

**JSC Delta Bank**

Financial Statements

for the year ended 31 December 2009

## **Contents**

Independent Auditors' Report	
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Cash Flows	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9-52



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## **Independent Auditors' Report**

To the Management Board of JSC Delta Bank

We have audited the accompanying financial statements of JSC Delta Bank ("the Bank"), which comprise the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement 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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

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

*Basis for Qualified Opinion*

The Bank has estimated the impairment losses on its loans to customers stated at KZT 20,591,422 thousand as at 31 December 2009 in accordance with regulatory requirements. In accordance with International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*, these impairment losses should be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The effects of this departure from International Financial Reporting Standards on loans to customers, impairment losses, taxation, profit and retained earnings as at and for the year ended 31 December 2009 have not been determined.

The Bank has not measured certain of its financial instruments at fair value through profit or loss stated at KZT 213,194 thousand at fair value as at 31 December 2009. Such investments should have been stated at fair value in accordance with International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The effects of this departure from International Financial Reporting Standards on financial instruments at fair value through profit or loss, net loss on financial instruments at fair value through profit or loss, taxation, profit and retained earnings as at and for the year ended 31 December 2009 have not been determined.

*Qualified Opinion*


In our opinion, except for any effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

  
Abibullayeva E. Sh.  
Certified Auditor  
of the Republic of Kazakhstan  
Auditor's Qualification Certificate No.0000288  
of 11 November 1996



**KPMG Audit LLC**

State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

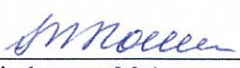
  
Nigay A. N.  
General Director of KPMG Audit LLC  
acting on the basis of the Charter



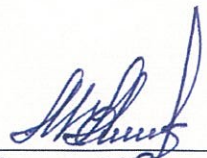
31 March 2010

	Note	2009 '000 KZT	2008 '000 KZT
Interest income	4	3,811,064	3,571,710
Interest expense	4	(1,315,002)	(1,404,257)
<b>Net interest income</b>		<b>2,496,062</b>	<b>2,167,453</b>
Fee and commission income	5	754,264	635,016
Fee and commission expense	6	(31,434)	(36,071)
<b>Net fee and commission income</b>		<b>722,830</b>	<b>598,945</b>
Net loss on financial instruments at fair value through profit or loss		(85,652)	(23,042)
Net foreign exchange income	7	10,744	11,859
Net realised (loss)/gain on available-for-sale assets		(20,158)	1,468
Dividends received		755	3,687
Other expense, net	8	(18,261)	(131,528)
		<b>3,106,320</b>	<b>2,628,842</b>
Impairment losses	9	(1,423,936)	(709,929)
General administrative expenses	10	(1,601,243)	(1,855,399)
<b>Profit before taxes</b>		<b>81,141</b>	<b>63,514</b>
Income tax (expense)/benefit	11	(1,499)	2,027
<b>Profit for the year</b>		<b>79,642</b>	<b>65,541</b>
<b>Other comprehensive income</b>			
Net change in fair value of available-for-sale assets		55,341	(103,731)
Net change in fair value of available-for-sale assets transferred to profit or loss		20,158	(1,468)
<b>Other comprehensive income</b>		<b>75,499</b>	<b>(105,199)</b>
<b>Total comprehensive income</b>		<b>155,141</b>	<b>(39,658)</b>

The financial statements as set out on pages 5 to 52 were approved by the Management Board on 31 March 2010.

  
Ms. Koshkimbayeva M.A.  
Chairwoman of the Management Board



  
Ms. Kasenova M.N.  
Deputy Chief Accountant

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

**JSC Delta Bank**  
Statement of Financial Position as at 31 December 2009

	Note	2009 '000 KZT	2008 '000 KZT
<b>ASSETS</b>			
Cash		419,581	529,382
Due from the National Bank of the Republic of Kazakhstan		2,930,734	161,968
Placements with banks	12	315,349	1,159,739
Financial instruments at fair value through profit or loss			
- Held by the Bank	13	313,171	561,872
- Pledged under sale and repurchase agreements	13	81,671	48,559
Amounts receivable under reverse repurchase agreements		-	4,833,281
Loans to customers	14	20,591,422	15,917,762
Available-for-sale assets			
- Held by the Bank	15	912,945	369,348
- Pledged under sale and repurchase agreements	15	416,263	30,509
Held-to-maturity investments			
- Held by the Bank	16	282,081	-
- Pledged under sale and repurchase agreements	16	3,468,996	410,283
Property, equipment and intangible assets	17	605,439	783,088
Income tax prepaid		-	16,491
Deferred tax assets	11	8,447	-
Other assets	18	105,289	88,420
<b>Total assets</b>		<b>30,451,388</b>	<b>24,910,702</b>
<b>LIABILITIES</b>			
Loans from other financial institutions	19	-	159,804
Amounts payable under repurchase agreements	20	3,378,221	899,676
Current accounts and deposits from customers	21	17,734,184	15,136,800
Subordinated debt securities issued	22	1,943,905	2,963,996
Current tax liability		3,190	-
Deferred tax liability	11	-	11,838
Other liabilities	23	102,399	51,099
<b>Total liabilities</b>		<b>23,161,899</b>	<b>19,223,213</b>
<b>EQUITY</b>			
Share capital	24	6,978,109	5,531,250
Reserve capital		223,099	157,558
Revaluation reserve for property and equipment		57,913	63,003
Revaluation reserve for available-for-sale assets		(61,991)	(137,490)
Retained earnings		92,359	73,168
<b>Total equity</b>		<b>7,289,489</b>	<b>5,687,489</b>
<b>Total liabilities and equity</b>		<b>30,451,388</b>	<b>24,910,702</b>
Commitments and Contingencies	27, 29		

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

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	3,592,435	3,007,994
Interest payments	(1,444,525)	(1,346,223)
Fee and commission receipts	736,549	624,635
Fee and commission payments	(31,434)	(36,071)
Net payments from financial instruments at fair value through profit or loss	(85,652)	(23,042)
Net receipts from foreign exchange	126,344	67,755
Other (expenses)/income	(55,189)	95,480
Other general administrative expenses	(1,421,428)	(1,722,598)
<b>(Increase)/decrease in operating assets</b>		
Minimum required reserve	47,876	276,356
Placements with banks	(20,573)	(4,085)
Financial instruments at fair value through profit or loss	215,521	322,497
Amounts receivable under reverse repurchase agreements	4,809,011	(4,345,755)
Loans to customers	(5,896,861)	(842,693)
Other assets	9,657	32,784
<b>Increase/(decrease) in operating liabilities</b>		
Deposits and balances from banks	(151,875)	49,895
Amounts payable under repurchase agreements	2,480,211	(200,942)
Current accounts and deposits from customers	2,359,702	5,336,703
Other liabilities	32,434	(66,225)
<b>Cash provided from operating activities before income tax paid</b>	<b>5,302,203</b>	<b>1,226,465</b>
Income tax paid	(1,145)	(76,442)
<b>Cash flows from operations</b>	<b>5,301,058</b>	<b>1,150,023</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of available-for-sale assets	(4,264,852)	(198,011)
Sales of available-for-sale assets	339,863	204,972
Redemption of available-for-sale assets	3,049,296	-
Purchases of held-to-maturity investments	(3,386,107)	(6,214,777)
Redemption of held-to-maturity investments	118,544	5,812,581
Purchases of property, equipment and intangible assets	(15,878)	(134,292)
Sales of property, equipment and intangible assets	32,579	4,643
<b>Cash flows used in investing activities</b>	<b>(4,126,555)</b>	<b>(524,884)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
(Repayments)/receipts of subordinated debt securities issued	(979,792)	24,567
Repayments of subordinated loans	-	(75,188)
Proceeds from issuance of share capital	1,491,878	5,993
Repurchase of share capital	(45,019)	-
<b>Cash flows from/(used in) financing activities</b>	<b>467,067</b>	<b>(44,628)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,641,570</b>	<b>580,511</b>
Effect of changes in exchange rates on cash and cash equivalents	201,711	(110,179)
Cash and cash equivalents as at the beginning of the year	1,444,589	974,257
<b>Cash and cash equivalents as at the end of the year (Note 31)</b>	<b>3,287,870</b>	<b>1,444,589</b>

