185
Subordinated debt	1,171,056	912	-	1,171,968
Total financial liabilities	52,528,107	4,489,222	13	57,017,342
Non-financial liabilities	412,891	-	-	412,891
Total liabilities	52,940,998	4,489,222	13	57,430,233
Net balance sheet position	10,325,916	456,730	10,928	10,793,574
Credit related commitments	16,322,259	-	-	16,322,259

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10 percent of net assets. Refer to Note 8.

Liquidity risk. Liquidity risk is the risk that an institution is unable to generate sufficient cash or its equivalent – in a timely and cost-effective manner to meet its commitment as they become due. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments. The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the market risk department of the Bank.

The Bank seeks to maintain a stable funding base comprising primarily amounts due to other banks, corporate and retail customer deposits and debt securities and invest the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short – term deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole. The liquidity position is monitored on a daily basis while liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed quarterly by the Market Risk Department.

The table below shows liabilities at 31 December 2009 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, prices specified in deliverable forward agreements to purchase financial assets for cash, gross loan commitments, and interest payments. Such undiscounted cash flows differ from the amount included in the statement of financial position because the latter is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

27 Financial Risk Management (Continued)

A significant portion of deposits with maturity of less than one month have a specific structure envisaged in the deposit agreements. This structure prescribes customers' commitment not to withdraw the deposits for the period of at least six months. Any withdrawal of deposits before the agreed date entails penalty in favour of the Bank. The assessable penalty makes withdrawal of deposits before the agreed date economically unfavourable.

The maturity analysis of financial liabilities at 31 December 2009 is as follows:

<i>In thousands of Tenge</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Total
Liabilities					
Customer accounts	29,378,206	11,947,964	3,737,898	16,176,259	61,240,327
Other financial liabilities	66,508	16,460	-	-	82,968
Debt securities in issue	-	257,009	5,397,189	-	5,654,198
Subordinated debt	-	49,524	49,524	1,436,400	1,535,448
Total potential future payments	29,444,714	12,320,553	9,234,207	17,914,662	68,914,136

The maturity analysis of financial liabilities at 31 December 2008 is as follows:

<i>In thousands of Tenge</i>	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Liabilities						
Due to other banks	61,447	-	-	-	-	61,447
Customer accounts	24,901,668	6,681,093	5,437,766	13,943,706	-	50,964,233
Other financial liabilities	41,619	-	-	-	-	41,619
Debt securities in issue	-	257,184	257,184	5,658,048	-	6,172,416
Other borrowed funds	704,508	2,769,561	-	-	-	3,474,069
Subordinated debt	-	68,406	68,305	1,652,134	1,027,467	2,816,312
Forward exchange contract	966,320	-	-	-	-	966,320
Total potential future payments	26,675,562	9,776,244	5,763,255	21,253,888	1,027,467	64,496,416

Payments in respect of gross settled forwards will be accompanied by related cash inflows which are disclosed at their present values in Note 30. Customer accounts are classified in the above analysis based on contractual maturities.

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27 Financial Risk Management (Continued)

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors expected maturities, which may be summarised as follows at 31 December 2009:

<i>In thousands of Tenge</i>	Demand and less than	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Total
Assets					
Cash and cash equivalents	16,319,000	-	-	2,608,000	18,927,000
Loans and advances to customers	-	-	-	48,626,000	48,626,000
Other financial assets	11,000	3,327,000	-	-	3,338,000
Total financial assets	16,330,000	3,327,000	-	51,234,000	70,891,000
Liabilities					
Customer accounts	6,975,000	4,952,000	-	42,288,000	54,215,000
Other financial liabilities	11,000	952,000	-	-	963,000
Debt securities in issue	-	-	4,993,000	-	4,993,000
Subordinated debt	-	-	-	1,179,000	1,179,000
Total financial liabilities	6,986,000	5,904,000	4,993,000	43,467,000	61,350,000
Net liquidity gap at 31 December 2009	9,344,000	(2,577,000)	(4,993,000)	7,767,000	9,541,000
Cumulative liquidity gap at 31 December 2009	9,344,000	6,767,000	1,774,000	9,541,000	-

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27 Financial Risk Management (Continued)

The analysis by expected maturities may be summarised as follows at 31 December 2008:

