

**Eurasian Bank JSC**

Consolidated Financial Statements  
for the year ended 31 December 2009

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## **Independent Auditors' Report**

To the Board of Directors and Management Board of Eurasian Bank JSC

We have audited the accompanying consolidated financial statements of Eurasian Bank JSC ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2009, and the consolidated statement of income and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2009, and its consolidated financial performance and its consolidated 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

29 April 2010

	Note	2009 '000 KZT	2008 '000 KZT
<b><i>Continuing operations</i></b>			
Interest income	6	24,784,533	19,659,224
Interest expense	6	(20,486,915)	(12,378,309)
<b>Net interest income</b>		<b>4,297,618</b>	<b>7,280,915</b>
Fee and commission income	7	2,349,836	1,449,713
Fee and commission expense	8	(260,960)	(137,329)
<b>Net fee and commission income</b>		<b>2,088,876</b>	<b>1,312,384</b>
Net foreign exchange gain		1,642,585	1,348,112
Net realised gain on available-for-sale assets	9	141,462	164,349
Gain from repurchased own subordinated debt instruments		555,435	-
Net gain on disposal of subsidiaries	5	26	-
Other income	10	13,077	98,989
<b>Operating income</b>		<b>8,739,079</b>	<b>10,204,749</b>
Impairment losses	11	(15,204,739)	(4,392,384)
Personnel expenses	12	(4,941,950)	(3,509,245)
Administrative expenses	13	(4,281,286)	(2,986,016)
<b>Operating expenses</b>		<b>(24,427,975)</b>	<b>(10,887,645)</b>
<b>Loss before taxes</b>		<b>(15,688,896)</b>	<b>(682,896)</b>
Income tax benefit	14	3,617,778	577,352
<b>Loss from continuing operations</b>		<b>(12,071,118)</b>	<b>(105,544)</b>
<b><i>Discontinued operations</i></b>			
Income from discontinuing operations (net of income tax)	5	2,655,061	2,478,864
<b>(Loss)/profit</b>		<b>(9,416,057)</b>	<b>2,373,320</b>
<b>Other comprehensive (loss)/income</b>			
<b><i>Continuing operations</i></b>			
Revaluation reserve for assets available-for-sale:			
- Net change in fair value of available-for-sale assets		(1,170,281)	79,096
- Net change in fair value of available-for-sale assets transferred to profit or loss		(141,462)	(164,349)
<b>Other comprehensive loss from continuing operations</b>		<b>(1,311,743)</b>	<b>(85,253)</b>
<b><i>Discontinued operations</i></b>			
Other comprehensive income/(loss) from discontinued operations		1,024,348	(300,401)
<b>Total other comprehensive loss</b>		<b>(287,395)</b>	<b>(385,654)</b>
<b>Total comprehensive (loss)/income</b>		<b>(9,703,452)</b>	<b>1,987,666</b>

The consolidated financial statements as set out on pages 5 to 66 were approved by Management on 29 April 2010, and signed on its behalf by:

\_\_\_\_\_  
 Eggleton M.  
 Chairman



\_\_\_\_\_  
 Nelina L.N.  
 Chief Accountant

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

	Note	2009 '000 KZT	2008 '000 KZT
<b>ASSETS</b>			
Cash	37	13,820,441	7,843,582
Due from the National Bank of the Republic of Kazakhstan	37	50,354,612	37,528,015
Placements with banks	15	27,408,858	38,615,872
Amounts receivable under reverse repurchase agreements	16	21,392,315	-
Loans to customers	17	148,996,935	122,981,488
Available-for-sale assets			
- Held by the Group	18	34,023,772	4,358,518
- Pledged under sale and repurchase agreements	18	2,316,720	16,298,251
Current tax asset		543,492	523,578
Deferred tax asset	14	4,296,247	566,789
Property and equipment	19	10,924,818	9,876,896
Intangible assets	20	747,194	585,512
Other assets	21	6,455,213	7,167,550
Assets of disposal group classified as held for sale	5	-	39,380,825
<b>Total assets</b>		<b>321,280,617</b>	<b>285,726,876</b>
<b>LIABILITIES</b>			
Deposits and balances from banks	22	697,456	11,189,365
Amounts payable under repurchase agreements	23	2,200,271	14,130,677
Current accounts and deposits from customers	24	240,618,500	136,653,819
Debt securities issued	25	10,177,668	-
Subordinated debt securities issued	26	16,569,016	22,173,348
Other borrowed funds	27	25,597,725	34,026,978
Other liabilities	28	1,189,747	2,186,454
Liabilities directly associated with assets classified as held for sale	5	-	15,507,451
<b>Total liabilities</b>		<b>297,050,383</b>	<b>235,868,092</b>
<b>EQUITY</b>			
Share capital	29	24,210,204	12,010,070
Share premium		25,632	25,632
Reserve for general banking risks		5,304,320	2,705,325
Revaluation reserve for available-for-sale assets (re-presented)		(1,342,993)	(31,250)
(Accumulated losses)/retained earnings		(3,966,929)	36,173,355
Amounts recognised in other comprehensive income relating to assets classified as held for sale (re-presented)		-	(1,024,348)
<b>Total equity</b>		<b>24,230,234</b>	<b>49,858,784</b>
<b>Total liabilities and equity</b>		<b>321,280,617</b>	<b>285,726,876</b>
Commitments and Contingencies	32, 34		

The consolidated balance sheet is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

**Eurasian Bank JSC**  
*Consolidated Statement of Cash Flows for the year ended 31 December 2009*

	<b>2009</b>	<b>Re-presented</b>
	<b>'000 KZT</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	23,081,758	22,783,040
Interest payments	(21,272,869)	(11,852,902)
Fee and commission receipts	2,879,002	2,631,153
Fee and commission payments	(866,710)	(1,023,239)
Net receipts from foreign exchange	1,731,753	990,675
Receipts of premiums earned	1,171,655	8,449,000
Payments of claims incurred	(372,357)	(2,597,041)
Other income	(347,634)	142,093
Payments for personnel and other administrative expenses	(8,590,761)	(6,964,976)
<b>(Increase)/decrease in operating assets</b>		
Obligatory reserve	(404,336)	4,178,500
Placements with banks	367,259	(1,627,350)
Amounts receivable under reverse repurchase agreements	(21,355,710)	9,774,695
Loans to customers	(39,274,007)	(17,681,496)
Other assets	189,140	(1,127,539)
<b>Increase/(decrease) in operating liabilities</b>		
Deposits and balances from banks	(9,602,261)	2,989,163
Amounts payable under repurchase agreements	(11,930,406)	5,553,784
Current accounts and deposits from customers	96,751,959	46,890,026
Other liabilities	365,247	(2,897,651)
<b>Net cash from operating activities before income tax paid</b>	<b>12,520,722</b>	<b>58,609,935</b>
Income tax paid	(91,766)	(192,621)
<b>Cash flows from operations</b>	<b>12,428,956</b>	<b>58,417,314</b>

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

	<b>2009</b>	<b>Re-presented</b>
	<b>'000 KZT</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of subsidiaries, net of cash disposed of	3,875,140	-
Purchases of available-for-sale assets	(50,691,897)	(77,682,663)
Proceeds from sale and redemption of available-for-sale assets	36,022,079	66,432,482
Purchases of precious metals	(459,692)	(106,538)
Purchases of held-to-maturity assets	(4,083,341)	(664,541)
Sales of precious metals	109,462	69,917
Purchases of property and equipment	(1,859,091)	(530,191)
Sales of property and equipment	38,089	19,970
Purchases of intangible assets	(786,884)	(230,062)
<b>Cash flows used in investing activities</b>	<b>(17,836,135)</b>	<b>(12,691,626)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of debt securities issued	-	(1,500,000)
Receipts from debt securities issued	10,890,175	-
Repayment of subordinated debt securities issued	(7,133,360)	-
Receipts from subordinated debt securities issued	719,803	3,746,253
Receipts of other borrowed funds	22,273,833	38,258,344
Repayments of other borrowed funds	(30,703,086)	(34,433,265)
Dividends paid	(100,053)	-
Shares issued	12,200,134	4,010,143
<b>Cash flows from financing activities</b>	<b>8,147,446</b>	<b>10,081,475</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,740,267</b>	<b>55,807,163</b>
Effect of changes in exchange rates on cash and cash equivalents	136,123	(74,326)
Cash and cash equivalents at the beginning of the year	78,836,196	23,103,359
<b>Cash and cash equivalents at the end of the year (Note 37)</b>	<b>81,712,586</b>	<b>78,836,196</b>

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



'000 KZT	Share capital	Share premium	Reserve for general banking risks	Revaluation reserve for available-for-sale assets	(Accumulated losses)/ retained earnings	Amounts recognised in other comprehensive income relating to assets classified as held for sale	Total equity
<b>Balance as at 1 January 2008 (re-presented)</b>	7,999,927	25,632	648,282	54,003	35,552,504	(723,947)	43,556,401
<b>Total comprehensive income</b>							
Profit	-	-	-	-	2,373,320	-	2,373,320
<b>Other comprehensive (loss)/income</b>							
Net change in fair value of available-for-sale assets (re-presented)	-	-	-	79,096	-	(331,894)	(252,798)
Net change in fair value of available-for-sale assets transferred to profit or loss (re-presented)	-	-	-	(164,349)	-	31,493	(132,856)
Total other comprehensive loss	-	-	-	(85,253)	-	(300,401)	(385,654)
<b>Total comprehensive (loss)/income</b>	-	-	-	(85,253)	2,373,320	(300,401)	1,987,666
Shares issued	4,010,143	-	-	-	-	-	4,010,143
Disposal of subsidiary (Note 5)	-	-	-	-	304,574	-	304,574
Increase of reserves for general banking risks (Note 29(c))	-	-	2,057,043	-	(2,057,043)	-	-
<b>Balance as at 31 December 2008 (re-presented)</b>	<b>12,010,070</b>	<b>25,632</b>	<b>2,705,325</b>	<b>(31,250)</b>	<b>36,173,355</b>	<b>(1,024,348)</b>	<b>49,858,784</b>

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

*Eurasian Bank JSC*  
*Consolidated Statement of Changes in Equity for the year ended 31 December 2009*

	Share capital	Share premium	Reserve for general banking risks	Revaluation reserve for available- for-sale assets	(Accumulated losses)/retained earnings	Amounts recognised in other comprehensive income relating to assets classified as held for sale	Total equity
<b>Balance as at 1 January 2009</b>	<b>12,010,070</b>	<b>25,632</b>	<b>2,705,325</b>	<b>(31,250)</b>	<b>36,173,355</b>	<b>(1,024,348)</b>	<b>49,858,784</b>
<b>Total comprehensive income</b>							
Loss	-	-	-	-	(9,416,057)	-	(9,416,057)
<b>Other comprehensive (loss)/income</b>							
Net change in fair value of available-for-sale assets	-	-	-	(1,170,281)	-	66,109	(1,104,172)
Net change in fair value of available-for-sale assets transferred to profit or loss	-	-	-	(141,462)	-	-	(141,462)
Net change in fair value of available-for-sale assets due to disposal of subsidiaries	-	-	-	-	-	958,239	958,239
Total other comprehensive (loss)/income	-	-	-	<b>(1,311,743)</b>	-	<b>1,024,348</b>	<b>(287,395)</b>
<b>Total comprehensive (loss)/income</b>	-	-	-	<b>(1,311,743)</b>	<b>(9,416,057)</b>	<b>1,024,348</b>	<b>(9,703,452)</b>
Shares issued	12,200,134	-	-	-	-	-	12,200,134
Dividends declared	-	-	-	-	(100,053)	-	(100,053)
Disposal of subsidiary to the Parent company (Note 5)	-	-	-	-	(28,025,179)	-	(28,025,179)
Increase of reserves for general banking risks (Note 29(c))	-	-	2,598,995	-	(2,598,995)	-	-
<b>Balance at 31 December 2009</b>	<b>24,210,204</b>	<b>25,632</b>	<b>5,304,320</b>	<b>(1,342,993)</b>	<b>(3,966,929)</b>	<b>-</b>	<b>24,230,234</b>

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

## **1 Background**

### **(a) Principal activities**

These consolidated financial statements include the financial statements of Eurasian Bank JSC (“the Bank”) and its subsidiaries. The Bank and its subsidiaries are hereinafter, collectively, referred to as “the Group”.