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

	Share capital '000 KZT	Reserve capital '000 KZT	Revaluation reserve for property '000 KZT	Revaluation reserve for available-for- sale assets '000 KZT	Retained earnings '000 KZT	Total '000 KZT
<b>Balance at 1 January 2008</b>	<b>5,525,257</b>	<b>78,253</b>	<b>64,170</b>	<b>(32,291)</b>	<b>85,765</b>	<b>5,721,154</b>
<b>Total comprehensive income</b>						
Profit for the year	-	-	-	-	65,541	65,541
<b>Other comprehensive income</b>						
Net change in fair value of available-for-sale assets	-	-	-	(103,731)	-	(103,731)
Net change in fair value of available-for-sale assets transferred to profit or loss	-	-	-	(1,468)	-	(1,468)
Total other comprehensive income	-	-	-	(105,199)	-	(105,199)
<b>Total comprehensive income</b>	-	-	-	<b>(105,199)</b>	<b>65,541</b>	<b>(39,658)</b>
Shares issued	5,993	-	-	-	-	5,993
Transfer of revaluation reserve to retained earnings on usage of revalued property	-	-	(1,167)	-	1,167	-
Transfers	-	79,305	-	-	(79,305)	-
<b>Balance at 31 December 2008</b>	<b>5,531,250</b>	<b>157,558</b>	<b>63,003</b>	<b>(137,490)</b>	<b>73,168</b>	<b>5,687,489</b>
<b>Total comprehensive income</b>						
Profit for the year	-	-	-	-	79,642	79,642
<b>Other comprehensive income</b>						
Net change in fair value of available-for-sale assets	-	-	-	55,341	-	55,341
Net change in fair value of available-for-sale assets transferred to profit or loss	-	-	-	20,158	-	20,158
Total other comprehensive income	-	-	-	75,499	-	75,499
<b>Total comprehensive income</b>	-	-	-	<b>75,499</b>	<b>79,642</b>	<b>155,141</b>
Shares issued	1,491,878	-	-	-	-	1,491,878
Treasury shares acquired	(45,019)	-	-	-	-	(45,019)
Transfer of revaluation reserve to retained earnings on disposal and usage of revalued property	-	-	(5,090)	-	5,090	-
Transfers	-	65,541	-	-	(65,541)	-
<b>Balance at 31 December 2009</b>	<b>6,978,109</b>	<b>223,099</b>	<b>57,913</b>	<b>(61,991)</b>	<b>92,359</b>	<b>7,289,489</b>

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

## 1 Background

### (a) Principal activities

JSC Delta Bank (“the Bank”) was incorporated in the Republic of Kazakhstan in 1993 as a closed joint stock company Neftebank. In February 2005 the Bank was reorganised into an open joint stock company. On moving its head office from Aktau to Almaty in May 2006, the Bank was re-registered. On 1 August 2007, the name of the Bank was changed to JSC Delta Bank and was re-registered at the Ministry of Justice of the Republic of Kazakhstan under #4270-1900-AO on 29 August 2007.

The activities of the Bank are regulated by the Financial Markets and Organisations Supervisory and Regulatory Agency (“the FMSA”) and the National Bank of the Republic of Kazakhstan (“the NBRK”).

The Bank operates under banking licence #213, dated 24 October 2007, from the FMSA. The principal activities of the Bank are deposit-taking and customer account maintenance, lending and issuing guarantees, cash and settlements operations with securities and foreign exchange.

The registered address of the Bank’s head office is located at 73A, Tolebi str, Almaty, Republic of Kazakhstan.

As at 31 December 2009, the Bank had 9 (2008: 13) branches operating in the Republic of Kazakhstan. In February 2009 the Bank closed 4 branches in Ust-Kamenogorsk, Shymkent, Kostanay and Taldykorgan.

### (b) Shareholders

As at 31 December 2009 and 2008, the following shareholders owned 5% or more of the issued shares of the Bank:

<b>Shareholder</b>	<b>31 December 2009 %</b>	<b>31 December 2008 %</b>
Galymzhan Essenov	27.2	26.1
Erbol Tymbayev	9.9	9.9
Murat Medeuov	9.6	-
Arsen Subbotin	8.8	
Dina Abdykalykova	8.6	9.3
Askar Brimzhanov	6.7	8.5
Dimash Sadykov	6.2	-
JSC SC of JSC Bank TuranAlem Pension Fund BTA Kazakhstan	6.2	6.9
Ruslan Usmanov	5.7	-
JSC Investment Fund of Kazakhstan	-	12.6
Aigul Beisenova	-	8.7
Askar Abdykarimov	-	7.6
	<b>88.9</b>	<b>89.6</b>
Shareholders owning less than 5%	11.1	10.4
	<b>100.0</b>	<b>100.0</b>

## **1 Background, continued**

### **(c) Kazakhstan business environment**

The Republic of Kazakhstan is experiencing political and economic change that has affected, and may continue to affect, the activities of enterprises operating in this environment. Consequently, operations in the Republic of Kazakhstan involve risks that typically do not exist in other markets. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

## **2 Basis of preparation**

### **(a) Statement of compliance**

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

### **(b) Basis of measurement**

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale assets are stated at fair value and land and buildings are at revalued amounts.

### **(c) Functional and presentation currency**

The national currency of the Republic of Kazakhstan is the Kazakhstan Tenge ("KZT"). Management has determined the Bank's functional currency to be the KZT as it reflects the economic substance of the underlying events and circumstances of the Bank. The KZT is also the Bank's presentation currency for the purposes of these financial statements.

Financial information presented in KZT is rounded to the nearest thousand.

### **(d) Use of estimates and judgments**

Management has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRS. Actual results could differ from those estimates.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies are described in Note 14 - Loans to customers.

## **3 Significant accounting policies**

The following significant accounting policies are consistently applied in the preparation of the financial statements. Changes in accounting policies are described at the end of this note.

### **(a) Foreign currency transactions**

Transactions in foreign currencies are translated to KZT at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to KZT at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in KZT at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to KZT at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

### 3 Significant accounting policies

#### (b) Cash and cash equivalents

The Bank considers cash, nostro accounts and deposits with original maturities of less than three months to be cash and cash equivalents. The minimum reserve requirement is not considered to be a cash equivalent due to restrictions on its withdrawability.

#### (c) Financial instruments

##### (i) Classification

*Financial instruments at fair value through profit or loss* are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or,
- upon initial recognition, designated by the entity as at fair value through the profit or loss.

The Bank may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed and evaluated on a fair value basis;
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

*Loans and receivables* are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Bank:

- intends to sell immediately or in the near term;
- upon initial recognition designates as at fair value through profit or loss;
- upon initial recognition designates as available-for-sale; or
- may not recover substantially all of its initial investment, other than because of credit deterioration.

*Held-to-maturity investments* are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity, other than those that:

- the Bank upon initial recognition designates as at fair value through profit or loss;
- the Bank designates as available-for-sale; or
- meet the definition of loans and receivables.

*Available-for-sale assets* are those financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

Management determines the appropriate classification of financial instruments at the time of the initial recognition.

##### (ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

### **3 Significant accounting policies, continued**

#### **(c) Financial instruments, continued**

##### **(iii) Measurement**

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method;
- held-to-maturity investments which are measured at amortised cost using the effective interest method; and
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognised immediately in profit or loss. Where an initial gain or loss is not based entirely on observable market data, it is deferred and recognised over the life of the asset or liability on an appropriate basis, or when prices become observable, or on disposal of the asset or liability.

##### **(iv) Fair value measurement principles**

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. Where a quoted market price is not available, fair value is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include reference to recent arm's length market transactions, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the reporting date.

##### **(v) Gains and losses on subsequent measurement**

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on an available-for-sale financial asset is recognised directly in equity through the statement of changes in equity (except for impairment losses and foreign exchange gains and losses) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised as earned in profit or loss calculated using the effective interest method.

### **3 Significant accounting policies, continued**

#### **(c) Financial instruments, continued**

##### **(v) *Gains and losses on subsequent measurement, continued***

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

##### **(vi) *Derecognition***

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank transfers substantially all of the risks and rewards of ownership of the financial asset. Any rights or obligations created or retained in the transfer are recognised separately as assets or liabilities. A financial liability is derecognised when it is extinguished.

The Bank also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

##### **(vii) *Repurchase and reverse repurchase agreements***

Securities sold under sale and repurchase (“repo”) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase price represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest rate method.

Securities purchased under agreements to resell (“reverse repo”) are recorded as amounts receivable under reverse repo transactions within placements with banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the reverse repo agreement using the effective interest method.

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

##### **(viii) *Offsetting***

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

#### **(d) Property and equipment**

##### **(i) *Owned assets***

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for land and buildings which are stated at revalued amounts as described below.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

### **3 Significant accounting policies, continued**

#### **(d) Property and equipment, continued**

##### **(ii) Revaluation**

Land and buildings of the Bank are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the land and buildings being revalued. A revaluation increase on an item of land and building is recognised directly in equity except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on an item of land or buildings is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised directly in equity.

Amounts included in the revaluation reserve are transferred to retained earnings when a revalued asset is sold or as it is used.

##### **(iii) Depreciation**

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	40 years
Computer equipment	4 years
Vehicles	7 years
Other	4 to 15 years

Leasehold improvements are amortised over the life of the shorter life of the related leased asset or lease contract. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalisation.

#### **(e) Intangible assets**

Intangible assets, which are acquired by the Bank, are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Computer software	5 years
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### 3 Significant accounting policies, continued

#### (f) Impairment

##### (i) *Financial assets carried at amortised cost*

Financial assets carried at amortised cost consist principally of loans, other receivables and unquoted available-for-sale debt securities (“loans and receivables”). The Bank reviews its loans and receivables, to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Bank on terms that the Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable’s original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in the statement of comprehensive income and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when the Bank’s management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

### 3 Significant accounting policies, continued

#### (f) Impairment, continued

##### (ii) *Financial assets carried at cost*

Financial assets carried at cost include unquoted equity instruments included in available-for-sale assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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

##### (iii) *Non financial assets*

Non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (g) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments and letters of credit and guarantees.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included within other liabilities.