<i>In thousands of Tenge</i>	Demand and less than	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	More than 5 years	Total
Assets						
Cash and cash equivalents	9,920,000	1,000,000	-	2,653,000	-	13,573,000
Loans and advances to customers	-	-	-	51,201,000	-	51,201,000
Other financial assets	16,000	1,887,000	-	-	-	1,903,000
Total financial assets	9,936,000	2,887,000	-	53,854,000	-	66,677,000
Liabilities						
Due to other banks	-	49,000	-	-	-	49,000
Customer accounts	6,747,000	5,000,000	-	34,875,000	-	46,622,000
Other financial liabilities	-	1,469,000	-	-	-	1,469,000
Debt securities in issue	-	-	-	4,790,000	-	4,790,000
Other borrowed funds	-	-	3,394,000	-	-	3,394,000
Subordinated debt	-	-	-	511,000	652,000	1,163,000
Total financial liabilities	6,747,000	6,518,000	3,394,000	40,176,000	652,000	57,487,000
Net liquidity gap at 31 December 2008	3,189,000	(3,631,000)	(3,394,000)	13,678,000	(652,000)	9,190,000
Cumulative liquidity gap at 31 December 2008	3,189,000	(442,000)	(3,836,000)	9,842,000	9,190,000	-

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

The Bank set limits on liquidity gap, which allow these negative gaps. The Bank accepts the following assumptions in order to monitor liquidity in more realistic way (business as usual situation):

- Loan portfolio is long term based on assumption of continued short-term loan rollover basis in the 'business as usual' environment. Committed lines and unused overdrafts are also included.
- Portion of reserve requirement will be deducted from customer accounts and added to 'Over 12 months' amount. This part is the function of long-term stable liabilities including assumed stable balances.
- Foreign exchange swaps / forwards impact future cash flow in particular currency. Universal statement of financial position will not be affected.
- Current accounts are split between stable and unstable based on volatility analysis of the daily balances for the last 12 months for each currency. Volatility calculation will be performed monthly. Amount of stable balances will be updated accordingly.

27 Financial Risk Management (Continued)

- Contractually other borrowed funds are not long term. However funds are used for trade deals on back to back basis. If the Bank repays other borrowed funds as per maturity schedule the Bank believes that the Bank would be able to collect trade loans accordingly. Therefore the Bank classifies other borrowed funds into long term ('Over 12 months') based on assumed rollovers of trade loans.
- Term deposits are a substantial part of funding. Contractual schedule will be ignored except for large fund providers. Instead the Bank will run volatility analysis of daily balances for the last 12 month to determine stable balances.

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Should the Bank face significant unexpected liquidity gap, Management will apply to the NBRK for financing required to support the Bank's liquidity. Management believes that the NBRK will be able to provide requested financing. Management carefully monitors the Bank's liquidity and believes that significant liquidity gaps are unlikely.

Management's response to financial distress.

Economic situation in Republic of Kazakhstan is complicated by uncertainty in relation to the restructuring of JSC BTA Bank's debts, unavailability of access to international capital markets, deterioration of assets quality in the banking sector against the ongoing global crisis. Negative consequences of a lasting crisis can include government deficit, Kazakhstan's current account deficit and significant decrease in positive trade balance. All the abovementioned factors lead to decrease in prices for real estate, consumer resistance against rather high inflation rate. In other words, it may be said that Kazakhstan's economy is at the stage of stagflation.

As described in Note 2 the ongoing global liquidity crisis has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. Management believes that the crisis affected primarily the Bank's exposure to liquidity and credit risks while impact on the Bank's exposure to market risk was insignificant.

To address exposure to credit risk under adverse economic conditions, the Bank worked on its loan portfolio to reduce exposure in industries directly affected by the economic downturn, such as construction, instead focusing on customers and industries that are not very susceptible to economic changes, i.e. fast moving consumer goods. The Bank also regularly performs stress tests on its loan portfolio. The stress test comprises a two steps assessment of loan portfolio. The first step includes defining external factors influencing borrowers' performance and ranking the borrowers according to their vulnerability to actual and/or potential negative changes in the environment. The Bank scores borrowers' vulnerability to the negative change in environment on a scale of 1 to 3, with 1 being the smallest degree of vulnerability to the negative change. Based on the borrowers' scores, the Bank assesses overall rating of the loan portfolio as a weighted average of borrowers' scores. At 31 December 2009, the loan portfolio rating is 1.89 (31 December 2008: 2.04 or 3.4 on a scale 1 to 5 used in the past). In addition to that Management decides on necessary actions to be taken on more vulnerable exposures such as reduction of exposure and/or improvement of collateral structure. Additional protective measures are defined through the second step of the stress test. It is made based on Management decision and assumes determination of quantitative impact of external factors on borrowers with higher scores.