The Bank was established in 1994 in the Republic of Kazakhstan as a closed joint-stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint-stock company on 2 September 2003. The Bank operates based on general banking licence number 237 granted on 28 December 2007. The Bank also possesses licences number 0401100623 and number 0407100189 for brokerage and dealing and custodian activities. The principal activities of the Bank are deposit taking and customer account maintenance, lending and issuing guarantees, custodian services, cash and settlement operations, operations with securities and foreign exchange.

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 Group has 18 regional branches and 54 cash settlement centers from which it conducts business throughout the Republic of Kazakhstan. The registered address of the Group’s head office is 56 Kunayev str., Almaty, Republic of Kazakhstan. The majority of the Group’s assets and liabilities are located in Kazakhstan.

As at 31 December 2008 the Bank had four subsidiaries, which are Insurance Company Eurasia JSC, pension fund Eurasian Accumulation Pension Fund (Subsidiary of Eurasian Bank JSC) JSC, brokerage company Eurasian Capital JSC and Eurasian Capital B.V. During the year ended 31 December 2009, the Bank liquidated its subsidiary Eurasian Capital B.V. and sold the remaining subsidiaries, including Eurasian Leasing LLC which was established by the Bank in February 2009 (Note 5). As at 31 December 2009 the Bank does not have any subsidiaries.

### **(b) Shareholders**

As at 31 December 2008 the Group was wholly owned by Eurasian Financial and Industrial Company JSC.

During 2009 Eurasian Financial and Industrial Company JSC was reorganised, which resulted in establishment of Eurasian Financial Company JSC and Eurasian Industrial Company JSC. As at 31 December 2009 Eurasian Financial Company is the Group’s Parent company and owns 91% of shares, while Eurasian Industrial Company JSC owns 9% of the Group’s shares.

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

The Group’s operations are subject to country risk being the economic, political and social risks inherent in doing business in Kazakhstan. These risks include matters arising from the policies of the government, economic conditions, the imposition of, or changes to, taxes and regulations, foreign exchange fluctuations and the enforceability of contract rights. In addition, the recent contraction in the capital and credit markets has further increased the level of economic uncertainty in the environment. The consolidated financial statements reflect management’s assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management’s assessment.

## 2 Basis of preparation

### (a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”).

### (b) Basis of measurement

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

### (c) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstan Tenge (“KZT”). Management has determined the functional currency to be the KZT as it reflects the economic substance of the underlying events and circumstances of the Group. The KZT is also the Group’s presentation currency for the purposes of these consolidated 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 consolidated financial statements in conformity with IFRS. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- Note 17 - Loans to customers;
- Note 14 - Income tax benefit.

## 3 Significant accounting policies

The following significant accounting policies are applied in the preparation of the consolidated financial statements. The accounting policies are consistently applied.

### (a) Basis for consolidation

#### (i) Subsidiaries

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control effectively ceases.

### 3 Significant accounting policies, continued

#### (a) Basis for consolidation, continued

##### (ii) *Acquisitions and disposals of entities under common control*

The assets and liabilities acquired as a result of the acquisition of the controlling interest of an entity that is under control of the beneficiaries of the Group are recognised at their carrying amounts, as recognised in the individual IFRS financial statements of the entity acquired. The difference between the consideration paid for the acquisition and the carrying value of net assets acquired is recognised directly in equity. On disposal the difference between the consideration received and the carrying value of net assets disposed is recognised directly in equity.

##### (iii) *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### (b) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency 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 the functional currency 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, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income. 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.

#### (c) Cash and cash equivalents

The Group considers cash and nostro accounts with the NBRK, nostro accounts and placements with banks with an original maturity up to 3 months to be cash and cash equivalents. The minimum reserve deposit with the NBRK is not considered to be a cash equivalent due to restrictions on its withdrawability.

#### (d) 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;
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The Group 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;

### 3 Significant accounting policies, continued

#### (d) Financial instruments, continued

##### (i) Classification, continued

- 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.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

*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 Group:

- 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 Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss;
- the Group 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. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

##### (ii) Recognition

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

##### (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:

### 3 Significant accounting policies, continued

#### (d) Financial instruments, continued

##### (iii) *Measurement, continued*

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

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference between the fair value and the nominal value at origination is credited or charged to profit or loss as gains or losses on origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

##### (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.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Group would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties and own credit risk.

##### (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;

### 3 Significant accounting policies, continued

#### (d) Financial instruments, continued

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

- a gain or loss on an available-for-sale asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) 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 asset is recognised as earned in profit or loss using the effective interest method.

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 Group transfers substantially all 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 Group 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 consolidated balance sheet 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 prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest 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 repo agreement using the effective interest method.

If assets purchased under an 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 consolidated balance sheet 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.

#### (e) Precious metals

Precious metals are stated at the lower of net realisable value and cost. The net realisable value of precious metals is estimated based on quoted market prices. The cost of precious metals is assigned using the first-in, first-out cost formula. Precious metals are recorded within other assets.



### 3 Significant accounting policies, continued

#### (f) Property and equipment

##### (i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

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.

##### (ii) Depreciation

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

Buildings	25 to 40 years
Computer and banking equipment	3 to 8 years
Vehicles	7 years
Furniture	8 to 10 years
Leasehold improvements	5 years

#### (g) Intangible assets

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

Acquired computer software licences 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. Amortisation commences from the first day of the month subsequent to the date the asset is available for use. The estimated useful life of intangible assets is 5 to 7 years.

#### (h) Impairment

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

Financial assets carried at amortised cost consist principally of loans and other receivables (loans and receivables). The Group 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 on terms that the Group 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.

### 3 Significant accounting policies, continued

#### (h) Impairment, continued

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

The Group 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 Group 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 Group 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 profit or loss 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 Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

##### (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 can not 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 can not be reversed.

##### (iii) *Available-for-sale assets*

Impairment losses on available-for-sale assets are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

### 3 Significant accounting policies, continued

#### (h) Impairment, continued

##### (iii) *Available-for-sale assets, continued*

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

##### (iv) *Non financial assets*

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. 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 recognized 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.

##### (i) **Credit related commitments**

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

Financial guarantees are contracts that require the Group 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 in other liabilities.

##### (j) **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

##### (i) *Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

##### (ii) *Dividends*

The ability of the Group 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.

### 3 Significant accounting policies, continued

#### (k) 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 for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. 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.

#### (l) 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.

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

Commissions on guarantees issued are recognised on accrual basis over the guarantee period.

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

#### (m) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

#### (n) Fiduciary assets

The Group provides custody services that result in the holding of assets on behalf of third parties. These assets and the income arising there from are excluded from these consolidated financial statements as they are not assets of the Group. Commissions received from such business are shown within fee and commission income in the consolidated income statement.

### 3 Significant accounting policies, continued

#### (o) Non-current assets and liabilities held for sale

Assets and groups of assets and liabilities which comprise disposal groups are classified as “held for sale” when all of the following criteria are met: a decision has been made to sell, the assets are available for sale immediately, the assets are being actively marketed, and a sale has been or is expected to be concluded within twelve months of the balance sheet date. Assets and disposal groups “held for sale” are valued at the lower of book value or fair value less disposal costs. Assets held for sale are not depreciated.

#### (p) Comparative information

Comparative information has been reclassified to conform to changes in presentation in the current period.

In the equity section of the consolidated balance sheet as at 31 December 2008 and in the consolidated statement of changes in equity for the year then ended, amounts recognised in other comprehensive income and in equity relating to assets classified as held for sale of KZT 1,024,348 thousand are reclassified from revaluation reserve for available-for-sale assets and presented separately.

In the consolidated statement of cash flows for the year ended 31 December 2008 cash flows from operating, investing and financial activities are re-presented on a gross basis, including both cash flows from continuing and discontinued operations. Amounts related to discontinued operations by operating, investing and financing activities are disclosed in Note 5.

The above reclassification does not impact the net result for the year or equity.

#### (q) Changes in accounting policy

Starting from 1 January 2009 the Group 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 income and comprehensive income that also includes all non-owner changes in equity, such as the revaluation of available-for-sale assets.

Starting from 1 January 2009 the Group 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

#### (r) 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 are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Group’s operations. The Group plans to adopt these pronouncements when they become effective. The Group has not yet analysed the likely impact of these pronouncements on its consolidated financial statements.

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

### 3 Significant accounting policies, continued

#### (r) New standards and interpretations not yet adopted, continued

- IFRS 3 *Business Combinations* (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure minority interest using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer must remeasure its previously held equity interest in the acquiree at its acquisition date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer must recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.
- IFRS 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 Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.
- Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* (effective for annual periods beginning on or after 1 July 2009) clarifies the classification of assets and liabilities on disposal of a subsidiary.

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 Segment reporting

As at 31 December 2009 and 2008 the Group has one reportable segment – banking, for the purposes of IFRS 8 Segment Reporting. The Chief Operating Decision Maker, the Chairman, receives and reviews the information of the Bank only.

Assets are concentration in the Republic of Kazakhstan and the revenues are derived from operations in, and connected with, the Republic of Kazakhstan.

### 5 Discontinued operations

#### (a) Disposal of subsidiaries

On 5 November 2008 management took the decision to sell all its shares in Insurance Company Eurasia JSC, Eurasia Accumulation Pension Fund (Subsidiary of Eurasian Bank JSC) JSC and Eurasian Capital JSC within one year. Accordingly, as at 31 December 2008 these investments were classified as held for sale.

In 2009 the Group sold shares of these subsidiaries to the Parent company for KZT 4,003,315 thousand paid in cash. The difference of KZT 28,025,179 thousand between the consideration received and carrying value of the net assets of these subsidiaries at the date of disposal was recognised directly in equity.

## 5 Discontinued operations, continued

### (a) Disposal of subsidiaries, continued

For the years ended 31 December 2009 and 2008, the results of discontinued operations which have been included in the consolidated statement of income and comprehensive income were as follows:

	2009 '000 KZT	2008 '000 KZT
Interest income	1,089,916	2,899,492
Interest expense	(73,873)	(184,971)
Fee and commission income	81,558	800,981
Fee and commission expense	(605,750)	(862,125)
Insurance premiums net of claims incurred	2,212,368	2,822,207
Net foreign exchange gain/(loss)	2,077,328	(395)
Net realised loss on available-for-sale assets	-	(31,493)
Net realised loss on available-for-sale assets due to disposal of subsidiaries	(958,239)	-
Other (expenses)/income	(37,481)	16,540
Impairment losses	(490,284)	(35,823)
Personnel and administrative expenses	(630,830)	(2,875,215)
	<b>2,664,713</b>	<b>2,549,198</b>
Income tax expense	(9,652)	(70,334)
<b>Net income from discontinued operations</b>	<b>2,655,061</b>	<b>2,478,864</b>
<b>Other comprehensive income/(loss)</b>		
Revaluation reserve for assets available-for-sale:		
- Net change in fair value of available-for-sale assets	66,109	(331,894)
- Net change in fair value of available-for-sale assets transferred to profit or loss	-	31,493
- Net change in fair value of available-for-sale assets due to disposal of subsidiaries	958,239	-
<b>Other comprehensive income/(loss)</b>	<b>1,024,348</b>	<b>(300,401)</b>
<b>Total comprehensive income</b>	<b>3,679,409</b>	<b>2,178,463</b>
<b>Cash flows from the discontinued operation</b>		
Net cash flows from operating activities	4,485,775	6,715,157
Net cash flows used in investing activities	(4,485,215)	(7,654,569)
Net cash flows from financial activities	-	-
<b>Net cash flows from/(used in) the discontinued operations</b>	<b>560</b>	<b>(939,412)</b>

## 5 Discontinued operations, continued

### (a) Disposal of subsidiaries, continued

The major classes of assets and liabilities arising from operations classified as held for sale as at disposal date and as at 31 December 2008 were as follows:

	Effect of disposal on the financial position of the Group 2009 '000 KZT	The major classes of assets and liabilities classified as held for sale 2008 '000 KZT
<b>ASSETS</b>		
Cash and cash equivalents	(128,305)	127,745
Placements with banks	(13,367,305)	11,519,036
Available-for-sale assets	(3,210,009)	2,152,287
Held-to-maturity assets	(22,894,672)	19,301,615
Reinsurer's share in reinsurance reserve	(6,614,172)	3,475,080
Insurance and reinsurance receivables	(9,552,467)	1,908,092
Deferred tax assets	(5,412)	3,704
Other assets	(1,072,255)	893,266
	<b>(56,844,597)</b>	<b>39,380,825</b>
<b>LIABILITIES</b>		
Insurance reserve	24,233,624	(12,817,827)
Other liabilities	582,479	(2,689,624)
	<b>24,816,103</b>	<b>(15,507,451)</b>
<b>Net identifiable assets and liabilities</b>	<b>(32,028,494)</b>	<b>23,873,374</b>
Consideration received, satisfied in cash	4,003,315	
<b>Net difference recognised directly in equity</b>	<b>(28,025,179)</b>	
Cash disposed of	(128,305)	
<b>Net cash inflow</b>	<b>3,875,010</b>	

Eurasian Accumulation Pension Fund (Subsidiary of Eurasian Bank JSC) JSC and Insurance Company Eurasia JSC contributed profit of KZT 236,364 thousand and KZT 2,427,083 thousand, respectively and Eurasian Capital JSC contributed a net loss of KZT 8,386 thousand to the net results for the year.

