JOINT STOCK COMPANY KAZKOMMERTSBANK

Consolidated Financial Statements
For the Years Ended 31 December 2010, 2009 and 2008

JOINT STOCK COMPANY KAZKOMMERTSBANK

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JOINT STOCK COMPANY KAZKOMMERTSBANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATIONAND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

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

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the Group as at 31 December 2010, 2009 and 2008 the consolidated results of its operations, cash flows and changes in equity for the years then ended, in accordance with International Financial Reporting Standards ("IFRS").

In preparing the consolidated financial statements, management is responsible for:

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

Management is also responsible for:

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

The recent economic downturn and severe liquidity conditions continue to place extreme pressure on the financial markets in particular and the global economy, generally. Governments and central banks have introduced extensive measures both in Kazakhstan and globally in order to redress the capital and liquidity imbalance. The Group has become an active participant in funding measures introduced by the Kazakhstan government, and its future funding and capital plans for 2011 include an element of continued reliance on these measures.

The consolidated financial statements for the years ended 31 December 2010, 2009 and 2008 were authorized for issue on 24 March 2011 by the Management Board of JSC Kazkommertsbank.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

24 March 2011
Almaty

Shoinbekova G.K.
Chief Accountant

24 March 2011
Almaty

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of JSC Kazkommertsbank:

We have audited the accompanying consolidated financial statements of Joint Stock Company Kazkommertsbank (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at 31 December 2010, 2009 and 2008, the consolidated income statements, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management of the Group is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from 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 auditors' 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 policies 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 audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Bank and its subsidiaries as at 31 December 2010, 2009 and 2008, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion we draw attention to Notes 4 and 15 to these consolidated financial statements. As described in those notes the presentation of the consolidated statements of cash flows have been changed for the years ended 31 December 2009 and 2008.

Andrew Weekes
Engagement Partner
Chartered Accountant
Certificate of Public Practice 78586
Australia

Deloitte, LLP

Deloitte, LLP
State license on auditing
in the Republic of Kazakhstan
Number 0000015, type MFU-2, issued by
the Ministry of Finance of the
Republic of Kazakhstan
dated 13 September 2006

Nurlan Bekenov
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate # 0082
dated 13 June 1994
General Director
Deloitte, LLP

24 March 2011
Almaty, Kazakhstan

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED INCOME STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Notes	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million) (Restated)*	Year ended 31 December 2008 (KZT million) (Restated)*
Interest income	5, 33	291,515	372,460	380,043
Interest expense	5, 33	(152,091)	(178,846)	(181,212)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		139,424	193,614	198,831
Provision for impairment losses on interest bearing assets	6, 33	(95,555)	(192,406)	(148,780)
NET INTEREST INCOME		43,869	1,208	50,051
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	7	(5,947)	24,524	(27,515)
Net gain/(loss) on foreign exchange and precious metals operations	8	2,562	(14,965)	6,028
Fee and commission income	9	20,974	20,731	21,448
Fee and commission expense	9	(3,779)	(3,540)	(4,302)
Net realized gain/(loss) on investments available-for-sale	10	69	(1,026)	(2,490)
Dividends received		181	186	176
Other income	11	6,530	34,427	9,294
NET NON-INTEREST INCOME		20,590	60,337	2,639
OPERATING INCOME		64,459	61,545	52,690
OPERATING EXPENSES	12, 33	(35,833)	(30,148)	(32,477)
PROFIT BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES		28,626	31,397	20,213
Provision for impairment losses on other transactions	6, 33	(3,679)	(2,511)	(1,096)
Recovery of provision for guarantees and other contingencies	6, 33	3,261	600	856
Gain from sale of associates and share of results of associates	33	-	4,372	(3,585)
OPERATING PROFIT BEFORE INCOME TAX		28,208	33,858	16,388
Income tax (expense)/benefit	13	(7,419)	(13,101)	8,298
NET PROFIT FROM CONTINUING OPERATIONS		20,789	20,757	24,686
Profit/(loss) from discontinued operations, net of tax		1,199	(1,734)	(4,522)
NET PROFIT		21,988	19,023	20,164
Attributable to:				
Ordinary shareholders of the Parent		19,494	17,152	18,406
Preference shareholders of the Parent		2,385	2,271	3,399
Non-controlling interest		109	(400)	(1,641)
		21,988	19,023	20,164
EARNINGS PER SHARE				
Basic and diluted (KZT)	14	25.04	24.27	32.01