Management responses to change in liquidity risk included decrease of investments in available-for-sale securities and increase of investments in NBRK notes that have higher liquidity and maturity of less than three months. To compensate the decrease in other borrowed funds the Bank extended its customer base. Overall, Management closely monitors the Bank's liquidity risk and believes it takes all necessary measures to avoid liquidity problems.

28 Management of Capital

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by Agency, (ii) to safeguard the Bank's ability to continue as a going concern and (iii) to maintain a strong capital base to support the development of its business. The Bank considers total capital under management to be equity as shown in the statement of financial position. The amount of capital that the Bank managed as of 31 December 2009 was Tenge 10,908,222 thousand (31 December 2008: Tenge 10,793,574 thousand).

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's Management, employing techniques based on the guidelines developed by the Agency for supervisory purposes. The required information is filed with the Agency on a monthly basis.

28 Management of Capital (Continued)

The Bank's regulatory capital as managed by the Bank's Asset and Liability Committee is divided into two tiers:

Tier 1 capital: capital (net of any book values of the treasury shares), additional capital, retained earnings and reserves created by appropriations of retained earnings of previous period, perpetual agreements. The book value of intangible assets (except for licensed software), previous and this period's losses are deducted in arriving at Tier 1 capital; and

Tier 2 capital: current period net profits, qualifying subordinated loan capital and perpetual instruments, collective impairment allowances and unrealized gains arising on the fair valuation of fixed assets and securities.

Under the current capital requirements set by the Agency banks have to maintain a ratio of Tier 1 capital to total assets (K1) of not less than 6 percent (2008: 6 percent) and a ratio of total regulatory capital to risk weighted assets (K2) of not less than 12 percent (2008: 12 percent). From 1 July 2009 additional ratio of Tier 1 capital to risk weighted assets (K1-2) of not less than 6 percent is introduced:

Regulatory capital is based on the Bank's reports prepared under Agency regulations and comprises:

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Tier 1 capital		
Share capital	8,434,545	9,411,778
Reserves	1,223,360	1,109,040
Retained earnings of prior years in accordance with Agency	157,447	14,702
Total Tier 1 capital	9,815,352	10,535,520
Tier 2 capital		
Retained earnings in accordance with Agency	143,478	222,198
Revaluation	1,732	-
Subordinated debt	1,747,136	994,423
Total Tier 2 capital	1,892,346	1,216,621
Total regulatory capital	11,707,698	11,752,141

The risk-weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of, and reflecting an estimate of credit, market, operational and other risks associated with, each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Bank's K1, K2 and K3 ratios were:

	31 December 2009	31 December 2008
K1-2	13.6%	15.4%
K1-1	16.5%	16.7%
K2	19.7%	18.5%

The Bank has no external requirements established in respected of its capital.

29 Contingencies and Commitments

Tax legislation. Kazakhstan tax and customs legislation 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 Bank may be challenged by the relevant authorities. The Kazakhstani tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, 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.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible with the evolution of the interpretation of the transfer pricing rules in Kazakhstan and the changes in the approach of the Kazakhstan tax authorities, that such transfer prices could potentially be challenged in the future. Given the brief nature of the current Kazakhstan transfer pricing rules, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

Kazakhstan tax legislation does not provide definitive guidance in certain areas. From time to time, the Bank adopts interpretations of such uncertain areas that reduce the overall tax rate of the Bank. As noted above, such tax positions may come under heightened scrutiny as a result of recent developments in administrative and court practices; the impact of any challenge by the tax authorities cannot be reliably estimated; however, it may be significant to the financial condition and/or the overall operations of the entity.

On 10 December 2008, the new tax code and accompanying legislative acts were signed by the President of the Republic of Kazakhstan. The new tax code became effective from 1 January 2009. Key changes include: reduction of the corporate income tax rate from 30 percent to 20 percent in the financial year 2009, 17.5 percent in 2013, and 15 percent in 2014; reduction of the VAT rate from 13 percent to 12 percent; introduction of flat social tax rate of 11 percent; increase of property tax rate from 1 percent to 1.5 percent with the tax base limited to immovable property; and other changes.