In December 2009 the Group liquidated its special purpose entity Eurasian Capital B.V. and recognised a loss of KZT 57 thousand. Eurasian Capital B.V. contributed a net loss of KZT 4,564 thousand to the results for the year.

In November 2009 the Group sold to a third party for a consideration of KZT 130 thousand paid in cash its investment in Eurasian Leasing LLC, which was established in February 2009 through contribution of KZT 130 thousand to the charter capital. At the disposal date net assets of Eurasian Leasing LLC amounted to KZT 47 thousand and accordingly the Group recognised net gain of KZT 83 thousand on disposal of this subsidiary. Eurasian Leasing LLC contributed a net loss of KZT 83 thousand to the loss for the year.

In November 2008 the Group sold 3,500 shares of Pension Assets Investment Management Organisation Bailyk Asset Management JSC to the Parent company at par value of KZT 100 thousand. Total proceeds on disposal of subsidiary transaction amounted to KZT 350,000 thousand. The difference of KZT 304,574 thousand between the consideration received and the subsidiary's net liabilities at the date of disposal was recognised directly in equity.



## 5 Discontinued operations, continued

### (b) Continuing and discontinued operations before eliminating entries

The results of continuing and discontinued operations for the years ended 31 December 2009 and 2008 prepared on a gross basis before eliminating entries are presented below:

2009

'000 KZT	Continuing operations	Discontinued operations	Total
Interest income	24,784,533	1,165,034	25,949,567
Interest expenses	(20,562,033)	(73,873)	(20,635,906)
<b>Net interest income</b>	<b>4,222,500</b>	<b>1,091,161</b>	<b>5,313,661</b>
Fee and commission income	2,349,836	81,558	2,431,394
Fee and commission expense	(260,960)	(605,750)	(866,710)
<b>Net fee and commission income</b>	<b>2,088,876</b>	<b>(524,192)</b>	<b>1,564,684</b>
Net earned insurance premiums	-	2,379,684	2,379,684
Net foreign exchange gain	1,642,585	2,077,328	3,719,913
Net realised gains on available-for-sale securities	141,462	(958,239)	(816,777)
Gain from repurchased own subordinated debt instruments	555,435	-	555,435
Net loss on disposal of subsidiary	26	-	26
Other income	20,613	(41,047)	(20,434)
<b>Operating income</b>	<b>8,671,497</b>	<b>4,024,695</b>	<b>12,696,192</b>
Impairment losses	(15,204,739)	(490,285)	(15,695,024)
Personnel and administrative expenses	(9,394,521)	(630,830)	(10,025,351)
<b>Operating expenses</b>	<b>(24,599,260)</b>	<b>(1,121,115)</b>	<b>(25,720,375)</b>
<b>(Loss)/profit before tax</b>	<b>(15,927,763)</b>	<b>2,903,580</b>	<b>(13,024,183)</b>
Income tax benefit/(expense)	3,617,778	(9,652)	3,608,126
<b>Net (loss)/profit</b>	<b>(12,309,985)</b>	<b>2,893,928</b>	<b>(9,416,057)</b>

## 5 Discontinued operations, continued

### (b) Continuing and discontinued operations before eliminating entries

2008

'000 KZT	Continuing operations	Discontinued operations	Total
Interest income	19,279,305	3,223,985	22,503,290
Interest expenses	(12,702,802)	(184,971)	(12,887,773)
<b>Net interest income</b>	<b>6,576,503</b>	<b>3,039,014</b>	<b>9,615,517</b>
Fee and commission income	1,783,913	800,981	2,584,894
Fee and commission expense	(132,437)	(880,694)	(1,013,131)
<b>Net fee and commission income</b>	<b>1,651,476</b>	<b>(79,713)</b>	<b>1,571,763</b>
Net earned insurance premiums	-	2,881,544	2,881,544
Net foreign exchange gain	991,070	(395)	990,675
Net realised gains on available-for-sale securities	164,349	31,493	195,842
Other income	364,002	22,055	386,057
<b>Operating income</b>	<b>9,747,400</b>	<b>5,893,998</b>	<b>15,641,398</b>
Impairment losses	(4,335,077)	(35,823)	(4,370,900)
Personnel and administrative expenses	(6,450,768)	(2,953,428)	(9,404,196)
<b>Operating expenses</b>	<b>(10,785,845)</b>	<b>(2,989,251)</b>	<b>(13,775,096)</b>
<b>(Loss)/profit before tax</b>	<b>(1,038,445)</b>	<b>2,904,747</b>	<b>1,866,302</b>
Income tax benefit/(expense)	577,352	(70,334)	507,018
<b>Net (loss)/profit</b>	<b>(461,093)</b>	<b>2,834,413</b>	<b>2,373,320</b>

## 6 Net interest income

	2009 '000 KZT	2008 '000 KZT
<b>Interest income</b>		
Loans to customers	22,631,073	16,814,872
Available-for-sale assets	1,455,871	1,666,924
Placements with banks	167,275	605,916
Amounts receivable under reverse repurchase agreements	164,364	318,599
Due from the NBRK	365,950	252,913
<b>Total interest income</b>	<b>24,784,533</b>	<b>19,659,224</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	(14,443,900)	(5,955,856)
Other borrowed funds	(2,481,776)	(3,144,821)
Subordinated debt securities issued	(2,281,602)	(2,307,455)
Debt securities issued	(753,602)	(92,462)
Deposits and balances from banks	(492,675)	(856,809)
Amounts payable under repurchase agreements	(33,360)	(20,906)
<b>Total interest expense</b>	<b>(20,486,915)</b>	<b>(12,378,309)</b>

**7 Fee and commission income**

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Remittance	755,078	579,006
Cash operations	561,679	374,758
Guarantee and letter of credit issuance	553,031	191,497
Card accounts maintenance	149,989	99,160
Custodian service	109,823	43,108
Cash delivery	58,004	69,947
Commission income on pension assets management	-	41,411
Other	162,232	50,826
<b>Total fee and commission income</b>	<b>2,349,836</b>	<b>1,449,713</b>

**8 Fee and commission expense**

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Custodian service	87,556	17,032
Cash operations	60,812	34,558
Card accounts maintenance	50,263	34,155
Remittance	48,753	36,153
Other	13,576	15,431
<b>Total fee and commission expense</b>	<b>260,960</b>	<b>137,329</b>

**9 Net realised gain on available-for-sale assets**

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
<b>Debt instruments:</b>		
Government securities of the Republic of Kazakhstan	85,627	120,177
Treasury notes of foreign governments	-	39,840
Other	55,835	4,332
	<b>141,462</b>	<b>164,349</b>

**10 Other income**

	<b>2009</b> <b>'000 KZT</b>	<b>2008</b> <b>'000 KZT</b>
Precious metals trading gain	42,148	29,887
Gain on sale of inventory	24,726	12,044
Loss on sale of property and equipment	(5)	(2,054)
Other	(53,792)	59,112
	<b>13,077</b>	<b>98,989</b>

**11 Impairment losses**

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
Loans to customers (Note 17)	15,075,755	4,427,134
Placements with banks (Note 15)	-	(15,096)
Other assets (Note 21)	128,984	(19,654)
	<b>15,204,739</b>	<b>4,392,384</b>

**12 Personnel expenses**

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
Wages, salaries and related taxes	4,516,734	3,290,552
Other employee costs	425,216	218,693
	<b>4,941,950</b>	<b>3,509,245</b>

**13 Administrative expenses**

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
Depreciation and amortisation	969,863	768,826
Advertising and marketing	891,585	336,977
Occupancy	705,257	444,834
Taxes other than on income	494,719	295,349
Repairs and maintenance	304,711	99,062
Communications and information services	238,988	190,896
Travel expenses	148,755	127,788
Stationery and office supplies	103,149	62,318
Security	92,906	89,462
Insurance	60,936	-
Professional services	52,269	177,838
Transportation	34,782	34,574
Fines and penalties	12,306	11,805
Representation expenses	12,188	12,351
Trainings	11,509	11,195
Other	147,363	322,741
	<b>4,281,286</b>	<b>2,986,016</b>

## 14 Income tax benefit

	2009 '000 KZT	2008 '000 KZT
<b>Current tax expense/(benefit)</b>		
Current year	-	38,560
Under/(over) provided in prior years	111,680	(211,421)
	<b>111,680</b>	<b>(172,861)</b>
<b>Deferred tax benefit</b>		
Origination and reversal of temporary differences	(3,729,458)	(404,491)
	<b>(3,617,778)</b>	<b>(577,352)</b>

The Group'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.

During the year ended 31 December 2009 the Group submitted to the tax authorities revised tax returns for 2004-2008 years. Additional income taxes were accrued due to the reduction of tax-deductible expenses on amortisation of discount on debt securities issued and foreign exchange gain.

### Reconciliation of effective tax rate:

	2009 '000 KZT	%	2008 '000 KZT	%
Loss before tax from continuing operations (Note 5(b))	(15,927,763)	122.29	(1,038,445)	(55.64)
Income before tax from discontinued operations (Note 5(b))	2,903,580	(22.29)	2,904,747	155.64
<b>(Loss)/income before tax</b>	<b>(13,024,183)</b>	<b>100.00</b>	<b>1,866,302</b>	<b>100.00</b>
Income tax (benefit)/expenses at the applicable tax rate	(2,604,836)	20.00	559,891	30.00
Tax-exempt securities	(552,680)	4.24	(497,609)	(26.66)
Effect of change in tax rates	(236,070)	1.81	444,565	23.82
Under/(over) provided in prior years	111,680	(0.86)	(206,803)	(11.08)
Non-taxable income	(326,220)	2.50	(807,062)	(43.24)
<b>Income tax (benefit)/expense</b>	<b>(3,608,126)</b>	<b>27.70</b>	<b>(507,018)</b>	<b>(27.17)</b>
Income tax benefit attributable to continuing operations	(3,617,778)	27.78	(577,352)	(30.94)
Income tax expense attributable to discontinued operations	9,652	(0.08)	70,334	3.77
	<b>(3,608,126)</b>	<b>27.69</b>	<b>(507,018)</b>	<b>(27.16)</b>

## 14 Income tax benefit, continued

### Deferred tax asset 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 assets as at 31 December 2009 and 2008. These deferred tax assets are recognised in these consolidated 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 Group's ability to claim the deductions in future periods.

These deductible temporary differences do not expire under current tax legislation. The tax loss carry-forwards expire in 2019.