### 3 Significant accounting policies, continued

#### (h) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction of equity, net of any tax effect.

##### *Dividends*

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of the Kazakhstan legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

#### (i) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences resulting from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (j) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss, respectively.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortised to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided. Dividend income is recognised in profit or loss on the date that the dividend is declared.

### 3 Significant accounting policies, continued

#### (k) Segment reporting

The Bank's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Operating Segments*. The Bank's assets are concentrated primarily in the Republic of Kazakhstan, and the majority of the Bank's revenues and profit is derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Bank, the Chairman of the Management Board, only receives and reviews the information on the Bank as a whole.

#### (l) Comparative information

During the preparation of the Bank's 2009 financial statements, management made certain reclassifications affecting the 2008 corresponding figures to conform to the presentation of the 2009 financial statements. Management believes that this presentation is more appropriate presentation in accordance with IFRS. The effect of reclassifications on the corresponding figures can be summarised as follows:

Statement of comprehensive income for the year ended 31 December 2008	As reclassified	Effect of reclassifications	As previously reported
Fee and commission expense	36,071	(8,785)	44,856
Other expense, net	131,528	(29,605)	161,133
General administrative expenses	1,855,399	38,390	1,817,009
	<b>2,022,998</b>	<b>-</b>	<b>2,022,998</b>

#### Statement of cash flows for the year ended 31 December 2008

In the statement of cash flows for the year ended 31 December 2008 the effect of changes in exchange rates on cash and cash equivalents of KZT 110,179 thousand was reclassified from net receipts from foreign exchange and cash outflows from held-to-maturity investments of KZT 410,283 thousand and cash flows from available-for-sale assets of KZT 2,635 thousand were reclassified from operating to investing activities.

The above reclassification does not impact the comparative statement of financial position, and the net result for the year or equity.

#### (m) Changes in accounting policies

Starting from 1 January 2009 the Bank adopted the revised version of IAS 1 *Presentation of Financial Statements* (effective for annual periods beginning on or after 1 January 2009). As a result the income statement is replaced by a statement of comprehensive income that also includes all non-owner changes in equity, such as the revaluation of available-for-sale assets and revaluation of property and equipment. The balance sheet is renamed to the statement of financial position and the cash flow statement is renamed to the statement of cash flows. According to the revised IAS 1, a statement of financial position at the beginning of the earliest comparative period is presented whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors.

Starting from 1 January 2009 the Bank adopted IFRS 8 *Operating Segments* (effective for annual periods beginning on or after 1 January 2009) which introduces the management approach to segment reporting and requires the disclosure of segment information based on the internal reports regularly reviewed by the chief operating decision maker in order to assess each segment's performance and to allocate resources to them.

Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis.

### 3 Significant accounting policies, continued

#### (n) New Standards and Interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2009, and have not been applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the Bank's operations. The Bank plans to adopt these pronouncements when they become effective. The Bank has not yet analysed the likely impact of these new standards on its financial statements.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Bank recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Bank's financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

Various *Improvements to IFRSs* which result in accounting changes for presentation, recognition or measurement purposes will come into effect not earlier than 1 January 2010.

### 4 Net interest income

	2009 <u>'000 KZT</u>	2008 <u>'000 KZT</u>
<b>Interest income</b>		
Loans to customers	3,474,647	3,080,601
Held-to-maturity investments	186,860	47,272
Available-for-sale assets	84,199	50,500
Amounts receivable under reverse repurchase agreements	41,793	346,073
Financial instruments at fair value through profit or loss	22,522	24,463
Placements with banks	1,043	22,801
	<b><u>3,811,064</u></b>	<b><u>3,571,710</u></b>
<b>Interest expense</b>		
Current accounts and deposits from customers	967,710	951,097
Subordinated debt securities issued	255,167	356,204
Amounts payable under repurchase agreements	82,724	84,911
Loans from other financial institutions	8,865	12,045
Other	536	-
	<b><u>1,315,002</u></b>	<b><u>1,404,257</u></b>

### 5 Fee and commission income

	2009 <u>'000 KZT</u>	2008 <u>'000 KZT</u>
Guarantee and letter of credit issuance	480,092	153,047
Cash operations	135,212	103,173
Transfer operations	90,518	106,818
Credit card and account maintenance	16,931	247,215
Cash collection	1,716	5,880
Other	29,795	18,883
	<b><u>754,264</u></b>	<b><u>635,016</u></b>

## 6 Fee and commission expense

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Transfer operations	13,904	19,978
Card services	11,606	11,361
Brokerage	3,827	3,823
Other	2,097	909
	<b>31,434</b>	<b>36,071</b>

## 7 Net foreign exchange income

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Gain on spot transactions	126,344	67,755
Loss from revaluation of financial assets and liabilities	(115,600)	(55,896)
	<b>10,744</b>	<b>11,859</b>

## 8 Other expense

On 31 December 2008, KZT 161,710 thousand was transferred to a third party as part of a transaction which did not have appropriate authorisation. The Bank is pursuing recovery of this amount through litigation. During the year ended 31 December 2008, a loss of KZT 161,710 thousand was recognised as a part of other expense in profit or loss in respect of this transaction.

## 9 Impairment losses

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Loans to customers	1,408,659	728,670
Commitments	(398)	398
Other assets	15,675	(19,139)
	<b>1,423,936</b>	<b>709,929</b>

## 10 General administrative expenses

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Employee compensation	619,891	711,322
Payroll related taxes	58,618	61,815
<b>Total employee compensation</b>	<b>678,509</b>	<b>773,137</b>
Rent	420,874	479,316
Depreciation and amortisation	153,327	120,836
Taxes other than on income	75,271	101,315
Communications and information services	47,828	71,003
Repairs and maintenance	42,134	61,209
Professional services	37,926	32,210
Security	37,532	59,519
Insurance	31,226	45,337
Advertising and marketing	25,976	30,198
Membership fee	23,722	27,105
Transportation	10,900	16,199
Travel expenses	7,251	11,936
Cash collection expenses	2,979	3,932
Representative expenses	2,400	9,054
Other	3,385	13,093
	<b>1,601,243</b>	<b>1,855,399</b>

## 11 Income tax expense/(benefit)

	2009 '000 KZT	2008 '000 KZT
<b>Current tax expense</b>		
Current year	21,784	58,993
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(20,285)	(61,020)
<b>Total income tax expense/(benefit)</b>	<b>1,499</b>	<b>(2,027)</b>

### Reconciliation of effective tax rate:

	2009 '000 KZT	%	2008 '000 KZT	%
<b>Profit before tax</b>	<b>81,141</b>	<b>100</b>	<b>63,514</b>	<b>100</b>
Income tax at the applicable tax rate	16,228	20	19,054	30
(Non-taxable income)/non-deductible costs	(13,874)	(17)	16,300	26
Effect of change in tax rates	(855)	(1)	(37,381)	(59)
	<b>1,499</b>	<b>2</b>	<b>(2,027)</b>	<b>(3)</b>

### Deferred tax assets and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities and assets as at 31 December 2009 and 2008, respectively. These deferred tax assets have been recognised in these financial statements. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Bank's ability to claim the deductions in future periods.

These deductible temporary differences do not expire under current tax legislation.

The Bank's applicable tax rate in 2009 is the income tax rate of 20% for Kazakhstan companies (2008: 30%). With effect from 1 January 2009, the income tax rate for Kazakhstan companies is reduced to 20% in 2009, 17.5% in 2010 and 15% in 2011. These rates were announced by the government in 2008 and were used in the calculation of deferred tax assets and liabilities as at 31 December 2008. During 2009 the Government postponed the reduction in the income tax rate for 2010. In accordance with the changes the income tax rate will remain at 20% for 2010 - 2012 and will be decreased to 17.5% for 2013 and to 15% for later years. These rates are used in the calculation of deferred tax assets and liabilities as at 31 December 2009.