Capital expenditure commitments. At 31 December 2009 the Bank has no contractual capital expenditure commitments in respect of premises and equipment or in respect of software and other intangible assets (31 December 2008: nil).

Operating lease commitments. Where the Bank is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Not later than 1 year	289,616	242,204
Later than 1 year and not later than 5 years	379,818	506,914
Total operating lease commitments	669,434	749,118

The most significant operating lease relates to the rental of the Bank's head office in Almaty. The terms of this lease were renegotiated in November 2009 and the lease expires on 25 November 2011.

Compliance with covenants. The Bank is not subject to any covenants.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Undrawn credit lines represent unused portions of credit facilities approved for which credit agreements have been signed with clients. The Bank does not have a legal commitment to extend unused portion.

Commitments to extend credit represent the Bank's unconditional commitment to extend credit to clients.

29 Contingencies and Commitments (Continued)

The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments. Outstanding credit related commitments are as follows:

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Undrawn credit lines	14,359,783	12,092,838
Guarantees issued	724,015	879,208
Import letters of credit	222,690	1,785,604
Commitments to extend credit	-	1,564,609
Total commitments and undrawn credit lines	15,306,488	16,322,259

The total amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Fair value of credit related commitments was Tenge 95,132 thousand at 31 December 2009 (31 December 2008: Tenge 107,551 thousand). Credit related commitments are denominated in currencies as follows:

<i>In thousands of Tenge</i>	31 December 2009	31 December 2008
Tenge	12,367,240	6,581,194
US Dollars	2,806,385	9,173,177
Euro	132,863	567,888
Total	15,306,488	16,322,259

30 Derivative Financial Instruments

Foreign exchange derivative financial instruments entered into by the Bank are generally traded in an over-the-counter market with professional market counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forwards contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the reporting period. The contracts are short term in nature.

<i>In thousands of Tenge</i>	Notes	Contracts with positive fair value 31 December 2008
Foreign exchange forwards: fair values, at the end of the reporting period, of		
- US dollar payable on settlement (-)		(966,320)
- Tenge receivable on settlement (+)		982,350
Net fair value of foreign exchange forwards	9	16,030

The above balance consists of two forward exchange contracts of equal value that matured on 20 January 2009 and 21 January 2009 respectively.

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31 Fair Value of Financial Instruments

(a) Fair values of financial instruments carried at amortised cost.

Fair values of financial instruments carried at amortised cost are as follows:

<i>In thousands of Tenge</i>	31 December 2009		31 December 2008	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents				
- Cash on hand	581,350	581,350	462,691	462,691
- Cash balances with the NBRK	8,573,894	8,573,894	3,196,348	3,196,348
- Mandatory cash balances with the NBRK	995,808	995,808	1,294,178	1,294,178
- Correspondent accounts and overnight placements	3,789,403	3,789,403	5,152,194	5,152,194
- Placements with other banks with original maturities of less than three months	-	-	1,000,250	1,000,250
- Reverse repurchase agreements with other banks with original maturities of less than three months	-	-	2,470,714	2,470,714
- NBRK Notes with maturities less than 3 months	4,985,346	4,987,078	-	-
Loans and advances to customers				
- Corporate loans	48,452,103	48,452,103	49,716,194	49,716,194
- Consumer loans	2,449,170	2,449,170	2,219,525	2,219,525
- Mortgage loans	476,133	283,381	448,103	365,896
Other financial assets				
- Restricted cash with market makers	24,023	24,023	-	-
- Foreign exchange spot deal	10,698	10,698	-	-
- Fee and commission income receivable	9,567	9,567	24,639	24,639
- Penalties	696	696	1,249	1,249
- Foreign exchange forward contract	-	-	16,030	16,030
Total financial assets carried at amortised cost	70,348,191	70,157,171	66,002,115	65,919,908
FINANCIAL LIABILITIES				
Due to other banks				
- Short-term placements of other banks	-	-	61,447	61,447
Customer accounts				
- Current/settlement accounts of state and public organisations	18,745,004	18,745,004	11,102,067	11,102,067
- Term deposits of state and public organisations	3,408,604	3,408,604	1,324,569	1,324,569
- Current/settlement accounts of other legal entities	6,255,160	6,255,160	6,249,042	6,249,042
- Term deposits of other legal entities	7,454,825	7,454,825	16,237,969	16,237,969
- Current/demand accounts of individuals	670,583	670,583	577,337	577,337
- Term deposits of individuals	18,122,513	18,122,513	11,822,430	11,822,430
Other financial liabilities				
- Operating expense accruals	55,878	55,878	12,761	12,761
- Fee and commission payable	16,460	16,460	28,858	28,858
- Foreign exchange spot operation	10,630	10,630	-	-
Debt securities in issue				
- Bonds issued on domestic market	5,186,998	5,210,241	4,984,709	4,735,061
Other borrowed funds				
- Term borrowings from shareholder	-	-	3,444,185	3,444,185
Subordinated debt				
- Subordinated debt	1,184,257	1,127,995	1,171,056	1,285,118
- Convertible bonds	962	962	912	912
Total financial liabilities carried at amortised cost	61,111,874	61,078,855	57,017,342	56,881,756