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	659,956	(216,360)	443,596
Property and equipment	(284,804)	(68,076)	(352,880)
Other assets	156,027	20,997	177,024
Other liabilities	35,610	52,836	88,446
Tax loss carry-forwards	-	3,940,061	3,940,061
	<b>566,789</b>	<b>3,729,458</b>	<b>4,296,247</b>

'000 KZT	Balance 1 January 2008	Recognised in profit or loss from continuing operations	Transferred to disposal group	Balance 31 December 2008
Loans to customers	561,534	98,422	-	659,956
Property and equipment	(482,282)	195,765	1,713	(284,804)
Intangible assets	421	-	(421)	-
Other assets	44,361	111,666	-	156,027
Other liabilities	41,968	(1,362)	(4,996)	35,610
	<b>166,002</b>	<b>404,491</b>	<b>(3,704)</b>	<b>566,789</b>

## 15 Placements with banks

	2009 '000 KZT	2008 '000 KZT
<i>Not impaired or past due</i>		
<b>Nostro accounts</b>		
OECD banks	21,286,593	32,810,625
Largest 10 Kazakh banks	153,350	143,315
Other foreign banks	600,337	1,146,212
<b>Total nostro accounts</b>	<b>22,040,280</b>	<b>34,100,152</b>
<b>Loans and deposits</b>		
OECD banks	216,025	3,281,668
Largest 10 Kazakh banks	5,152,553	981,138
Other foreign banks	-	252,914
<b>Total loans and deposits not impaired</b>	<b>5,368,578</b>	<b>4,515,720</b>
	<b>27,408,858</b>	<b>38,615,872</b>

### (a) Concentration of placements with banks

As at 31 December 2009 and 2008 the Group had two and one banks, respectively, whose balances exceeded 10% of total placements with banks. The gross value of these balances as of 31 December 2009 and 2008 were KZT 22,177,401 thousand and KZT 31,616,893 thousand, respectively.

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

	2009 '000 KZT	2008 '000 KZT
Balance at the beginning of the year	-	15,096
Net (recovery)/charge for the year (Note 11)	-	(15,096)
<b>Balance at the end of the year</b>	<b>-</b>	<b>-</b>

## 16 Amounts receivable under reverse repurchase agreements

	2009 '000 KZT	2008 '000 KZT
Concluded on the auto-repo market through the Kazakhstan Stock Exchange	21,392,315	-

### Collateral

As of 31 December 2009 amounts receivable under reverse repurchase agreements were collateralised by the following securities:

	2009 '000 KZT	2008 '000 KZT
Notes of the NBRK	10,946,918	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	12,234,094	-
	<b>23,181,012</b>	<b>-</b>

**17 Loans to customers**

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
<b>Loans to legal entities</b>		
Loans to large corporate clients	81,737,021	62,681,224
Loans to small and medium size companies ("SME")	20,951,485	17,037,755
<b>Total loans to legal entities</b>	<b>102,688,506</b>	<b>79,718,979</b>
<b>Loans to individuals</b>		
Mortgage	24,269,622	20,875,617
Individual entrepreneurship	18,656,669	15,154,620
Consumer	18,382,394	6,910,203
Auto	3,826,833	4,100,494
Other	3,311,847	2,644,695
<b>Total loans to individuals</b>	<b>68,447,365</b>	<b>49,685,629</b>
<b>Gross loans to customers</b>	<b>171,135,871</b>	<b>129,404,608</b>
Impairment allowance	(22,138,936)	(6,423,120)
<b>Net loans to customers</b>	<b>148,996,935</b>	<b>122,981,488</b>

Movements in the loan impairment allowance for the years ended 31 December 2009 and 2008 are as follows:

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
Balance at the beginning of the year	6,423,120	3,692,412
Net charge for the year (Note 11)	15,075,755	4,427,134
Provision on portfolio of loans sold	-	(1,131,996)
Recovery/(write-offs)	261,835	(573,569)
Effect of foreign currency translation	378,226	9,139
<b>Balance at the end of the year</b>	<b>22,138,936</b>	<b>6,423,120</b>

As at 31 December 2009, interest accrued on impaired loans amounted to KZT 1,344,094 thousand (31 December 2008: KZT 762,738 thousand), which was fully provisioned.



## 17 Loans to customers, continued

### (a) Credit quality of the loan to legal entities

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

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
<b>Loans to large corporate clients</b>				
Loans without individual signs of impairment	66,331,510	(2,166,219)	64,165,291	3.27
Impaired loans:				
- not past due	11,529,197	(7,082,359)	4,446,838	61.43
- overdue less than 90 days	-	-	-	-
- overdue more than 90 days and less than 1 year	1,537,185	(1,005,107)	532,078	65.39
- overdue more than 1 year	2,339,129	(1,399,753)	939,376	59.84
Total impaired loans	15,405,511	(9,487,219)	5,918,292	61.58
<b>Total loans to large corporate clients</b>	<b>81,737,021</b>	<b>(11,653,438)</b>	<b>70,083,583</b>	<b>14.26</b>
<b>Loans to small and medium size companies</b>				
Loans without individual signs of impairment	17,942,860	(460,244)	17,482,616	2.57
Impaired loans:				
- not past due	708,857	(437,856)	271,001	61.77
- overdue less than 90 days	280,934	(152,495)	128,439	54.28
- overdue more than 90 days and less than 1 year	1,230,051	(723,073)	506,978	58.78
- overdue more than 1 year	788,783	(523,074)	265,709	66.31
Total impaired loans	3,008,625	(1,836,498)	1,172,127	61.04
<b>Total loans to small and medium size companies</b>	<b>20,951,485</b>	<b>(2,296,742)</b>	<b>18,654,743</b>	<b>10.96</b>
<b>Total loans to legal entities</b>	<b>102,688,506</b>	<b>(13,950,180)</b>	<b>88,738,326</b>	<b>13.58</b>

## 17 Loans to customers, continued

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

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

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
Loans to large corporate clients				
Loans without individual signs of impairment	53,811,464	(659,220)	53,152,244	1.23
Impaired loans:				
- not past due	5,615,803	(1,279,665)	4,336,138	22.79
- overdue less than 90 days	2,312,600	(502,746)	1,809,854	21.74
- overdue more than 90 days and less than 1 year	706,394	(264,597)	441,797	37.46
- overdue more than 1 year	234,963	(234,963)	-	100.00
Total impaired loans	8,869,760	(2,281,971)	6,587,789	25.73
<b>Total loans to large corporate clients</b>	<b>62,681,224</b>	<b>(2,941,191)</b>	<b>59,740,033</b>	<b>4.69</b>
Loans to small and medium size companies				
Loans without individual signs of impairment	14,549,055	(183,418)	14,365,637	1.26
Impaired loans:				
- not past due	676,702	(145,814)	530,888	21.55
- overdue less than 90 days	667,649	(208,840)	458,809	31.28
- overdue more than 90 days and less than 1 year	1,144,349	(418,705)	725,644	36.59
Total impaired loans	2,488,700	(773,359)	1,715,341	31.07
<b>Total loans to small and medium size companies</b>	<b>17,037,755</b>	<b>(956,777)</b>	<b>16,080,978</b>	<b>5.62</b>
<b>Total commercial loans</b>	<b>79,718,979</b>	<b>(3,897,968)</b>	<b>75,821,011</b>	<b>4.89</b>

During the year ended 31 December 2009 the Group renegotiated commercial loans that would otherwise be past due or impaired of KZT 43,367,950 thousand (31 December 2008: KZT 4,272,420 thousand). Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. These renegotiated loans are included in loans without individual signs of impairment in the tables above.

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;
- negative force-majeure events.

## 17 Loans to customers, continued

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

The Group has estimated the loan impairment for loans to legal entities based on an analysis of the future cash flows for impaired loans. In determining the provision for unimpaired loans to legal entities management has considered past losses and the current economic conditions.

In determining the impairment allowance for loans to legal entities, management made the following key assumptions:

- historic annual loss rate of 1.22-3.27%;
- a discount of between 20% and 50% to the originally appraised value if the property pledged is sold;
- a delay of 12 to 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment provision on commercial loans as of 31 December 2009 would be KZT 887,383 thousand lower/higher (2008: KZT 758,210 thousand).

### (i) Analysis of collateral

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

	2009 '000 KZT	% of loan portfolio	2008 '000 KZT	% of loan portfolio
Real estate	58,110,551	65	36,610,534	48
Real estate under construction	11,538,994	13	1,462,030	2
Bank cash deposits	4,258,052	5	8,706,301	12
Equipment	4,368,754	5	655,145	1
Guarantees of legal entities and individuals	2,634,231	3	9,394,508	12
Insurance policy	1,491,173	2	-	-
Goods in turnover	813,764	1	7,582,962	10
Motor vehicles	487,402	-	615,398	1
Other collateral	4,454,017	5	4,355,950	6
No collateral	581,388	1	6,438,183	8
<b>Total</b>	<b>88,738,326</b>	<b>100</b>	<b>75,821,011</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.

As at 31 December 2009 impaired or overdue loans with a gross value of KZT 15,278,379 thousand are secured by collateral with a fair value of KZT 10,298,655 thousand. The majority of the remaining impaired loans of KZT 3,135,757 thousand are collateralised. However, fair value of collateral on these loans was not determinable.

During the year ended 31 December 2009 the Group did not obtain any assets by taking control of collateral accepted as security for commercial loans (31 December 2008: nil).

## 17 Loans to customers, continued

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

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

Movements in the loan impairment allowance by classes of commercial loans for the year ended 31 December 2009 are as follows:

'000 KZT	Loans to large corporate clients	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	2,941,191	956,777	3,897,968
Loan impairment losses during the year	8,400,979	912,356	9,313,335
Loans recovered during the year	111,884	388,436	500,320
Effect of foreign currency translation	199,384	39,173	238,557
<b>Loan impairment allowance as at 31 December</b>	<b>11,653,438</b>	<b>2,296,742</b>	<b>13,950,180</b>

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

'000 KZT	Loans to large corporate clients	Loans to small and medium size companies	Total
Loan impairment allowance as at 1 January	1,311,328	216,746	1,528,074
Loan impairment losses during the year	1,937,292	956,256	2,893,548
Loans written off during the year as uncollectible	(311,064)	(217,737)	(528,801)
Effect of foreign currency translation	3,635	1,512	5,147
<b>Loan impairment allowance as at 31 December</b>	<b>2,941,191</b>	<b>956,777</b>	<b>3,897,968</b>

## 17 Loans to customers, continued

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

The following table provides information on the credit quality of loans to individuals' collectively assessed for impairment as at 31 December 2009:

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
<b>Mortgage loans</b>				
- Not past due	18,721,270	(402,620)	18,318,650	2.15
- Overdue less than 30 days	3,478,776	(321,336)	3,157,440	9.24
- Overdue 30-59 days	573,776	(263,062)	310,714	45.85
- Overdue 60-89 days	306,036	(233,956)	72,080	76.45
- Overdue 90-119 days	253,248	(222,101)	31,147	87.70
- Overdue 120-149 days	819,135	(568,658)	250,477	69.42
- Overdue 150 - 180 days	117,381	(117,381)	-	100.00
<b>Total mortgage loans</b>	<b>24,269,622</b>	<b>(2,129,114)</b>	<b>22,140,508</b>	<b>8.77</b>
<b>Individual entrepreneurship loans</b>				
- Not past due	13,405,822	(1,391,132)	12,014,690	10.38
- Overdue less than 30 days	3,446,808	(766,489)	2,680,319	22.24
- Overdue 30-59 days	281,772	(227,224)	54,548	80.64
- Overdue 60-89 days	681,454	(518,182)	163,272	76.04
- Overdue 90-119 days	162,238	(157,548)	4,690	97.11
- Overdue 120-149 days	435,067	(363,273)	71,794	83.50
- Overdue 150-180 days	243,508	(243,508)	-	100.00
<b>Total individual entrepreneurship loans</b>	<b>18,656,669</b>	<b>(3,667,356)</b>	<b>14,989,313</b>	<b>19.66</b>
<b>Consumer loans</b>				
- Not past due	16,334,466	(119,475)	16,214,991	0.73
- Overdue less than 30 days	1,656,859	(440,234)	1,216,625	26.57
- Overdue 30-59 days	134,384	(61,350)	73,034	45.65
- Overdue 60-89 days	121,850	(75,454)	46,396	61.92
- Overdue 90-119 days	46,710	(35,902)	10,808	76.86
- Overdue 120-149 days	33,759	(29,459)	4,300	87.26
- Overdue 150-180 days	54,366	(54,366)	-	100.00
<b>Total consumer loans</b>	<b>18,382,394</b>	<b>(816,240)</b>	<b>17,566,154</b>	<b>4.44</b>
<b>Auto loans</b>				
- Not past due	2,331,428	(101,687)	2,229,741	4.36
- Overdue less than 30 days	1,121,496	(69,656)	1,051,840	6.21
- Overdue 30-59 days	113,166	(71,001)	42,165	62.74
- Overdue 60-89 days	89,493	(70,346)	19,147	78.61
- Overdue 90-119 days	41,072	(37,528)	3,544	91.37
- Overdue 120-149 days	69,317	(66,750)	2,567	96.30
- Overdue 150-180 days	60,861	(60,861)	-	100.00
<b>Total auto loans</b>	<b>3,826,833</b>	<b>(477,829)</b>	<b>3,349,004</b>	<b>12.49</b>