Movement in temporary differences during the years ended 31 December 2009 and 2008 are presented as follows:

'000 KZT	Balance 1 January 2009	Recognised in profit or loss	Balance 31 December 2009
Loans to customers	13,567	(3,283)	10,284
Property and equipment	(27,601)	18,336	(9,265)
Other assets	366	(366)	-
Other liabilities	1,830	5,598	7,428
	<b>(11,838)</b>	<b>20,285</b>	<b>8,447</b>

## 11 Income tax expense/(benefit), continued

### Deferred tax assets and liability, continued

Movement in temporary differences during the year ended 31 December 2008

'000 KZT	<b>Balance 1 January 2008</b>	<b>Recognised in profit or loss</b>	<b>Balance 31 December 2008</b>
Financial instruments at fair value through profit or loss	(11,114)	11,114	-
Loans to customers	5,544	8,023	13,567
Property and equipment	(67,886)	40,285	(27,601)
Other assets	598	(232)	366
Other liabilities	-	1,830	1,830
	<b>(72,858)</b>	<b>61,020</b>	<b>(11,838)</b>

## 12 Placements with banks

	<b>2009 '000 KZT</b>	<b>2008 '000 KZT</b>
<b>Nostro accounts</b>		
OECD banks	174,910	814,579
Largest 10 Kazakhstan banks	14,300	49,432
Other foreign banks	8,440	10,642
<b>Total nostro accounts</b>	<b>197,650</b>	<b>874,653</b>
<b>Deposits</b>		
Largest 10 Kazakhstan banks	102,853	83,683
Other Kazakhstan banks	-	201,403
Other foreign banks	14,846	-
<b>Total deposits</b>	<b>117,699</b>	<b>285,086</b>
	<b>315,349</b>	<b>1,159,739</b>

### (a) Concentration of placements with banks

As at 31 December 2009 and 2008, the Bank had 2 and 4 banks, respectively, whose balances exceeded 10% of total placements with banks. The gross value of these balances as at 31 December 2009 and 2008 were KZT 242,783 thousand and KZT 1,075,647 thousand, respectively.

### 13 Financial instruments at fair value through profit or loss

	2009 '000 KZT	2008 '000 KZT
<i>Held-for-trading</i>		
<b>Debt and other fixed-income instruments</b>		
<b>- Government bonds</b>		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	48,561	540,964
<b>- Corporate bonds</b>		
JSC Glotur	213,194	-
JSC Corporation Ordabasy	1,358	-
<b>Equity investments</b>		
<b>- Corporate shares</b>		
JSC Kazakhtelecom	50,058	20,908
	<b>313,171</b>	<b>561,872</b>
<i>Pledged under sale and repurchase agreements</i>		
<b>Debt and other fixed-income instruments</b>		
<b>- Government bonds</b>		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	81,671	48,559
	<b>81,671</b>	<b>48,559</b>

Included in financial instruments at fair value through profit or loss are non-quoted debt securities as follows:

	2009 '000 KZT	2008 '000 KZT
<b>Corporate bonds</b>		
JSC Glotur	213,194	-
JSC Ordabasy Corporation	1,358	-
	<b>214,552</b>	<b>-</b>

Included in financial instruments at fair value through profit or loss there are debt instruments defaulted during the year for which the active market has disappeared.

## 14 Loans to customers

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
<b>Loans to legal entities</b>		
Loans to large corporates	14,759,138	9,880,275
Loans to small and medium size companies	3,992,200	2,309,263
<b>Total loans to legal entities</b>	<b>18,751,338</b>	<b>12,189,538</b>
<b>Loans to individuals</b>		
Consumer loans	1,674,904	2,878,003
Mortgage loans	1,006,550	1,095,615
Auto loans	136,631	272,477
Credit cards	21,636	9,713
<b>Total loans to individuals</b>	<b>2,839,721</b>	<b>4,255,808</b>
<b>Total loans to customers</b>	<b>21,591,059</b>	<b>16,445,346</b>
Impairment allowance	(999,637)	(527,584)
<b>Net loans to customers</b>	<b>20,591,422</b>	<b>15,917,762</b>

Movements in the loan impairment allowance for the years ended 31 December, were as follows:

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Balance at the beginning of the year	527,584	369,785
Net charge for the year	1,408,659	728,670
Write-offs	(936,606)	(570,871)
<b>Balance at the end of the year</b>	<b>999,637</b>	<b>527,584</b>

As at 31 December 2009, interest accrued on impaired loans amounted to KZT 24,473 thousand (31 December 2008: KZT 83,145 thousand).

## 14 Loans to customers, continued

### (a) Credit quality of the loans to legal entities portfolio

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

	<b>Gross loans</b> <b>'000 KZT</b>	<b>Impairment</b> <b>'000 KZT</b>	<b>Net loans</b> <b>'000 KZT</b>	<b>Impairment</b> <b>to gross</b> <b>loans</b> <b>%</b>
<b>Loans to large corporates</b>				
Loans without individual signs of impairment	14,759,138	-	14,759,138	-
<b>Total loans to large corporate clients</b>	<b>14,759,138</b>	<b>-</b>	<b>14,759,138</b>	<b>-</b>
<b>Loans to small and medium size companies</b>				
Loans without individual signs of impairment	2,843,849	-	2,843,849	-
Impaired loans:				
- overdue more than 90 days and less than 1 year	1,148,351	(711,922)	436,429	62.00
Total impaired loans	1,148,351	(711,922)	436,429	62.00
<b>Total loans to small and medium size companies</b>	<b>3,992,200</b>	<b>(711,922)</b>	<b>3,280,278</b>	<b>17.83</b>
<b>Total loans to legal entities</b>	<b>18,751,338</b>	<b>(711,922)</b>	<b>18,039,416</b>	<b>3.80</b>

## 14 Loans to customers, continued

### (a) Credit quality of the loans to legal entities portfolio, continued

The following table provides information on the credit quality of the loans to legal entities portfolio as at 31 December 2008:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
<b>Loans to large corporates</b>				
Loans without individual signs of impairment	9,342,925	(92,664)	9,250,261	0.99
Impaired loans:				
- overdue less than 90 days	537,350	(48,850)	488,500	9.09
Total impaired loans	537,350	(48,850)	488,500	9.09
<b>Total loans to large corporate clients</b>	<b>9,880,275</b>	<b>(141,514)</b>	<b>9,738,761</b>	<b>1.43</b>
<b>Loans to small and medium size companies</b>				
Loans without individual signs of impairment	2,157,163	(11,201)	2,145,962	0.52
Impaired loans:				
- overdue less than 90 days	137,700	(13,148)	124,552	9.55
- overdue more than 90 days and less than 1 year	14,400	(7,200)	7,200	50.00
Total impaired loans	152,100	(20,348)	131,752	13.38
<b>Total loans to small and medium size companies</b>	<b>2,309,263</b>	<b>(31,549)</b>	<b>2,277,714</b>	<b>1.37</b>
<b>Total loans to legal entities</b>	<b>12,189,538</b>	<b>(173,063)</b>	<b>12,016,475</b>	<b>1.42</b>

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and which can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment include the following:

- overdue payments under the loan agreement
- significant difficulties in the financial conditions of the borrower
- deterioration in business environment, negative changes in the borrower's markets.

The Bank estimated loan impairment for loans to legal entities based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified. For certain loans to legal entities the Bank estimates loan impairment based on regulatory requirements.

During the year ended 31 December 2009 the Bank renegotiated loans to legal entities that would otherwise be past due or impaired of KZT 1,241,027 thousand (2008: KZT 2,159,605 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities.

## 14 Loans to customers, continued

### (a) Credit quality of the loans to legal entities portfolio, continued

#### (i) Analysis of collateral

The following table provides the analysis of the loans to legal entities portfolio, net of impairment, by types of collateral as at 31 December 2009 and 2008:

	31 December 2009	% of loan portfolio	31 December 2008	% of loan portfolio
Inventories	8,145,541	45	2,292,765	19
Real estate	4,182,494	23	6,738,790	56
No collateral	2,501,910	14	366,453	3
Guarantees	678,305	4	-	-
Mineral rights	671,907	4	-	-
Vehicle	348,097	2	107,992	1
Cash deposit	300,634	2	1,351,384	11
Other	1,210,528	6	1,159,091	10
<b>Total</b>	<b>18,039,416</b>	<b>100</b>	<b>12,016,475</b>	<b>100</b>

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

Impaired loans with a gross value of KZT 795,384 thousand (2008: KZT 631,915 thousand) have adequate collateral with a fair value that approximates the value of the loans. For the remaining impaired loans of KZT 352,967 thousand (2008: KZT 57,535 thousand) there is no collateral or it is impracticable to determine the fair value of the collateral.