31 Fair Value of Financial Instruments (Continued)

(b) Analysis by fair value hierarchy of financial instruments carried at fair value.

Effective 1 January 2009, the Bank adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

In the current year the Bank has no financial instruments carried at fair value, except derivatives mainly represented by forward and swap deals. As of the 31 December 2009 all derivatives were settled. The derivative contracts open as of 31 December 2008 composed Tenge 16,030 thousands and were included into the Level 2 of fair value hierarchy where valuation techniques with inputs observable in markets are used. Refer to Note 30.

Gains and losses on derivatives are included in net gain/loss from forward and swap deals.

(c) Reconciliation of movements in instruments belonging to the level 3 of the fair value hierarchy.

None of derivatives were included as Level 3 instruments since they are traded in an active market.

(d) The methods and assumptions applied in determining fair values.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

The total net fair value gain estimated using valuation techniques that was recognised in profit or loss amounts was nil for 2009 (2008: Tenge 16,030 thousand).

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on currency, maturity of the instrument and credit risk of the counterparty and were as follows:

	2009	2008
<i>Loans and advances to customers – Note 8</i>		
Corporate loans	10% to 25% p.a.	13% to 28% p.a.
Consumer loans	10% to 28% p.a.	12% to 28% p.a.
Mortgage loans	6.5% to 18% p.a.	6.5% to 20% p.a.

For loans and advances to customers, fair value incorporates expected future losses while the carrying value (amortised cost and related impairment) includes only incurred losses at the end of the reporting period.

Liabilities carried at amortised cost. The fair value of subordinated debt and notes issued on the domestic market is based on quoted market prices. The estimated fair value of fixed interest rate instruments with stated maturity, for which a quoted market price is not available, was estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of liabilities repayable on demand or after a notice period (“demandable liabilities”) is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid. Discount rates used were consistent with the Bank’s credit risk and also depend on currency and maturity of the instrument and ranged from 4 percent per annum to 14 percent per annum. (2008: from 9.8 percent per annum to 14.5 percent per annum).

31 Fair Value of Financial Instruments (Continued)

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Their fair values are based on observable market prices. Refer to Note 30.

32 Reconciliation of Classes of Financial Instruments with Measurement Categories

For the purposes of measurement, IAS 39, *Financial Instruments: Recognition of Measurement*, classifies financial assets into the following categories: (a) loans and receivables; (b) available for sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss (“FVTPL”). Financial assets at fair value through profit or loss have two subcategories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2009.

<i>In thousands of Tenge</i>	Loans and receivables	At cost	Total
ASSETS			
Cash and cash equivalents	18,925,801	-	18,925,801
Loans and advances to customers			
- Corporate loans	48,452,103	-	48,452,103
- Consumer loans	2,449,170	-	2,449,170
- Mortgage loans	476,133	-	476,133
Other financial assets:			
- Restricted cash with market makers	24,023	-	24,023
- Foreign exchange spot deals	10,698	-	10,698
- Fee and commission income receivable	9,567	-	9,567
- Investments in stock exchange	-	2,200	2,200
- Penalties	696	-	696
TOTAL FINANCIAL ASSETS	70,348,191	2,200	70,350,391
NON-FINANCIAL ASSETS	-	-	1,967,142
TOTAL ASSETS	70,348,191	2,200	72,317,533

32 Reconciliation of Classes of Financial Instruments with Measurement Categories (Continued)

The following table provides a reconciliation of classes of financial assets with these measurement categories as at 31 December 2008.