**17 Loans to customers, continued****(b) Credit quality of loans to individuals, continued**

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
<b>Other loans to individuals</b>				
- Not past due	2,272,513	(622,373)	1,650,140	27.39
- Overdue less than 30 days	218,350	(19,527)	198,823	8.94
- Overdue 30-59 days	51,511	(15,330)	36,181	29.76
- Overdue 60-89 days	744,542	(423,057)	321,485	56.82
- Overdue 90-119 days	10,907	(10,700)	207	98.10
- Overdue 120-149 days	11,899	(5,368)	6,531	45.11
- Overdue 150-180 days	2,125	(1,862)	263	87.62
<b>Total other loans to individuals</b>	<b>3,311,847</b>	<b>(1,098,217)</b>	<b>2,213,630</b>	<b>33.16</b>
<b>Total loans to individuals</b>	<b>68,447,365</b>	<b>(8,188,756)</b>	<b>60,258,609</b>	<b>11.96</b>

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

	Gross loans '000 KZT	Impairment '000 KZT	Net loans '000 KZT	Impairment to gross loans %
<b>Mortgage loans</b>				
- Not past due	17,608,990	(177,023)	17,431,967	1.01
- Overdue less than 30 days	1,596,268	(71,075)	1,525,193	4.45
- Overdue 30-59 days	544,561	(81,258)	463,303	14.92
- Overdue 60-89 days	347,965	(82,580)	265,385	23.73
- Overdue 90-119 days	440,032	(156,841)	283,191	35.64
- Overdue 120-149 days	314,351	(162,979)	151,372	51.85
- Overdue 150-180 days	23,450	(21,260)	2,190	90.66
<b>Total mortgage loans</b>	<b>20,875,617</b>	<b>(753,016)</b>	<b>20,122,601</b>	<b>3.61</b>
<b>Individual entrepreneurship loans</b>				
- Not past due	12,574,073	(174,586)	12,399,487	1.39
- Overdue less than 30 days	731,399	(28,154)	703,245	3.85
- Overdue 30-59 days	331,737	(51,080)	280,657	15.40
- Overdue 60-89 days	520,698	(71,038)	449,660	13.64
- Overdue 90-119 days	603,650	(37,969)	565,681	6.29
- Overdue 120-149 days	385,405	(139,068)	246,337	36.08
- Overdue 150-180 days	7,658	(3,602)	4,056	47.04
<b>Total individual entrepreneurship loans</b>	<b>15,154,620</b>	<b>(505,497)</b>	<b>14,649,123</b>	<b>3.34</b>
<b>Consumer loans</b>				
- Not past due	5,378,911	(59,973)	5,318,938	1.11
- Overdue less than 30 days	869,456	(55,633)	813,823	6.40
- Overdue 30-59 days	209,652	(101,026)	108,626	48.19
- Overdue 60-89 days	81,566	(51,120)	30,446	62.67
- Overdue 90-119 days	83,480	(63,357)	20,123	75.89
- Overdue 120-149 days	258,275	(156,508)	101,767	60.60
- Overdue 150-180 days	28,863	(27,242)	1,621	94.38
<b>Total consumer loans</b>	<b>6,910,203</b>	<b>(514,859)</b>	<b>6,395,344</b>	<b>7.45</b>
<b>Auto loans</b>				
- Not past due	3,114,162	(48,846)	3,065,316	1.57
- Overdue less than 30 days	535,374	(53,162)	482,212	9.93
- Overdue 30-59 days	129,168	(53,344)	75,824	41.30
- Overdue 60-89 days	93,538	(51,378)	42,160	54.93
- Overdue 90-119 days	87,096	(59,092)	28,004	67.85
- Overdue 120-149 days	70,448	(55,206)	15,242	78.36
- Overdue 150-180 days	70,708	(57,748)	12,960	81.67
<b>Total auto loans</b>	<b>4,100,494</b>	<b>(378,776)</b>	<b>3,721,718</b>	<b>9.24</b>

**17 Loans to customers, continued****(b) Credit quality of loans to individuals, continued**

	<b>Gross loans</b>	<b>Impairment</b>	<b>Net loans</b>	<b>Impairment to</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>	<b>'000 KZT</b>	<b>gross loans</b>
				<b>%</b>
<b>Other loans to individuals</b>				
- Not past due	1,687,514	(20,743)	1,666,771	1.23
- Overdue less than 30 days	70,178	(2,476)	67,702	3.53
- Overdue 30-59 days	41,848	(1,175)	40,673	2.81
- Overdue 60-89 days	617,997	(235,033)	382,964	38.03
- Overdue 90-119 days	9,155	(3,764)	5,391	41.11
- Overdue 120-149 days	962	(717)	245	74.53
- Overdue 150-180 days	217,041	(109,096)	107,945	50.27
<b>Total other loans to individuals</b>	<b>2,644,695</b>	<b>(373,004)</b>	<b>2,271,691</b>	<b>14.10</b>
<b>Total loans to individuals</b>	<b>49,685,629</b>	<b>(2,525,152)</b>	<b>47,160,477</b>	<b>5.08</b>

The Group estimates loan impairment based on its past historical loss experience for these types of loans. Except in respect of large loans to individuals, which mainly comprised individual entrepreneurship loans, the significant assumptions used at 31 December 2009 in determining impairment losses for loans to individuals include that loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months (2008: 6 months). For large loans to individuals, which consist of KZT 6,197,435 thousand, in determining the allowance the Group has principally relied on realisation of real estate collateral with a fair value of KZT 4,002,724 thousand (2008: KZT 4,187,042 thousand with fair value of collateral of KZT 4,293,186 thousand).

Changes in these estimates could affect 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 loans to individuals as of 31 December 2009 would be KZT 602,586 thousand lower/higher (2008: KZT 471,605 thousand).

**(i) Analysis of collateral**

Mortgage loans are secured by underlying housing real estate. Individual entrepreneurship loans are secured by real estate and movable property. Auto loans are secured by the underlying cars. Other loans are not secured, except for certain consumer loan to individual, covered by cash in deposit.

## 17 Loans to customers, continued

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

#### (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 are as follows:

'000 KZT	Mortgage loans	Individual entrepre- neurship loans	Consumer loans	Auto loans	Other loans to individuals	Total
Loan impairment allowance as at 1 January	753,016	505,497	514,859	378,776	373,004	2,525,152
Loan impairment losses during the year	1,375,993	3,162,147	401,385	97,367	725,528	5,762,420
Loans written off during the year	(36,209)	(62,839)	(113,926)	(6,464)	(19,047)	(238,485)
Effect of foreign currency translation	36,314	62,551	13,922	8,150	18,732	139,669
<b>Loan impairment allowance as at 31 December</b>	<b>2,129,114</b>	<b>3,667,356</b>	<b>816,240</b>	<b>477,829</b>	<b>1,098,217</b>	<b>8,188,756</b>

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

'000 KZT	Mortgage loans	Individual entrepre- neurship loans	Consumer loans	Auto loans	Other loans to individuals	Total
Loan impairment allowance as at 1 January	896,779	537,658	545,802	38,055	146,044	2,164,338
Loan impairment losses during the year	424,799	362,909	145,341	365,298	235,239	1,533,586
Loans (written off)/ recovered during the year	5,272	(9,772)	(49,935)	9,942	(275)	(44,768)
Provision on portfolio of loans sold	(575,024)	(386,097)	(127,163)	(35,118)	(8,594)	(1,131,996)
Effect of foreign currency translation	1,190	799	814	599	590	3,992
<b>Loan impairment allowance as at 31 December</b>	<b>753,016</b>	<b>505,497</b>	<b>514,859</b>	<b>378,776</b>	<b>373,004</b>	<b>2,525,152</b>



## 17 Loans to customers, continued

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

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

	2009 '000 KZT	2008 '000 KZT
<b>Loans to large corporate clients and SME</b>		
Wholesale trade	19,740,954	16,083,315
Construction	18,059,998	26,133,802
Real estate	14,201,385	7,695,486
Agriculture, forestry and timber	11,197,749	6,911,664
Food production	7,238,727	5,365,484
Manufacturing	7,215,194	3,037,678
Services	7,020,793	3,778,071
Mining/metallurgy	6,127,465	1,135,468
Entertainment	4,475,552	4,375,767
Transport	3,068,082	2,720,057
Retail trade	1,992,928	778,870
Medical and social care	571,438	407,248
Publishing	367,007	279,276
Hotels and restaurants	343,220	32,383
Financial intermediary	253,598	218,569
Energy production and supply	242,715	301,900
Machinery production	201,962	192,321
Other	369,739	271,620
<b>Total loans to large corporate clients and SME</b>	<b>102,688,506</b>	<b>79,718,979</b>
<b>Loans to individuals</b>		
Mortgage loans	24,269,622	20,875,617
Individual entrepreneurship loans	18,656,669	15,154,620
Consumer loans	18,382,394	6,910,203
Auto loans	3,826,833	4,100,494
Other loans to individuals	3,311,847	2,644,695
<b>Total loans to individuals</b>	<b>68,447,365</b>	<b>49,685,629</b>
<b>Total loans to customers, gross</b>	<b>171,135,871</b>	<b>129,404,608</b>
Impairment allowance	(22,138,936)	(6,423,120)
<b>Total loans to customers, net</b>	<b>148,996,935</b>	<b>122,981,488</b>

### (d) Significant credit exposures

As at 31 December 2009 and 2008 the Group did not have borrowers or groups of related borrowers, respectively, whose loan balances exceeded 10% of loans to customers.

**18 Available-for-sale assets**

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
<b><i>Held by the Group</i></b>		
<b>Debt instruments</b>		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	25,164,772	84,939
Bonds of local financial institutions, other than banks	4,419,246	60,969
Notes of the NBRK	3,154,008	16,310
Eurobonds of local banks	1,147,360	1,143,788
Bonds of local banks	128,386	3,042,512
<b>Equity investments</b>		
Corporate shares	10,000	10,000
	<b>34,023,772</b>	<b>4,358,518</b>
<b><i>Pledged under sale and repurchase agreements</i></b>		
Notes of the NBRK	2,316,720	3,116,244
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	-	7,704,198
Bonds of local financial institutions, other than banks	-	3,045,042
Bonds of local banks	-	2,432,767
	<b>2,316,720</b>	<b>16,298,251</b>
<b>Total available-for-sale assets</b>	<b>36,340,492</b>	<b>20,656,769</b>

As at 31 December 2009 available-for-sale assets have issuer's credit ratings of BBB- under Standards and Poor's rating system.

Included in available-for-sale assets are non-quoted equity securities consisting of the ordinary shares of Processing Centre JSC. They are unquoted and carried at cost of KZT 10,000 thousand (2008: KZT 10,000 thousand). The fair value cannot be reliably determined.