#### (ii) Analysis of movements in the impairment allowance

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

	Loans to large corporate clients	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	141,514	31,549	173,063
Loan impairment losses during the year	253,898	680,373	934,271
Write-offs	(395,412)	-	(395,412)
<b>Loan impairment allowance as at 31 December</b>	<b>-</b>	<b>711,922</b>	<b>711,922</b>

Movements in the loan impairment allowance by classes of the loans to legal entities for the year ended 31 December 2008 were as follows:

	Loans to large corporate clients	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	24,150	57,665	81,815
Loan impairment losses during the year	117,364	(26,116)	91,248
<b>Loan impairment allowance as at 31 December</b>	<b>141,514</b>	<b>31,549</b>	<b>173,063</b>

## 14 Loans to customers, continued

### (b) Credit quality of loans to individuals

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

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans, %
<b>Consumer loans</b>				
- Not past due	1,356,768	(43)	1,356,725	0.00
- Overdue less than 30 days	10,176	(205)	9,971	2.01
- Overdue 30-89 days	99,465	(43,919)	55,546	44.16
- Overdue 90-179 days	187,760	(96,825)	90,935	51.57
- Overdue 180-360 days	20,735	(20,128)	607	97.07
<b>Total consumer loans</b>	<b>1,674,904</b>	<b>(161,120)</b>	<b>1,513,784</b>	<b>9.62</b>
<b>Mortgage loans</b>				
- Not past due	865,815	-	865,815	0.00
- Overdue less than 30 days	41,273	(1,156)	40,117	2.80
- Overdue 30-89 days	6,514	(1,585)	4,929	24.33
- Overdue 90-179 days	64,229	(60,947)	3,282	94.89
- Overdue 180-360 days	28,719	(28,719)	-	100.00
<b>Total mortgage loans</b>	<b>1,006,550</b>	<b>(92,407)</b>	<b>914,143</b>	<b>9.18</b>
<b>Auto loans</b>				
- Not past due	90,197	-	90,197	0.00
- Overdue less than 30 days	7,845	(120)	7,725	1.53
- Overdue 30-89 days	15,692	(11,291)	4,401	71.95
- Overdue 180-360 days	22,897	(22,762)	135	99.41
<b>Total auto loans</b>	<b>136,631</b>	<b>(34,173)</b>	<b>102,458</b>	<b>25.01</b>
<b>Credit cards</b>				
- Not past due	21,617	-	21,617	0.00
- Overdue 180-360 days	19	(15)	4	78.95
<b>Total credit card</b>	<b>21,636</b>	<b>(15)</b>	<b>21,621</b>	<b>0.07</b>
<b>Total loans to individuals</b>	<b>2,839,721</b>	<b>(287,715)</b>	<b>2,552,006</b>	<b>10.13</b>

## 14 Loans to customers, continued

### (b) Credit quality of loans to individuals, continued

The following table provides information on the credit quality of loans to individuals as at 31 December 2008:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans, %
<b>Consumer loans</b>				
- Not past due	1,677,347	(76,051)	1,601,296	4.53
- Overdue less than 30 days	920,343	(48,393)	871,950	5.26
- Overdue 30-89 days	58,539	(14,990)	43,549	25.61
- Overdue 90-179 days	58,207	(55,069)	3,138	94.61
- Overdue 180-360 days	156,202	(80,147)	76,055	51.31
- Overdue more than 360 days	7,365	(7,365)	-	100.00
<b>Total consumer loans</b>	<b>2,878,003</b>	<b>(282,015)</b>	<b>2,595,988</b>	<b>9.80</b>
<b>Mortgage loans</b>				
- Not past due	990,481	(25,010)	965,471	2.53
- Overdue less than 30 days	30,487	(2,554)	27,933	8.38
- Overdue 30-89 days	24,476	(7,070)	17,406	28.89
- Overdue 90-179 days	31,922	(16,043)	15,879	50.26
- Overdue 180-360 days	18,249	(9,024)	9,225	49.45
<b>Total mortgage loans</b>	<b>1,095,615</b>	<b>(59,701)</b>	<b>1,035,914</b>	<b>5.45</b>
<b>Auto loans</b>				
- Not past due	243,258	-	243,258	-
- Overdue less than 30 days	8,438	(749)	7,689	8.88
- Overdue 30-89 days	15,633	(6,531)	9,102	41.78
- Overdue 180-360 days	5,148	(5,148)	-	100.00
<b>Total auto loans</b>	<b>272,477</b>	<b>(12,428)</b>	<b>260,049</b>	<b>4.56</b>
<b>Credit cards</b>				
- Not past due	1,480	-	1,480	-
- Overdue less than 30 days	8,233	(377)	7,856	4.58
<b>Total credit card</b>	<b>9,713</b>	<b>(377)</b>	<b>9,336</b>	<b>3.88</b>
<b>Total loans to individuals</b>	<b>4,255,808</b>	<b>(354,521)</b>	<b>3,901,287</b>	<b>8.33</b>

The Bank estimates loan impairment based on its past historical loss experience on these types of loans. The significant assumptions used by management in determining the impairment losses for loans to individuals include: loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months. For certain loans to individuals the Bank estimates loan impairment based on regulatory requirements.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus one percent, the loan impairment on retail loans as of 31 December 2009 would be KZT 25,794 thousand lower/higher (31 December 2008: KZT 39,012 thousand).

As at 31 December 2009 included in the loan portfolio are restructured loans to individuals of KZT 118,718 thousand (31 December 2008: KZT 1,046,436 thousand).

## 14 Loans to customers, continued

### (b) Credit quality of loans to individuals, continued

#### (i) Analysis of collateral

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying cars. Credit card overdrafts and consumer loans are mostly not secured.

#### (ii) Analysis of movements in the impairment allowance

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

	<u>Consumer loans</u>	<u>Auto loans</u>	<u>Credit cards</u>	<u>Mortgage loans</u>	<u>Total</u>
Loan impairment allowance as at 1 January	282,015	12,428	377	59,701	354,521
Loans written off as uncollectible	(421,666)	(37,791)	(362)	(81,375)	(541,194)
Loan impairment losses	300,771	59,536	-	114,081	474,388
<b>Loan impairment allowance as at 31 December</b>	<b><u>161,120</u></b>	<b><u>34,173</u></b>	<b><u>15</u></b>	<b><u>92,407</u></b>	<b><u>287,715</u></b>

Movements in the loan impairment allowance by classes of retail loans for the year ended 31 December 2008 were as follows:

	<u>Consumer loans</u>	<u>Auto loans</u>	<u>Credit cards</u>	<u>Mortgage loans</u>	<u>Total</u>
Loan impairment allowance as at 1 January	234,619	10,355	-	42,996	287,970
Loans written off as uncollectible	(466,380)	(95,903)	-	(8,588)	(570,871)
Loan impairment losses	513,776	97,976	377	25,293	637,422
<b>Loan impairment allowance as at 31 December</b>	<b><u>282,015</u></b>	<b><u>12,428</u></b>	<b><u>377</u></b>	<b><u>59,701</u></b>	<b><u>354,521</u></b>

## 14 Loans to customers, continued

### (c) Industry and geographical analysis of the loan portfolio

Loans and advances to customers are issued primarily to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Agriculture, forestry and timber	7,610,418	1,971,478
Manufacturing	4,567,113	2,309,527
Mining/metallurgy	2,697,598	3,266,378
Trade	1,467,350	1,059,531
Real estate operations	907,200	792,580
Construction	655,014	619,048
Oil and gas	590,334	601,704
Transportation	130,287	89,780
Finance	119,290	333,660
Services	-	1,113,634
Communication	-	12,498
Hotels and restaurants	-	6,725
Other	6,734	12,995
Loans to individuals	2,839,721	4,255,808
	<b>21,591,059</b>	<b>16,445,346</b>
Impairment allowance	(999,637)	(527,584)
	<b>20,591,422</b>	<b>15,917,762</b>

### (d) Significant credit exposures

As at 31 December 2009 and 2008, the Bank had 1 borrower, whose loan balance exceeded 10% of loans to customers. The gross value of this loan as of 31 December 2009 was KZT 2,127,520 thousand (31 December 2008: KZT 2,190,567 thousand).

## 15 Available-for-sale assets

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
<i>Held by the Bank</i>		
<b>Debt and other fixed-income instruments</b>		
<b>- Government bonds</b>		
Notes of the NBRK	484,346	-
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	302,160	2
<b>Total government instruments</b>	<b>786,506</b>	<b>2</b>
<b>- Corporate bonds</b>		
JSC Halyk Savings Bank of Kazakhstan	59,019	68,035
JSC Kazakhstan Mortgage Company	30,050	61,890
JSC Kazcat	23,745	-
JSC Bank CenterCredit	-	225,796
<b>Total corporate bonds</b>	<b>112,814</b>	<b>355,721</b>
<b>Equity investments</b>		
<b>- Corporate shares</b>		
JSC CNPC-Aktobemunaigas	11,425	11,425
JSC Kazakhstan Stock Exchange	2,200	2,200
<b>Total corporate bonds</b>	<b>13,625</b>	<b>13,625</b>
	<b>912,945</b>	<b>369,348</b>
<i>Pledged under sale and repurchase agreements</i>		
<b>- Government bonds</b>		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	277,946	-
Notes of the NBRK	138,317	-
<b>- Corporate bonds</b>		
JSC Bank CenterCredit	-	15,075
JSC Halyk Savings Bank of Kazakhstan	-	13,124
JSC Kazakhstan Mortgage Company	-	2,310
	<b>416,263</b>	<b>30,509</b>

## 15 Available-for-sale assets, continued

### Unquoted equity securities

Available-for-sale investments stated at cost comprise unquoted equity securities in JSC CNPC-Aktobemunaigas and JSC Kazakhstan Stock Exchange. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value.