<i>In thousands of Tenge</i>	Loans and receivables	Held for trading	At cost	Total
ASSETS				
Cash and cash equivalents	13,576,375	-	-	13,576,375
Loans and advances to customers				
- Corporate loans	49,716,194	-	-	49,716,194
- Consumer loans	2,219,525	-	-	2,219,525
- Mortgage loans	448,103	-	-	448,103
Other financial assets:				
- Foreign exchange forward contracts	-	16,030	-	16,030
- Fee and commission income receivable	24,639	-	-	24,639
- Investments in stock exchange	-	-	2,200	2,200
- Penalties	1,249	-	-	1,249
TOTAL FINANCIAL ASSETS	65,986,085	16,030	2,200	66,004,315
NON-FINANCIAL ASSETS	-	-	-	2,219,492
TOTAL ASSETS	65,986,085	16,030	2,200	68,223,807

All of the Bank's financial assets except for derivatives and investments in stock exchange are carried at amortised cost as at 31 December 2009 and 31 December 2008. Derivatives belong to the fair value through profit or loss measurement category. Investments in stock exchange do not have a quoted market price in an active market and their fair value cannot be reliably measured, therefore they are measured at cost

All liabilities on the statement of financial position are recorded at amortised cost.

33 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can 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.

At 31 December 2009, the outstanding balances with related parties were as follows:

<i>In thousands of Tenge</i>	Significant shareholders	Key management personnel	Entities under common control
Assets			
Gross amount of loans and advances to customers	43,611	204,736	508,486
Liabilities			
Customer accounts	32,813	144,708	904,756

33 Related Party Transactions (Continued)

The income and expense items with related parties for the year 2009 were as follows:

<i>In thousands of Tenge</i>	Significant shareholders	Key management personnel	Entities under common control
Interest income	4,497	13,207	6,068
Interest expense	145,649	34,660	106,600
Administrative and other operating expenses	-	-	230,214

Aggregate amounts lent to and repaid by related parties during 2009 were:

<i>In thousands of Tenge</i>	Significant shareholders	Key management personnel	Entities under common control
Amounts lent to related parties during the period	74,412	47,603	86,440
Amounts repaid by related parties during the period	142,686	35,596	102,129

At 31 December 2008, the outstanding balances with related parties were as follows:

<i>In thousands of Tenge</i>	Significant shareholders	Key management personnel	Entities under common control
Assets			
Gross amount of loans and advances to customers	111,843	221,584	467,525
Liabilities			
Customer accounts	341,581	54,695	1,339,084
Other borrowed funds	3,444,185	-	-
Subordinated debt	912	-	-

The income and expense items with related parties for the year 2008 were as follows:

<i>In thousands of Tenge</i>	Significant shareholders	Key management personnel	Entities under common control
Interest income	11,871	12,198	3,181
Interest expense	292,857	7,289	24,672
Administrative and other operating expenses	-	-	295,494

At 31 December 2008, other rights and obligations with related parties were as follows:

<i>In thousands of Tenge</i>	Entities under common control
Guarantees received by the Bank at the year end	96,653

33 Related Party Transactions (Continued)

Aggregate amounts lent to and repaid by related parties during 2008 were:

<i>In thousands of Tenge</i>	Significant shareholders	Key management personnel	Entities under common control
Amounts lent to related parties during the period	131,991	60,929	39,669
Amounts repaid by related parties during the period	137,560	21,229	17,776

Key management compensation is presented below:

<i>In thousands of Tenge</i>	Expense	2009 Accrued liability	Expense	2008 Accrued liability
<i>Short-term benefits:</i>				
- Salaries	212,358	-	195,322	-
- Short-term bonuses	88,576	1,011	36,249	79,507
Total	300,934	1,011	231,571	79,507

Short-term bonuses fall due wholly within twelve months after the end of the period in which Management rendered the related services.

34 Events After the End of the Reporting Period

Allocation of provision for asset impairment. In addition to the previously allocated impairment provisions the Bank created a provision for impairment of loans and advances to customers in the amount of Tenge 208,112 thousand. The impairment trigger event occurred after the balance sheet date."