## 19 Property and equipment

'000 KZT	Land and buildings	Computer and banking equipment	Vehicles	Furniture	Const- ruction in progress	Leasehold improve- ments	Total
<i>Cost</i>							
At 1 January 2009	8,114,995	2,010,886	296,966	195,540	357,097	203,383	11,178,867
Additions	122,133	1,053,447	37,756	71,201	446,863	127,691	1,859,091
Disposals	(2,449)	(79,808)	-	(10,614)	(7,298)	-	(100,169)
Transfers	-	553,316	-	-	(559,996)	6,680	-
<b>At 31 December 2009</b>	<b>8,234,679</b>	<b>3,537,841</b>	<b>334,722</b>	<b>256,127</b>	<b>236,666</b>	<b>337,754</b>	<b>12,937,789</b>
<i>Depreciation</i>							
At 1 January 2009	257,619	755,575	135,207	71,952	-	81,618	1,301,971
Depreciation charge	184,691	480,309	39,397	21,740	-	53,794	779,931
Disposals	(114)	(58,793)	-	(10,024)	-	-	(68,931)
<b>At 31 December 2009</b>	<b>442,196</b>	<b>1,177,091</b>	<b>174,604</b>	<b>83,668</b>	<b>-</b>	<b>135,412</b>	<b>2,012,971</b>
<i>Carrying value</i>							
<b>At 31 December 2009</b>	<b>7,792,483</b>	<b>2,360,750</b>	<b>160,118</b>	<b>172,459</b>	<b>236,666</b>	<b>202,342</b>	<b>10,924,818</b>
<i>Cost</i>							
At 1 January 2008	8,059,588	1,593,054	325,874	176,088	449,712	199,333	10,803,649
Additions	55,407	232,912	-	20,114	146,054	4,050	458,537
Disposals	-	(53,400)	(28,908)	(662)	(349)	-	(83,319)
Transfers	-	238,320	-	-	(238,320)	-	-
<b>At 31 December 2008</b>	<b>8,114,995</b>	<b>2,010,886</b>	<b>296,966</b>	<b>195,540</b>	<b>357,097</b>	<b>203,383</b>	<b>11,178,867</b>
<i>Depreciation</i>							
At 1 January 2008	75,169	444,847	109,298	56,582	-	41,745	727,641
Depreciation charge	182,450	356,174	41,143	15,985	-	39,873	635,625
Disposals	-	(45,446)	(15,234)	(615)	-	-	(61,295)
<b>At 31 December 2008</b>	<b>257,619</b>	<b>755,575</b>	<b>135,207</b>	<b>71,952</b>	<b>-</b>	<b>81,618</b>	<b>1,301,971</b>
<i>Carrying value</i>							
<b>At 31 December 2008</b>	<b>7,857,376</b>	<b>1,255,311</b>	<b>161,759</b>	<b>123,588</b>	<b>357,097</b>	<b>121,765</b>	<b>9,876,896</b>

## 20 Intangible assets

'000 KZT	Computer software	Other	Total
<i>Cost</i>			
At 1 January 2009	733,279	124,550	857,829
Additions	282,885	73,771	356,656
Disposals	(419)	(8,349)	(8,768)
<b>At 31 December 2009</b>	<b>1,015,745</b>	<b>189,972</b>	<b>1,205,717</b>
<i>Amortisation</i>			
At 1 January 2009	225,235	47,082	272,317
Amortisation charge	158,063	31,869	189,932
Disposals	(419)	(3,307)	(3,726)
<b>At 31 December 2009</b>	<b>382,879</b>	<b>75,644</b>	<b>458,523</b>
<i>Carrying value</i>			
<b>At 31 December 2009</b>	<b>632,866</b>	<b>114,328</b>	<b>747,194</b>

'000 KZT	Computer software	Other	Total
<i>Cost</i>			
At 1 January 2008	539,294	100,986	640,280
Additions	194,734	23,564	218,298
Disposals	(749)	-	(749)
<b>At 31 December 2008</b>	<b>733,279</b>	<b>124,550</b>	<b>857,829</b>
<i>Amortisation</i>			
At 1 January 2008	114,957	24,908	139,865
Amortisation charge	111,027	22,174	133,201
Disposals	(749)	-	(749)
<b>At 31 December 2008</b>	<b>225,235</b>	<b>47,082</b>	<b>272,317</b>
<i>Carrying value</i>			
<b>At 31 December 2008</b>	<b>508,044</b>	<b>77,468</b>	<b>585,512</b>

## 21 Other assets

	2009 '000 KZT	2008 '000 KZT
Receivable from collection company	3,941,061	4,921,584
Advances on capital expenditures	703,576	272,582
Accrued commission income	635,891	1,015,633
Precious metals	403,898	53,668
Receivable from personnel	117,309	-
Prepayments	70,236	181,495
Materials and supplies	69,121	31,161
Taxes prepaid, other than income tax	38,690	45,598
Due from American Express for travel cheques accepted	15,982	47,435
Net receivables under open spot transactions	390	830
Receivable on sale of subsidiary	-	350,000
Other	578,748	251,138
	<b>6,574,902</b>	<b>7,171,124</b>
Impairment allowance	(119,689)	(3,574)
	<b>6,455,213</b>	<b>7,167,550</b>

Receivable from collection company relates to the outstanding balance on the sale of a portfolio of retail loans. This retail portfolio was sold in 2008 for a consideration of KZT 5,155,995 thousand with 10% receivable in advance and the remainder receivable in instalments until 25 December 2010.

### Analysis of movements in the impairment allowance

	2009 '000 KZT	2008 '000 KZT
Balance at the beginning of the year	3,574	36,890
Net charge/(recovery) for the year (Note 11)	128,984	(19,654)
Write-offs	(12,869)	(13,662)
<b>Balance at the end of the year</b>	<b>119,689</b>	<b>3,574</b>

## 22 Deposits and balances from banks

	2009 '000 KZT	2008 '000 KZT
Term deposits	655,460	11,037,880
Vostro accounts	41,996	151,485
	<b>697,456</b>	<b>11,189,365</b>

### Concentration of deposits and balances from banks

As at 31 December 2009 and 2008 the Group had one and two banks and financial institutions, respectively, whose balances exceeded 10% of total deposits and balances from banks. The gross value of these balances as of 31 December 2009 and 2008 are KZT 654,800 thousand and KZT 10,437,230 thousand, respectively.

**23 Amounts payable under repurchase agreements**

	2009 '000 KZT	2008 '000 KZT
Amounts due to banks and other financial institutions	2,200,271	14,130,677

**Securities pledged**

As of 31 December 2009 and 2008, the Group had pledged certain securities as collateral under repurchase agreements (refer to Note 18).

**24 Current accounts and deposits from customers**

	2009 '000 KZT	2008 '000 KZT
<b>Current accounts and demand deposits</b>		
- Retail	9,181,997	11,075,588
- Corporate	36,636,675	47,283,968
<b>Term deposits</b>		
- Retail	91,411,982	23,240,696
- Corporate	103,387,846	55,053,567
	<b>240,618,500</b>	<b>136,653,819</b>

**(a) Blocked accounts**

As at 31 December 2009, the Group maintained customer deposit balances of KZT 20,360,188 thousand (31 December 2008: KZT 14,197,436 thousand) which were blocked by the Group as collateral for loans and off-balance sheet credit instruments granted by the Group.

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

As at 31 December 2009 and 2008, the Group had one and two customers, respectively, whose balances exceeded 10% of total customer accounts. These balances as of 31 December 2009 and 2008 were KZT 38,282,291 thousand and KZT 31,269,407 thousand, respectively.

**25 Debt securities issued**

	2009 '000 KZT	2008 '000 KZT
Par value	10,334,740	-
Discount	(446,558)	-
Accrued interest	289,486	-
	<b>10,177,668</b>	-

All bonds issued bear fixed coupon rate. The summary of bond issues at 31 December 2009 and 2008 is presented below:

	Issue registration date	Maturity	Fixed coupon rate	Effective rate	Carrying amount	
					2009 '000 KZT	2008 '000 KZT
Bonds of the fifth issue	1-Sept-08	1-Sept-23	8.60%	9.96%	6,619,200	-
Bonds of the ninth issue	15-Oct-08	15-Oct-15	13.00%	11.00%	3,558,468	-
					<b>10,177,668</b>	-

## 26 Subordinated debt securities issued

	2009 '000 KZT	2008 '000 KZT
Par value	17,942,000	24,125,720
Discount	(1,780,549)	(2,646,946)
Accrued interest	407,565	694,574
	<b>16,569,016</b>	<b>22,173,348</b>

As at 31 December 2009 subordinated debt securities issued comprise unsecured obligations of the Group. In case of bankruptcy, the repayment of the subordinated debt securities would be made after repayment in full of all other liabilities of the Group.

All subordinated bonds issued bear fixed coupon rate. The summary of subordinated debt issues at 31 December 2009 and 2008 is presented below:

	Issue registration date	Maturity	Fixed coupon rate	Effective rate	Carrying amount	
					2009 '000 KZT	2008 '000 KZT
Bonds of the first issue	25-Nov-03	25-Nov-08	6.50%	6.71%	-	1,964,924
Bonds of the second issue	10-Dec-04	10-Dec-11	7.50%	7.68%	1,050,312	2,615,983
Bonds of the third issue	5-Apr-06	5-Apr-13	9.70%	11.82%	7,158,603	9,460,971
Bonds of the fourth issue	4-Sept-07	4-Sept-14	7.90%	20.87%	7,643,213	8,131,470
Bonds of the sixth issue	1-Sept-08	1-Sept-15	11.00%	10.15%	4,838	-
Bonds of the eighth issue	15-Oct-08	15-Oct-23	7.20%	17.94%	712,050	-
					<b>16,569,016</b>	<b>22,173,348</b>

## 27 Other borrowed funds

	2009 '000 KZT	2008 '000 KZT
Loans from state financial institutions other than banks	24,658,165	28,202,459
Loans from banks	757,811	5,824,519
Loans from the Ministry of Finance of the Republic of Kazakhstan	181,749	-
	<b>25,597,725</b>	<b>34,026,978</b>

As at 31 December 2009, the terms and conditions of the loans outstanding are as follows:

	Currency	Average fixed interest rate	Year of maturity	Carrying amount '000 KZT
Damu Entrepreneurship Development Fund JSC	KZT	8.00-11.35%	2013-2016	24,658,165
Foreign banks	USD/EUR	3.68-8.59%	2010	757,811
The Ministry of Finance of the Republic of Kazakhstan	KZT/USD	2.80-7.00%	2024	181,749
				<b>25,597,725</b>

## 27 Other borrowed funds, continued

As at 31 December 2008, the terms and conditions of the loans outstanding are as follows:

	<u>Currency</u>	<u>Average fixed Interest rate</u>	<u>Year of maturity</u>	<u>Carrying amount '000 KZT</u>
Damu Entrepreneurship Development Fund JSC	KZT	8.00-11.35%	2013-2016	28,202,459
Kazakhstan Banks	USD	7.40%	2009	2,355,405
Foreign banks	USD/EUR	5.06-9.66%	2009-2010	3,469,114
				<b>34,026,978</b>

## 28 Other liabilities

	<u>2009 '000 KZT</u>	<u>2008 '000 KZT</u>
Taxes payable, other than income taxes	332,605	269,983
Vacation accrual	292,970	394,320
Deferred income	181,392	685,895
Accrued administrative expenses	45,111	38,498
Amounts payable to employees	24,717	12,556
Payable to American Express Bank for travel cheques	-	570,736
Debtors under factoring operations	-	49,973
Payable to Aktiva Plus LLC for premises acquired	-	85,401
Other	312,952	79,092
	<b>1,189,747</b>	<b>2,186,454</b>

## 29 Share capital

### (a) Issued capital and share premium

As at 31 December 2009 issued and outstanding share capital comprises 15,307,970 fully paid ordinary shares including 8,368,300 shares with a par value of KZT 955.98 and 2,631,500 shares with a par value of KZT 1,523.90 and 2,930,452 shares with a par value of KZT 1,092 and 1,377,718 shares with a par value of KZT 6,532.60 (2008: 10,999,800 fully paid ordinary shares comprises 8,368,300 shares with a par values of KZT 955.98 and 2,631,500 shares with a par value of KZT 1,523.90).

On 4 November 2008, the Group performed a share split of 1:100. During the year ended 31 December 2009 the Group issued to existing shareholders 4,308,170 ordinary shares for KZT 12,200,134 thousand (2008: 26,315 ordinary shares for KZT 4,010,143 thousand).

### (b) Dividends

In accordance with Kazakhstan legislation the distributable reserves are limited to the balance of retained earnings as recorded in the Group'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 Group had accumulated losses, including losses for the current year, of KZT 3,966,929 thousand (2008: retained earnings of KZT 36,173,355 thousand).

In May 2009 the Bank declared and paid dividends of KZT 7.23 per share for a total of KZT 100,053 thousand (2008: nil).



## 29 Share capital, continued

### (c) Reserves for general banking risks

Reserves for general banking risks are represented by a reserve fund, which is created as required by Kazakhstan regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. During the year ended 31 December 2009 the Group transferred KZT 2,598,995 thousand from retained earnings to the reserve for general banking risks (2008: KZT 2,057,043 thousand).