## 16 Held-to-maturity investments

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
<b>Debt and other fixed-income instruments</b>		
<b>- Government instruments</b>		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	176,084	-
<b>Total government instruments</b>	<b>176,084</b>	-
<b>- Corporate bonds</b>		
JSC Halyk Savings Bank of Kazakhstan	69,331	-
JSC BankCenterCredit	36,666	-
<b>Total corporate bonds</b>	<b>105,997</b>	-
	<b>282,081</b>	-
<i>Pledged under sale and repurchase agreements</i>		
<b>Debt and other fixed-income instruments</b>		
<b>- Government bonds</b>		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	2,799,951	410,283
Notes of the NBRK	523,328	-
<b>- Corporate bonds</b>		
JSC Bank CenterCredit	81,838	-
JSC Halyk Savings Bank of Kazakhstan	63,879	-
	<b>3,468,996</b>	<b>410,283</b>

## 17 Property, equipment and intangible assets

'000 KZT	Land and buildings	Computer equipment	Leasehold improvements	Vehicles	Other	Computer software	Total
<b>Cost/revalued amount</b>							
At 1 January 2009	355,190	149,819	83,998	62,530	272,313	157,950	1,081,800
Additions	333	614	-	8,286	2,572	4,073	15,878
Disposals	(21,747)	(10,744)	(3,873)	(8,557)	(27,702)	-	(72,623)
<b>At 31 December 2009</b>	<b>333,776</b>	<b>139,689</b>	<b>80,125</b>	<b>62,259</b>	<b>247,183</b>	<b>162,023</b>	<b>1,025,055</b>
<b>Depreciation and amortisation</b>							
At 1 January 2009	27,648	77,886	13,078	21,714	80,302	78,084	298,712
Depreciation and amortisation charge	7,386	30,872	59,618	9,244	23,517	22,690	153,327
Disposals	(2,210)	(8,438)	(1,542)	(4,465)	(15,768)	-	(32,423)
<b>At 31 December 2009</b>	<b>32,824</b>	<b>100,320</b>	<b>71,154</b>	<b>26,493</b>	<b>88,051</b>	<b>100,774</b>	<b>419,616</b>
<b>Carrying value</b>							
<b>At 31 December 2009</b>	<b>300,952</b>	<b>39,369</b>	<b>8,971</b>	<b>35,766</b>	<b>159,132</b>	<b>61,249</b>	<b>605,439</b>

## 17 Property, equipment and intangible assets, continued

'000 KZT	Land and buildings	Computer equipment	Leasehold improvements	Vehicles	Other	Computer software	Total
<b>Cost/revalued amount</b>							
At 1 January 2008	326,183	164,594	46,587	56,703	262,593	142,847	999,507
Additions	29,007	2,037	58,457	12,969	16,211	15,611	134,292
Disposals	-	(16,812)	(18,135)	(7,142)	(9,402)	(508)	(51,999)
Transfers	-	-	(2,911)	-	2,911	-	-
<b>At 31 December 2008</b>	<b>355,190</b>	<b>149,819</b>	<b>83,998</b>	<b>62,530</b>	<b>272,313</b>	<b>157,950</b>	<b>1,081,800</b>
<b>Depreciation and amortisation</b>							
At 1 January 2008	20,142	61,124	5,216	19,379	61,360	57,856	225,077
Depreciation and amortisation charge	7,506	33,260	27,013	8,236	24,085	20,736	120,836
Disposals	-	(16,498)	(16,620)	(5,901)	(7,674)	(508)	(47,201)
Transfers	-	-	(2,531)	-	2,531	-	-
<b>At 31 December 2008</b>	<b>27,648</b>	<b>77,886</b>	<b>13,078</b>	<b>21,714</b>	<b>80,302</b>	<b>78,084</b>	<b>298,712</b>
<b>Carrying value</b>							
<b>At 31 December 2008</b>	<b>327,542</b>	<b>71,933</b>	<b>70,920</b>	<b>40,816</b>	<b>192,011</b>	<b>79,866</b>	<b>783,088</b>

### Revalued assets

At 31 December 2009 land and buildings were revalued based on the results of an independent appraisal performed by Rice Group Central Asia.

The basis used for the appraisal is the market approach. The market approach is based upon an analysis of the results of comparable sales of similar plots of land and buildings.

The carrying amount of land and buildings as of 31 December 2009, if the land and buildings would not have been revalued, would be KZT 243,039 thousand (31 December 2008: KZT 264,539 thousand).

As at 31 December 2009 the management believes that the carrying value of land and buildings is not significantly different from their fair value.

## 18 Other assets

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
Prepayments	25,758	40,356
Other accounts receivable	38,647	39,248
Prepayment of taxes other than income tax	8,238	958
Settlements with market-maker	7,960	221
Inventory	4,814	6,313
Receivables under documentary settlements	-	4,700
Other	30,503	5,757
	<b>115,920</b>	<b>97,553</b>
Less impairment allowance	(10,631)	(9,133)
	<b>105,289</b>	<b>88,420</b>

### Analysis of movements in the impairment allowance

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
Balance at the beginning of the year	9,133	34,098
Net charge/(recovery)	15,675	(19,139)
Write-offs	(14,177)	(5,826)
<b>Balance at the end of the year</b>	<b>10,631</b>	<b>9,133</b>

As at 31 December 2009, included in other assets are overdue receivables of KZT 10,631 thousand (31 December 2008: KZT 9,133 thousand) for more than 90 days but less than one year.

## 19 Loans from other financial institutions

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
Loans from JSC Rehabilitation Center	-	159,804

## 20 Amounts payable under repurchase agreements

### Securities pledged

As of 31 December 2009 and 2008, the Bank had pledged certain securities as collateral under repurchase agreements (refer to Notes 13, 15 and 16).

## 21 Current accounts and deposits from customers

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Current accounts and demand deposits		
- Retail	1,755,139	306,904
- Corporate	8,344,412	4,100,762
Term deposits		
- Retail	2,549,018	1,694,684
- Corporate	5,085,615	9,034,450
	<b>17,734,184</b>	<b>15,136,800</b>

### (a) Blocked accounts

As at 31 December 2009, the Bank maintained customer deposit balances of KZT 72,643 thousand (2008: KZT 182,585 thousand) which were blocked by the Bank as collateral for loans and off-balance sheet credit instruments granted by the Bank.

### (b) Concentrations of current accounts and customer deposits

As of 31 December 2009 and 2008, the Bank had 2 and 3 customers, respectively, whose balances exceeded 10% of total customer accounts. These balances as of 31 December 2009 and 2008 were KZT 4,266,277 thousand and KZT 6,149,271 thousand, respectively.

## 22 Subordinated debt securities issued

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Par value	1,955,090	3,000,000
Discount	(56,136)	(121,254)
Accrued interest	44,951	85,250
	<b>1,943,905</b>	<b>2,963,996</b>

As at 31 December 2009 and 2008, subordinated debt securities comprise unsecured obligations of the Bank maturing in September 2012 and carry an annual interest rate 8.9%. In case of bankruptcy, the repayment of the subordinated borrowings will be made after repayment in full of all other liabilities of the Bank.

## 23 Other liabilities

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
Taxes payable other than income tax	51,601	23,063
Accounts payable for services provided	16,590	8,225
Vacation reserve	13,923	9,148
Account payable for individuals' deposit insurance	8,180	4,923
Payables to employees	482	914
Other	11,623	4,826
	<b>102,399</b>	<b>51,099</b>

## 24 Equity

### (a) Issued capital

As at 31 December 2009 and 2008 the authorised share capital comprises 5,000,000 ordinary shares. The issued and outstanding share capital comprises 4,668,420 ordinary shares (2008: 4,187,169). The shares do not have par value. During 2009 481,251 ordinary shares (2008: 4,537) were issued at KZT 3,100 per share.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

### (b) Dividends

In accordance with Kazakhstan legislation the Bank's distributable reserves are limited to the balance of retained earnings as recorded in the Bank's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward. As at 31 December 2009 the Bank had retained earnings, including the profit for the current year, of KZT 92,359 thousand (2008: KZT 73,168 thousand).

## 25 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, which includes price, interest rate and currency risks, credit risk and liquidity risk.

### (a) Risk management policies and procedures

The Bank's risk management policies aim to identify, analyse and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors of the Bank has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board of the Bank is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The Head of Risk Department of the Bank is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman of the Bank Management Board and indirectly to the Board of Directors.

## **25 Risk management, continued**

### **(a) Risk management policies and procedures, continued**

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of various committees.

Both external and internal risk factors are identified and managed throughout the Bank's organisational structure. Particular attention is given to developing risk maps that are used to identify the full range of risk factors and serve as a basis for determining the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

### **(b) Market risk**

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Bank's income or the value of its portfolios. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the Asset and Liability Committee (ALCO). Market risk limits are approved by ALCO based on recommendations of the Risk Department.

The Bank manages its market risk by setting open position limits in relation to financial instrument, interest rate maturity and currency positions and stop-loss limits which are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The management of interest rates risk by monitoring interest rate gap is supplemented by monitoring the sensitivity of the Bank's net interest margin to various standard and non-standard interest rate scenarios.

#### **(i) Interest rate risk**

Interest rate risk is the risk that movements in interest rates will affect the Bank's income or the value of its portfolios of financial instruments.

The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

Interest rate risk arises when the actual or forecasted assets of a given maturity period are either greater or less than the actual or forecasted liabilities in that maturity period.