## 30 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Group's operations. The major risks faced by the Group 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 risk management policies aim to identify, analyse and manage the risks faced by the Group, 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 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 is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Head of Risk Department 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 and indirectly to the Board of Directors.

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee. In order to facilitate efficient decision-making, the Group has established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the Group'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 Group'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 Management Committee (ALCO), chaired by the Deputy Chairman of Bank. Market risk limits are approved by ALCO based on recommendations of the Risk Department's Market Risk Management Division.

## 30 Risk management, continued

### (b) Market risk, continued

The Group 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 Group 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 Group'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 Group 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 Group's net interest margin to various standard and non-standard interest rate scenarios.

The Group also utilises Value-at-Risk (VaR) methodology to monitor market risk of its trading positions.

### (i) Value at Risk (VaR) estimates

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VaR models used by the Group are predominantly based on historical simulation. The historical simulation models derive plausible future scenarios from historical market rate time series.

The historical simulation models used by the Group incorporate the following features:

- potential market movements are calculated with reference to data from the last 12 months;
- historical market rates and prices are calculated with reference to foreign exchange rates of the NBRK and equity prices on the Kazakhstan Stock Exchange (KASE) and the associated volatilities;
- VaR is calculated to a 95 per cent confidence level; and
- VaR is calculated for a one-day holding period.

Although a valuable guide to risk, VaR should always be viewed in the context of its limitations. For example:

- the use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature;
- the use of a 1-day holding period assumes that all positions can be liquidated or hedged in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a 1-day holding period may be insufficient to liquidate or hedge all positions fully;
- the use of a 95 per cent confidence level, by definition, does not take into account losses that might occur beyond this level of confidence;
- VaR is calculated on the basis of exposures outstanding at the end-of-day and therefore does not necessarily reflect intra-day exposures; and
- the VaR measure is dependent upon the Group's position and the volatility of market rates and prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

### 30 Risk management, continued

#### (b) Market risk, continued

##### (i) Value at Risk (VaR) estimates, continued

The Group does not solely rely on its VaR calculations in its market risk measurement due to inherent risk of usage of VaR as described above. The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

##### (ii) Currency risk

The Group 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. Evaluation of currency risk is performed based on analysis of open foreign exchange positions for each type of foreign currency. The Group manages currency risk by conducting operations in foreign currency, which affect the structure of foreign currency denominated assets and liabilities, within the limits approved by ALCO for each currency position. The Group is required to be in compliance with limits on open long, short and net foreign currency positions set by the FMSA. The limits for open positions are equal to 12.5% and 5% of shareholder's equity for currencies of countries with sovereign credit rating above "A" (Standard and Poors) and below "A", respectively. The maximum limit for net currency position is 25% of shareholder's equity.

For the estimation of possible losses from currency risk the Group uses VaR methodology.

A summary of the VaR estimates in respect of foreign currency risk as at 31 December 2009 and 2008 is as follows:

	<b>31 December 2009</b>	<b>31 December 2008</b>
Foreign exchange risk, open positions	51,388	6,477

For further information on the exposure to currency risk at year end refer to Note 40.

##### (iii) Interest rate risk

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

The Group 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 arise.

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.

An analysis of sensitivity of the projected profit or loss for the year and equity to interest rate repricing risk 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:

	<b>31 December 2009</b>		<b>31 December 2008</b>	
	<b>Profit or loss</b>	<b>Equity</b>	<b>Profit or loss</b>	<b>Equity</b>
100 bp parallel increase	(144,988)	(144,988)	(148,757)	(148,757)
100 bp parallel decrease	144,988	144,988	148,757	148,757

### 30 Risk management, continued

#### (b) Market risk, continued

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

An analysis of sensitivity of the profit or loss for the year and equity as a result of changes in fair value of financial assets available for sale due to changes in the 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	-	(1,043,396)	-	(444,627)
100 bp parallel decrease	-	1,091,418	-	436,363

The above analysis assumes all available for sale assets are held one year from the reporting date.

#### (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 Group. The Group 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 credit risk. The credit policy is reviewed and approved by the Management Board.

The Group established a number of credit committees, which are responsible for oversight of the Group's credit risk.

The following credit committees are responsible for approving corporate and retail credit risk exposures:

- The Board of Directors approves loans for amounts exceeding 20% of total equity at the date of approval;
- The Management Board approves loans for amounts exceeding 15% of total equity at the date of approval;
- The Credit Committee approves applications up to 15% of total equity at the date of approval;
- The Credit Committee of branches review loan applications which are then approved by the Credit Committees of the Head Office

All Committees can approve the loan conditions different from those stated in the Group's internal policy guidelines within certain limits. They can also submit the petition to the above committees up to the Board of Directors for resolution.

The Group limits concentrations of exposure for a borrower or/and a group of related borrowers as well as by industry/sector, by region.

The Group's credit policy establishes:

- Procedures for review and approval of loan/credit applications;
- Methodology for the credit assessment of borrowers (corporate, SME and retail);
- Methodology for the credit assessment of counterparties, issuers and insurance companies;
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

## 30 Risk management, continued

### (c) Credit risk, continued

Corporate loan/credit application, accepted by a service manager, is passed on to the Department of Corporate Relations. This department is responsible for the 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/credit application and the evaluation report are then independently reviewed by the Legal Department, who checks for the legal validity of the documents provided and expresses an opinion. The Collateral Department is responsible for checking the value and quality of the pledged property. A valuation assessment report is prepared. The Security Department checks the reputation of the potential borrower and whether the customer has non-performing loans in other banks. The conclusion is documented in a security report. The Risk Department checks for appropriate execution of the credit policy requirements. The Credit Committee makes a decision based on the conclusions of the Department of Corporate Lending and other divisions of the Bank, who participate in the lending process.

The Group 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 Group. The current market value of collateral is regularly assessed by either independent appraisal companies or the Group's specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan/credit applications are reviewed by the retail credit divisions of the branches through the use of scoring models and the application data verification procedures developed together with the Risk Department. Also, the Legal Department participates in the process of review of applications from retail clients by checking compliance of submitted documents with the internal requirements of the Group and legislation of the Republic of Kazakhstan. For loans below USD 30 thousand, no opinion of the Collateral Department is required, valuation is performed by the credit departments and approved by the Collateral Department. For all loans above USD 50 thousand, the Security Department approval is required.

Apart from individual customer analysis, the credit portfolio of homogeneous loans is assessed by the Risk Department with regard to credit concentration, trends of the loan balances and market risks.

The Group's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the balance sheet and off balance exposures as presented in the Note 32. 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:

	2009 '000 KZT	2008 '000 KZT
<b>ASSETS</b>		
Cash	13,820,441	7,971,327
Due from the National Bank of the Republic of Kazakhstan	50,354,612	37,528,015
Placements with banks	27,408,858	50,134,908
Amounts receivable under reverse repurchase agreements	21,392,315	-
Loans to customers	148,996,935	122,981,488
Available-for-sale assets	36,340,492	22,809,056
Insurance and reinsurance receivables	-	1,908,092
Other assets	4,593,324	7,228,748
<b>Total maximum exposure to on balance sheet credit risk</b>	<b>302,906,977</b>	<b>250,561,634</b>

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 17.

The maximum exposure to off balance sheet credit risk at the reporting date is presented in Note 32.

## 30 Risk management, continued

### (d) Liquidity risk

Liquidity risk is the risk that the Group 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.

The Group 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 Group's liquidity policy is reviewed and approved by the Management Board.

The Group 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 Group 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;
- managing the concentration and profile of debts;
- 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 a portfolio of short-term liquid assets to be maintained, largely made up placements with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained.

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 Group are presented to senior management on a weekly basis. Decisions on the Group's liquidity management are made by the Asset and Liability Management Committee and implemented by the Treasury Department.

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

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

### 30 Risk management, continued

#### (d) Liquidity risk, continued

The position as at 31 December 2009 was as follows:

'000 KZT	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
<b>Non-derivative liabilities</b>							
Deposits and balances from banks	42,656	-	683,342	-	-	725,998	697,456
Amounts payable under repurchase agreements	2,201,085	-	-	-	-	2,201,085	2,200,271
Current accounts and deposits from customers	58,988,195	9,851,028	69,868,383	128,720,456	-	267,428,062	240,618,500
Debt securities issued	-	306,609	723,158	4,119,107	16,270,260	21,419,134	10,177,668
Subordinated debt securities issued	-	349,122	1,189,410	22,359,120	1,309,059	25,206,711	16,569,016
Other borrowed funds	744,849	885,726	4,219,713	21,618,950	3,579,672	31,048,910	25,597,725
Other liabilities	312,899	332,605	362,851	-	-	1,008,355	1,008,355
<b>Total</b>	<b>62,289,684</b>	<b>11,725,090</b>	<b>77,046,857</b>	<b>176,817,633</b>	<b>21,158,991</b>	<b>349,038,255</b>	<b>296,868,991</b>
<b>Credit related commitments</b>	<b>64,087,555</b>	-	-	-	-	<b>64,087,555</b>	<b>64,087,555</b>

### 30 Risk management, continued

#### (d) Liquidity risk, continued

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

'000 KZT	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
<b>Non-derivative liabilities</b>							
Deposits and balances from banks	4,642,649	149,906	4,597,507	2,223,588	5,685,169	17,298,819	11,189,365
Amounts payable under repurchase agreements	14,145,962	-	-	-	-	14,145,962	14,130,677
Current accounts and deposits from customers	99,156,271	17,252,918	19,598,855	18,540,483	15,255,810	169,804,337	136,653,819
Subordinated debt securities issued	-	90,650	624,788	17,155,430	13,691,249	31,562,117	22,173,348
Other borrowed funds	14,118,345	455,864	13,981,066	6,761,955	17,288,660	52,605,890	34,026,978
Other liabilities	163,168	269,983	1,067,408	-	-	1,500,559	1,500,559
Liabilities directly associated with assets classified as held for sale		15,507,451	-	-	-	15,507,451	15,507,451
<b>Total</b>	<b>132,226,395</b>	<b>33,726,772</b>	<b>39,869,624</b>	<b>44,681,456</b>	<b>51,920,888</b>	<b>302,425,135</b>	<b>235,182,197</b>
<b>Credit related commitments</b>	<b>35,659,238</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,659,238</b>	<b>35,659,238</b>

To manage the liquidity risk arising from financial liabilities, the Group holds liquid assets comprising cash and cash equivalents, short-term state securities for which there is a liquid market. These assets can be readily sold to meet liquidity requirements. Hence, the Group believes that it is not necessary to disclose a maturity analysis in respect of these assets to enable users to evaluate the nature and extent of liquidity risk.



## 31 Capital management

The FMSA sets and monitors capital requirements for the Group.

The Group 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 consolidated 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 0.05 and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk is 0.10. The Group is in compliance with the statutory capital ratios during the years ended 31 December 2009 and 2008. As at 31 December 2009 this minimum level of tier 1 capital to total assets is 0.08 (2008: 0.09) and the minimum level of total capital to risk weighted assets, contingent liabilities, operational and market risk is 0.17 (2008: 0.17).

The Group'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 Group 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.

## 32 Commitments

The Group has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group 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 five years. The Group also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

## 32 Commitments, continued

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>		
Loan and credit line commitments	33,497,676	20,062,614
Guarantees	27,295,587	10,443,462
Covered letters of credit	3,294,292	4,839,108
Uncovered letters of credit	-	314,054
	<b>64,087,555</b>	<b>35,659,238</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.

## 33 Operating leases

### Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2009 '000 KZT	2008 '000 KZT
Less than one year	360,299	54,899
Between one and five years	209,591	395,543
	<b>569,890</b>	<b>450,442</b>

The Group leases a number of premises and equipment under 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 705,257 thousand was recognised as an expense in profit or loss in respect of operating leases (2008: KZT 444,834 thousand).

## 34 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 Group 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 Group property or relating to the Group's operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Group's operations and financial position.

## 34 Contingencies, continued

### (b) Litigation

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

### (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 these financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

## 35 Custody activities

The Group provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the Group and are not recognised in the consolidated balance sheet.

## 36 Related party transactions

### (a) Parent company

The Group's immediate and ultimate holding company is Eurasian Financial Company JSC ("the Parent company").