## 25 Risk management, continued

### (b) Market risk, continued

#### (i) Interest rate risk, continued

##### *Cash flow interest rate sensitivity analysis*

An analysis of sensitivity of the Bank's profit or loss for the year and equity to changes in the market interest rate based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2009 and 2008 is as follows:

	31 December 2009		31 December 2008	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	(54,107)	(54,107)	17,176	17,176
100 bp parallel decrease	54,107	54,107	(17,176)	(17,176)

##### *Fair value interest rate sensitivity analysis*

An analysis of sensitivity of the profit or loss for the year and equity as a result of changes in fair value of financial instruments at fair value through profit or loss and financial assets available for sale due to changes in interest rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	31 December 2009		31 December 2008	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	(17,438)	(28,630)	(15,334)	(40,340)
100 bp parallel decrease	18,094	24,875	6,079	15,442

The analysis has been made on the assumption that the assets will be held for at least a year.

#### (ii) Currency risk

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Bank's exposure to currency risk at year end refer to Note 34 Currency analysis.

An analysis of sensitivity of the Bank's profit or loss for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 5% change in USD and Euro to Kazakhstan Tenge exchange rates is as follows:

	2009		2008	
	Profit or loss	Equity	Profit or loss	Equity
5% appreciation of USD against KZT	1,254	1,254	14,711	14,711
5% depreciation of USD against KZT	(1,254)	(1,254)	(14,711)	(14,711)
5% appreciation of EUR against KZT	848	848	(254)	(254)
5% depreciation of EUR against KZT	(848)	(848)	254	254

## 25 Risk management, continued

### (b) Market risk, continued

#### (iii) Equity price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the Bank takes a long or short position in a financial instrument.

An analysis of sensitivity of the Bank's net income for the year and equity to changes in securities prices based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 5% change in all securities prices is as follows:

	2009		2008	
	Profit or loss	Equity	Profit or loss	Equity
5% increase in securities prices	2,503	3,184	1,045	1,726
5% decrease in securities prices	(2,503)	(3,184)	(1,045)	(1,726)

The analysis has been made on the assumption that the assets will be held for at least a year.

### (c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank. The Bank has developed policies and procedures for the management of credit exposures (both for on balance sheet and off balance sheet exposures), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors the Bank's credit risk. The Bank's credit policy is reviewed and approved by the Management Board.

The Bank's credit policy establishes:

- procedures for review and approval of loan/credit applications;
- methodology for the credit assessment of borrowers (corporate and retail);
- methodology for the credit assessment of counterparties;
- methodology for the evaluation of collateral;
- credit documentation requirements;
- procedures for the ongoing monitoring of loans and other credit exposures;
- procedures for collections of non-performing loans.

Corporate loan applications are originated by the relevant client managers and are then passed on to the Loan Department, which is responsible for the Bank's corporate loan portfolio. Reports produced by the department's credit analysts are based on a structured analysis focusing on the customer's business and financial performance. The loan application and the report are then independently reviewed by the Risk Department and a second opinion is given accompanied by a check that credit policy requirements have been met. The Credit Committee reviews the loan/credit application on the basis of submissions by the Loan Department and the Risk Department. Individual transactions are also reviewed by the Bank's Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

## 25 Risk management, continued

### (c) Credit risk, continued

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly assessed by either independent appraisal companies or the Bank's specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

The Bank's maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets on the statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The Bank monitors concentrations of credit risk by industry/sector and by geographic location. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 14 Loans to customers.

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

The Bank's maximum exposure to on balance sheet credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to on balance sheet credit risk at the reporting date is as follows:

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
<b>ASSETS</b>		
Cash	419,581	529,382
Due from the NBKR	2,930,734	161,968
Placements with banks	315,349	1,159,739
Financial instruments at fair value through profit or loss	394,842	610,431
Loans to customers	20,591,422	15,917,762
Available-for-sale assets	1,329,208	399,857
Held-to-maturity investments	3,751,077	410,283
Other assets	71,293	47,106
<b>Total maximum exposure to on balance sheet credit risk</b>	<b>29,803,506</b>	<b>19,236,528</b>

The maximum exposure to off balance sheet credit risk at the reporting date is presented in Note 27.

### (d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions, including the Bank. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

## **25 Risk management, continued**

### **(d) Liquidity risk, continued**

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The Bank's liquidity policy is reviewed and approved by the Management Board.

The Bank seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy of the Bank requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- maintaining debt financing plans;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position of the Bank are presented to senior management on a weekly basis. Decisions on the Bank's liquidity management are made by the Asset and Liability Management Committee and implemented by the Treasury Department.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the FMSA. The Bank was in compliance with these ratios during the years ended 31 December 2009 and 2008.

The following tables show the undiscounted cash flows on the Bank's financial assets, financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The total gross amount (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability or commitment. The Bank's expected cash flows on these financial liabilities and unrecognised loan commitments may vary significantly from this analysis.

## 25 Risk management, continued

### (d) Liquidity risk, continued

The position of the Bank as at 31 December 2009 was as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount	Carrying amount
<b>Non-derivative assets</b>							
Cash	419,581	-	-	-	-	419,581	419,581
Due from NBRK	2,930,734	-	-	-	-	2,930,734	2,930,734
Placements with banks	315,349	-	-	-	-	315,349	315,349
Financial instruments at fair value through profit or loss	6,600	14,403	516	21,522	634,754	677,795	394,842
Loans to customers	5,555,150	5,813,306	1,336,521	2,729,685	7,734,728	23,169,390	20,591,422
Available-for-sale assets	157,151	631,791	12,235	21,601	718,414	1,541,192	1,329,208
Held-to-maturity investments	-	831,667	210,465	476,507	2,830,116	4,348,755	3,751,077
Other assets	10,631	-	60,662	-	-	71,293	71,293
<b>Total assets</b>	<b>9,395,196</b>	<b>7,291,167</b>	<b>1,620,399</b>	<b>3,249,315</b>	<b>11,918,012</b>	<b>33,474,089</b>	<b>29,803,506</b>
<b>Non-derivative liabilities</b>							
Amounts payable under repurchase agreements	3,380,683	-	-	-	-	3,380,683	3,378,221
Current accounts and deposits from customers	13,150,398	1,053,471	3,177,881	441,800	3,182,820	21,006,370	17,734,184
Subordinated debt securities issued	-	87,002	-	87,002	2,257,808	2,431,812	1,943,905
Other liabilities	-	-	50,258	-	-	50,258	50,258
<b>Total liabilities</b>	<b>16,531,081</b>	<b>1,140,473</b>	<b>3,228,139</b>	<b>528,802</b>	<b>5,440,628</b>	<b>26,869,123</b>	<b>23,106,568</b>
Net position	(7,135,885)	6,150,694	(1,607,740)	2,720,513	6,477,384	<b>6,604,966</b>	<b>6,696,938</b>
<b>Credit related commitments</b>	<b>11,361,531</b>	-	-	-	-	<b>11,361,531</b>	<b>11,361,531</b>

## 25 Risk management, continued

### (d) Liquidity risk, continued

The position of the Bank as at 31 December 2008 was as follows:

<b>KZT'000</b>	<b>Demand and less than 1 month</b>	<b>From 1 to 3 month</b>	<b>From 3 to 6 months</b>	<b>From 6 to 12 months</b>	<b>More than 1 year</b>	<b>Total gross amount outflow</b>	<b>Carrying amount</b>
<b>Non-derivative liabilities</b>							
Loans from other financial institutions	-	-	73,964	91,611	-	165,575	159,804
Amounts payable under repurchase agreements	878,447	21,229	-	-	-	899,676	899,676
Current accounts and deposits from customers	4,407,666	3,521,598	742,208	5,507,500	1,630,337	15,809,309	15,136,800
Subordinated debt securities issued	-	79,750	-	165,500	3,618,496	3,863,746	2,963,996
Other liabilities	-	51,099	-	-	-	51,099	51,099
<b>Total</b>	<b>5,286,113</b>	<b>3,673,676</b>	<b>816,172</b>	<b>5,764,611</b>	<b>5,248,833</b>	<b>20,789,405</b>	<b>19,211,375</b>
<b>Credit related commitments</b>	<b>6,487,883</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,487,883</b>	<b>6,487,883</b>

## **26 Capital management**

The FMSA sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for credit institutions and consists of

- Tier 1 capital, which includes ordinary share capital, share premium, perpetual bonds, retained earnings, translation reserve and non-controlling interest after deduction for intangible assets, and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes;
- Tier 2 capital, which includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserve relating to unrealised gains/losses on financial instruments classified as available-for-sale.

Various limits are applied to elements of the capital base. The amount of perpetual bonds cannot exceed 15% of total tier 1 capital; qualifying tier 2 capital cannot exceed tier 1 capital; and qualifying term subordinated loan capital may not exceed 50% of tier 1 capital; collective impairment allowance cannot exceed 1.25% of risk-weighted assets.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specific requirements that seek to reflect the varying level of risk attached to assets and exposures not recognised in the unconsolidated balance sheet. The risk weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

Under the current capital requirements set by the FMSA banks have to maintain: a ratio of tier 1 capital to total assets and a ratio of total capital which is sum of tier 1 and tier 2 capital to risk weighted assets, contingent liabilities, operational and market risk above the prescribed minimum levels. As at 31 December 2009, this minimum level of tier 1 capital to total assets is 0.06 and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk is 0.12. The Bank is in compliance with the statutory capital ratios during the years ended 31 December 2009. As at 31 December 2009 this level of tier 1 capital to total assets of the Bank is 0.24 (2008: 0.23) and the level of total capital to risk weighted assets, contingent liabilities, operational and market risk is 0.25 (2008: 0.29).