No publicly available financial statements are produced by the Parent company.

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

Total remuneration included in employee compensation (refer to Note 12):

	2009 '000 KZT	2008 '000 KZT
Members of the Board of Directors	136,537	120,650
Members of the Management Board	202,012	154,779
	<b>338,549</b>	<b>275,429</b>

### 36 Related party transactions, continued

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

The outstanding balances and average interest rates as at and for the years ended 31 December 2009 and 2008 with members of the Board of Directors and the Management Board were as follows:

	2009 '000 KZT	Average Interest Rate	2008 '000 KZT	Average Interest Rate
<b>Consolidated balance sheet</b>				
<b>Assets</b>				
Loans to customers	52,233	13.37%	85,159	13.61%
<b>Liabilities</b>				
Current accounts and deposits from customers	15,396,620	9.17%	3,652,429	8.63%

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

	2009 '000 KZT	2008 '000 KZT
<b>Consolidated statement of income and comprehensive income</b>		
Interest income	14,312	19,567
Interest expense	(787,962)	(262,321)

## 36 Related party transactions, continued

### (c) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2009 and related profit or loss amounts of transactions for the year ended 31 December 2009 with other related parties are disclosed in the table below:

	Parent company		Fellow subsidiaries		Entities under common control		Entities under significant influence		Total
	'000 KZT	Average Interest Rate, %	'000 KZT	Average Interest Rate, %	'000 KZT	Average Interest Rate, %	'000 KZT	Average Interest Rate, %	'000 KZT
<b>Consolidated Balance Sheet</b>									
<b>Assets</b>									
Loans to customers	-	-	7,453	11.80	2,725,996	14.18	1,139,649	13.29	3,873,098
Other assets	-	-	55,369	-	-	-	42	-	55,411
<b>Liabilities</b>									
Current accounts and deposits from customers	2,085	0.00	4,040,441	11.82	4,101,559	4.47	43,784,378	5.90	51,928,463
Debt securities issued	-	-	9,495	12.33	-	-	-	-	9,495
Subordinated debt securities issued	-	-	79,198	8.49	-	-	-	-	79,198
Other liabilities	-	-	1,065	-	353	-	103	-	1,521
<b>Off balance sheet items</b>									
Loan and credit line commitments	-	-	-	-	1,461,687	-	-	-	1,461,687
Guarantees and letters of credit issued	-	-	167	-	474	-	545	-	1,186
<b>Consolidated Statement of Income and Comprehensive Income</b>									
Interest income	-	-	1,433	-	414,273	-	201,606	-	617,312
Interest expense	(41,042)	-	(455,391)	-	(80,910)	-	(1,537,685)	-	(2,115,028)
Fee and commission income	1,056	-	19,772	-	24,606	-	451,721	-	497,155
Net foreign exchange gain	11,291	-	81,235	-	50,828	-	387,279	-	530,633
Impairment losses	-	-	-	-	(54,921)	-	(16,459)	-	(71,380)
Administrative expenses	(58,187)	-	(97,717)	-	(104,289)	-	(192,501)	-	(452,694)

## 36 Related party transactions, continued

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

In February and March 2009 the Group sold Insurance Company Eurasia JSC, Eurasia Accumulation Pension Fund (Subsidiary of Eurasian Bank JSC) JSC and Eurasian Capital JSC to the Parent company for KZT 4,003,315 thousand. Since consideration paid by the Parent company was less than the net assets of these subsidiaries at the date of disposal, the loss in the amount of KZT 28,025,179 thousand was recognised directly in equity.

During the year, ended 31 December 2009, the Group acquired property and equipment from the Parent company in the amount of KZT 15,614 thousand, and an entity under common control in the amount of KZT 124 thousand (2008: purchased from parent and fellow subsidiary in the amount of KZT 6,189 thousand and KZT 167,927 thousand respectively).

The outstanding balances and the related average interest rates as of 31 December 2008 and related profit or loss amounts of transactions for the year ended 31 December 2008 with other related parties are disclosed in the table below.

	Parent company		Fellow subsidiaries		Entities under significant influence		Total
	'000 KZT	Average Interest Rate, %	'000 KZT	Average Interest Rate, %	'000 KZT	Average Interest Rate, %	'000 KZT
<b>Consolidated Balance Sheet</b>							
<b>Assets</b>							
Loans to customers	-	-	3,412,262	12.58	1,030,016	12.96	4,442,278
Other assets	350,000	-	11,821	-	141	-	361,962
<b>Liabilities</b>							
Current accounts and deposits from customers	1,011,164	5.02	3,724,694	1.00	45,519,057	3.51	50,254,915
Other liabilities	-	-	107	-	1,096	-	1,203
<b>Off balance sheet items</b>							
Loan and credit line commitments	-	-	800	-	1,350,000	-	1,350,800
Guarantees and letters of credit issued	-	-	22,968	-	33,470	-	56,438
<b>Consolidated Statement of Income and Comprehensive Income</b>							
Interest income	-	-	437,486	-	108,395	-	545,881
Interest expense	(52,432)	-	(22,266)	-	(1,121,593)	-	(1,196,291)
Fee and commission income	6,911	-	33,395	-	771,963	-	812,269
Net foreign exchange gain	13,392	-	18,520	-	421,310	-	453,222
Impairment losses	-	-	192,865	-	-	-	192,865
Administrative expenses	(196,782)	-	(51,186)	-	(221,500)	-	(469,468)
<b>Discontinued operations</b>							
Assets	310,901	8.14	41,545	-	377,245	10.00	729,691
Liabilities	5,064	-	487	-	3,450,841	-	3,456,392
Income	20,612	-	94,734	-	4,037,458	-	4,152,804
Expense	(2,344)	-	(14,455)	-	(840,910)	-	(857,709)

### 37 Cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows was composed of the following items:

	<b>2009</b>	<b>2008</b>
	<b>'000 KZT</b>	<b>'000 KZT</b>
Cash	13,820,441	7,971,328
Due from the NBRK – nostro account	50,354,612	37,528,015
Placements with banks with original maturities of less than 3 months	22,040,280	37,435,264
Obligatory reserve	(4,502,747)	(4,098,411)
	<b>81,712,586</b>	<b>78,836,196</b>

Under Kazakh legislation, the Group is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Group. Such reserves must be held in either non-interest bearing deposits with NBRK or in cash and maintained based on average monthly balances of the aggregate of deposits with the NBRK and cash. The use of such funds is, therefore, subject to certain restrictions.

### 38 Fair value of financial instruments

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuations. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect difference between the instruments.

During the current year, due to changes in market conditions, quoted prices in active markets were no longer available, including government securities listed on Kazakhstan Stock Exchange. Accordingly, as at 31 December 2009 the estimated fair value of financial instruments has been based on the results of valuation techniques involving the use of observable market inputs only. Level 2 securities amounted to KZT 35,193,132 thousand.

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

### 38 Fair value of financial instruments, continued

The estimates of fair value are intended to approximate the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

The estimated fair values of all financial instruments approximate their carrying values, except as follows:

	2009 '000 KZT Fair Value	2009 '000 KZT Carrying Value	2008 '000 KZT Fair Value	2008 '000 KZT Carrying Value
<b>ASSETS</b>				
Placements with banks	27,632,107	27,408,858	38,788,373	38,615,872
Loans to customers	157,710,060	148,996,935	119,235,899	122,981,488
<b>LIABILITIES</b>				
Deposits and balances from banks	724,548	697,456	11,195,999	11,189,365
Current accounts and deposits from customers	247,522,908	240,618,500	137,126,462	136,653,819
Debt securities issued	11,221,058	10,177,668	-	-
Subordinated debt securities issued	13,424,621	16,569,016	24,203,863	22,173,348
Other borrowed funds	25,307,080	25,597,725	33,865,522	34,026,978

The estimates of fair value are intended to approximate the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.



### 39 Average effective interest rates

The table below displays the Group'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.

	2009			2008		
	Average effective interest rate, %			Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
<b>Interest bearing assets</b>						
Placements with banks						
- Nostro accounts	-	0.20	2.00	-	0.59	4.49
- Loans and deposits	11.00	5.03	-	-	9.51	2.00
Amounts receivable under reverse repurchase agreements	15.52	-	-	-	-	-
Loans to customers	17.15	16.09	13.69	17.83	16.46	17.37
Available-for-sale assets	6.12	6.39	-	10.45	7.32	-
<b>Interest bearing liabilities</b>						
Deposits and balances from banks	13.70	-	-	10.14	4.50	-
Amounts payable under repurchase agreement	9.78	-	-	11.19	-	-
Demand deposits and terms deposits from customers						
- Retail customers	12.27	9.32	8.89	11.41	7.04	8.77
- Corporate customers	9.03	7.98	5.80	10.75	7.33	8.19
Debt securities issued	14.79	-	-	-	-	-
Subordinated debt securities issued	15.31	-	-	13.29	-	-
Other borrowed funds						
- Loans from financial institutions	8.19	-	-	8.61	10.95	-
- Loans from banks	8.30	4.37	-	6.44	8.04	-
- Loans from the Ministry of Finance of the Republic of Kazakhstan	2.80	7.00	-	-	-	-

## 40 Currency analysis

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

'000 KZT	KZT	USD	Other currencies	Total
<b>Assets</b>				
Cash	5,076,293	5,835,975	2,908,173	13,820,441
Due from the National Bank of the Republic of Kazakhstan	25,895,463	16,329,049	8,130,100	50,354,612
Placements with banks	3,785,385	20,484,974	3,138,499	27,408,858
Amounts receivable under reverse repurchase agreements	21,392,315	-	-	21,392,315
Loans to customers	95,107,120	50,479,038	3,410,777	148,996,935
Available-for-sale assets	35,193,132	1,147,360	-	36,340,492
Current tax asset	543,492	-	-	543,492
Deferred tax asset	4,296,247	-	-	4,296,247
Property and equipment	10,924,818	-	-	10,924,818
Intangible assets	747,194	-	-	747,194
Other assets	5,410,730	962,268	82,215	6,455,213
<b>Total assets</b>	<b>208,372,189</b>	<b>95,238,664</b>	<b>17,669,764</b>	<b>321,280,617</b>
<b>Liabilities</b>				
Deposits and balances from banks	(657,130)	(40,245)	(81)	(697,456)
Amounts payable under repurchase agreements	(2,200,271)	-	-	(2,200,271)
Current accounts and deposits from customers	(128,384,383)	(94,801,578)	(17,432,539)	(240,618,500)
Debt securities issued	(10,177,668)	-	-	(10,177,668)
Subordinated debt securities issued	(16,569,016)	-	-	(16,569,016)
Other borrowed funds	(24,750,073)	(632,927)	(214,725)	(25,597,725)
Other liabilities	(304,694)	(874,916)	(10,137)	(1,189,747)
<b>Total liabilities</b>	<b>(183,043,235)</b>	<b>(96,349,666)</b>	<b>(17,657,482)</b>	<b>(297,050,383)</b>
<b>Net on balance sheet position as of 31 December 2009</b>	<b>25,328,954</b>	<b>(1,111,002)</b>	<b>12,282</b>	<b>24,230,234</b>
Net off balance sheet position as of 31 December 2009	(35,338,268)	(25,392,902)	(3,356,385)	(64,087,555)
<b>Net on and off balance sheet position as of 31 December 2009</b>	<b>(10,009,314)</b>	<b>(26,503,904)</b>	<b>(3,344,103)</b>	<b>(39,857,321)</b>
Net on and off balance sheet positions as of 31 December 2008	22,374,717	(12,984,214)	(1,493,410)	7,897,093

## 41 Events subsequent to the reporting date

On 1 April 2010 the Group acquired of 99.99% share in Russian bank Bank Troika Dialog OJSC from third parties for a total consideration of USD 22,493 thousand and RUR 150 thousand in full satisfied in cash. The Parent company acquired the remaining 0.01% share for USD 0.09. As at the date of the consolidated financial statements authorization for issue the Group has not finalized the purchase price allocation on the acquisition of the subsidiary. And accordingly, information about the amounts recognised as at the acquisition date for each major class of assets acquired and liabilities assumed, for contingent consideration arrangements and indemnification assets, for contingent liabilities and for potential goodwill has not been determined and presented.