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital of shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

## 27 Commitments

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to 1 year.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	2009 '000 KZT	2008 '000 KZT
<b>Contracted amount</b>		
Guarantees and letters of credit issued	11,173,673	1,546,452
Loan and credit line commitments	187,858	4,941,431
	<b>11,361,531</b>	<b>6,487,883</b>

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

As at 31 December 2009, of the above listed commitments, KZT 3,546,610 thousand is issued to Exim-Agro Ltd and Kyzyltuiskiy flour milling plant. This exposure represents a significant credit risk exposure to the Bank.

## 28 Operating leases

### Leases as lessee

The Bank leases a number of premises under cancellable operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the current year KZT 420,874 thousand was recognised as an expense in profit or loss in respect of operating leases (2008: KZT 479,316 thousand).

## 29 Contingencies

### (a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to the Bank's operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Bank's operations and financial position.

### (b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Bank.

## 29 Contingencies, continued

### (c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

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

## 30 Related party transactions

### (a) Control relationships

There is no a party with ultimate control over the Bank.

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

Total remuneration included in employee compensation (refer Note 10):

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Members of the Board of Directors	11,124	9,565
Members of the Management Board	57,963	49,831
	<b>69,087</b>	<b>59,396</b>

The above amounts include non-cash benefits in respect of members of the Board of Directors and the Management Board.

The outstanding balances and average interest rates as of 31 December 2009 with members of the Board of Directors and the Management Board were as follows:

	<b>2009</b> <b>'000 KZT</b>	<b>Average</b> <b>Interest Rate</b>	<b>2008</b> <b>'000 KZT</b>	<b>Average</b> <b>Interest Rate</b>
<b>Statement of financial position</b>				
<b>Liabilities</b>				
Current accounts and deposits from customers	329,377	9.54%	90,796	11%

Amounts included in the statement of comprehensive income in relation to transactions with members of the Board of Directors and the Management Board were as follows:

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
<b>Statement of comprehensive income</b>		
Interest expense	19,601	17,812

### 30 Related party transactions, continued

#### (c) Transactions with other related parties

Other related parties include entities with shareholders in common, the Bank's shareholders and the relatives of key management personnel. The outstanding balances and the related average interest rates as at 31 December 2009 and related statement of comprehensive income amounts of transactions for the year ended 31 December 2009 with other related parties were as follows.

	2009				2008			
	Shareholders in common		Other		Shareholders in common		Other	
	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate	'000 KZT	Average Interest Rate
<b>Statement of financial position</b>								
<b>Assets</b>								
Loans to customers	-	-	10,680	10.07%	-	-	237,666	13.0%
<b>Liabilities</b>								
Current accounts and deposits from customers	314,140	10.20%	103,833	8.39%	1,075,023	21.0%	207,759	12.0%
<b>Statement of comprehensive income</b>								
Interest income	-		5,468		78,818		49,527	-
Interest expense	(18,279)		(15,439)		(35,370)		(33,583)	-
General administrative expenses	-		-		-		(21,558)	-

### 31 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow is composed of the following items:

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Cash	419,581	529,382
Due from the NBRK – nostro accounts	2,930,734	161,968
Placements with banks with original maturities of less than three months	212,496	1,076,056
Less minimum reserve requirements	(274,941)	(322,817)
	<b>3,287,870</b>	<b>1,444,589</b>

Under Kazakhstan legislation, the Bank is required to maintain certain obligatory minimum reserves, which are computed as a percentage of certain liabilities of the Bank. Such reserves must be held in either correspondent accounts with the NBRK or in physical cash, and maintained based on average monthly balances of the aggregate of deposits with the NBRK and physical cash. The use of such funds is, therefore, subject to certain restrictions and excluded from cash and cash equivalents.

### 32 Fair value of financial instruments

The estimated fair values of financial instruments at fair value through profit or loss, quoted available-for-sale assets, held-to-maturity investments and other borrowed funds are based on quoted market prices at the reporting date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities, except as described below, are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date. As disclosed in note 15, the fair value of unquoted equity securities available-for-sale with a carrying value of KZT 13,625 thousand cannot be determined.

The following table summarises the fair values of major financial assets and liabilities where carrying value is significantly different from fair value:

	<b>2009</b> <b>'000 KZT</b> <b>Fair Value</b>	<b>2009</b> <b>'000 KZT</b> <b>Carrying</b> <b>Value</b>	<b>2008</b> <b>'000 KZT</b> <b>Fair Value</b>	<b>2008</b> <b>'000 KZT</b> <b>Carrying</b> <b>Value</b>
<b>ASSETS</b>				
Held-to-maturity investments	3,615,674	3,751,077	410,283	410,283
<b>LIABILITIES</b>				
Subordinated debt securities issued	1,074,306	1,943,905	3,090,816	2,963,996

### 32 Fair value of financial instruments, continued

The following table shows financial instruments recorded at fair value, calculated using valuation techniques where all the model inputs are observable in the market as at 31 December 2009:

	<b>Valuation techniques based on market observable inputs KZT'000</b>	<b>Total KZT'000</b>
<b>Financial assets</b>		
Financial instruments at fair value through profit or loss	394,842	394,842
Available-for-sale assets	1,329,208	1,329,208

As at 31 December 2009, the Bank does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

### 33 Average effective interest rates

The table below displays the Bank's interest bearing assets and liabilities as at 31 December 2009 and 2008 and their corresponding average effective interest rates as at that date. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	<b>2009</b>			<b>2008</b>		
	<b>Average effective interest rate, %</b>			<b>Average effective interest rate, %</b>		
	<b>KZT</b>	<b>USD</b>	<b>Other currencies</b>	<b>KZT</b>	<b>USD</b>	<b>Other currencies</b>
<b>Interest bearing assets</b>						
Placements with banks	-	-	-	5.00%	-	-
Financial instruments at fair value through profit or loss	8.27%	-	-	3.45%	-	-
Amount receivable under reverse repurchase agreements	-	-	-	7.16%	-	-
Loans to customers	17.38%	11.29%	16.43%	20.71%	15.27%	-
Available-for-sale assets	4.33%	-	-	8.92%	-	-
Held-to-maturity investments	5.36%	-	-	8.04%	-	-
<b>Interest bearing liabilities</b>						
Deposits and balances from banks	-	-	-	-	-	9.00%
Amount payable under repurchase agreements	1.84%	-	-	9.44%	-	-
Current accounts and deposits from customers						
- Term deposits	7.41%	5.03%	8.12%	10.65%	7.42%	8.01%
Subordinated debt securities issued	10.7%	-	-	11.91%	-	-

### 34 Currency analysis

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

	<b>KZT</b> <b>'000 KZT</b>	<b>USD</b> <b>'000 KZT</b>	<b>EURO</b> <b>'000 KZT</b>	<b>Others</b> <b>'000 KZT</b>	<b>Total</b> <b>'000 KZT</b>
<b>Assets</b>					
Cash	323,466	51,324	39,679	5,112	419,581
Due from the NBRK	2,930,734	-	-	-	2,930,734
Placements with banks	4,917	272,788	33,175	4,469	315,349
Financial instruments at fair value through profit or loss	394,842	-	-	-	394,842
Loans to customers	18,620,752	1,519,336	451,334	-	20,591,422
Available-for-sale assets	1,329,208	-	-	-	1,329,208
Held-to-maturity investments	3,751,077	-	-	-	3,751,077
Property and equipment	544,190	-	-	-	544,190
Intangible assets	61,249	-	-	-	61,249
Deferred tax assets	8,447	-	-	-	8,447
Other assets	97,791	7,498	-	-	105,289
<b>Total assets</b>	<b>28,066,673</b>	<b>1,850,946</b>	<b>524,188</b>	<b>9,581</b>	<b>30,451,388</b>
<b>Liabilities</b>					
Amounts payable under repurchase agreements	3,378,221	-	-	-	3,378,221
Current accounts and deposits from customers	15,413,908	1,817,682	501,896	698	17,734,184
Subordinated debt securities issued	1,943,905	-	-	-	1,943,905
Current tax liability	3,190	-	-	-	3,190
Other liabilities	99,380	1,924	1,095	-	102,399
<b>Total liabilities</b>	<b>20,838,604</b>	<b>1,819,606</b>	<b>502,991</b>	<b>698</b>	<b>23,161,899</b>
<b>Net position as at 31 December 2009</b>	<b>7,228,069</b>	<b>31,340</b>	<b>21,197</b>	<b>8,883</b>	<b>7,289,489</b>
Net position as at 31 December 2008	5,256,281	420,321	(7,264)	18,151	5,687,489