* The prior year balances have been restated to be comparable to the current year due to the disposal of the subsidiary, LLP Investment Group East Kommerts in 2010.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

24 March 2011
Almaty

Shoinbekova G.K.
Chief Accountant

24 March 2011
Almaty

The notes on pages 12-108 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)
NET PROFIT	21,988	19,023	20,164
Property and equipment:			
Revaluation of property and equipment	771	(1,896)	(362)
	771	(1,896)	(362)
Investments available-for-sale:			
Unrealized gain/(loss) on revaluation of investments available-for-sale	609	1,627	(4,237)
Gain transferred to income statement on sale of investments available-for-sale	(69)	(34)	(82)
Loss transferred to income statement on impairment of investments available-for-sale	-	1,060	2,120
Parent's share from revaluation of associated companies reserves	-	(130)	3
	540	2,523	(2,196)
Cash flow hedges:			
Loss on cash flow hedges	-	(1,992)	(43,397)
Plus: net gain on hedging reserve transferred to earnings	941	14,219	30,000
	941	12,227	(13,397)
Exchange differences on translation of foreign operations	158	2,443	(3,443)
Deferred income tax:			
Deferred income tax recognized on revaluation of property and equipment	(125)	379	72
Deferred income tax recognized on property and equipment due to tax rate changes	-	(401)	1,144
Deferred income tax recognized on (loss)/gain on investments available-for-sale, on cash flow hedges and due to tax rate changes	(133)	(2,935)	3,103
	(258)	(2,957)	4,319
TOTAL COMPREHENSIVE INCOME	24,140	31,363	5,085
Attributable to:			
Ordinary shareholders of the Parent	19,694	27,731	6,321
Preference shareholders of the Parent	3,149	4,133	775
Non-controlling interest	1,297	(501)	(2,011)
TOTAL COMPREHENSIVE INCOME	24,140	31,363	5,085

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

24 March 2011
Almaty

Shoinbekova G.K.
Chief Accountant

24 March 2011
Almaty

The notes on pages 12-108 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2010, 2009 AND 2008

	Notes	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
ASSETS:				
Cash and balances with national (central) banks	15	61,216	90,533	90,478
Precious metals		1,345	1,209	317
Financial assets at fair value through profit or loss	16	223,231	114,203	58,130
Loans and advances to banks and other financial institutions	17	146,331	148,375	241,813
Loans to customers	18, 33	2,174,760	2,160,767	2,144,782
Investments available-for-sale	19	16,822	16,696	15,056
Investments held to maturity	20	1,996	943	776
Investments in associates	33	-	-	1,775
Goodwill	21	2,405	2,405	2,405
Property, equipment and intangible assets	22	31,857	33,971	35,465
Other assets	23	28,145	18,771	23,808
TOTAL ASSETS		2,688,108	2,587,873	2,614,805
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and advances from banks and other financial institutions	24	147,139	209,122	296,391
Customer accounts	25, 33	1,506,800	1,276,464	979,453
Financial liabilities at fair value through profit or loss	16	36,047	35,991	54,339
Debt securities issued	26	375,199	463,656	678,285
Other borrowed funds	27	23,943	31,172	137,324
Provisions	6	10,190	11,945	10,276
Deferred income tax liabilities	13	30,035	24,519	10,205
Dividends payable		4	15	5
Other liabilities	28	7,868	8,990	16,941
		2,137,225	2,061,874	2,183,219
Subordinated debt	29	137,137	136,411	117,724
Total liabilities		2,274,362	2,198,285	2,300,943
EQUITY:				
Equity attributable to equity holders of the Parent:				
Issued and outstanding share capital	30	9,031	9,031	6,990
Share premium reserve		195,024	195,006	152,684
Property and equipment revaluation reserve		5,508	4,935	6,918
Other reserves		203,109	180,839	146,992
Total equity attributable to equity holders of the Parent		412,672	389,811	313,584
Non-controlling interest		1,074	(223)	278
Total equity		413,746	389,588	313,862
TOTAL LIABILITIES AND EQUITY		2,688,108	2,587,873	2,614,805

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

24 March 2011
Almaty

Shoinbekova G.K.
Chief Accountant

24 March 2011
Almaty

The notes on pages 12-108 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value deficit[1]	Cumulative translation reserve[1]	Hedging reserve[1]	Retained earnings[1]	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2007	7,000	(2)	152,855	6,020	(70)	58	-	140,806	306,667	12,552	319,219
Net profit	-	-	-	-	-	-	-	21,805	21,805	(1,641)	20,164
Loss on revaluation of property and equipment	-	-	-	(362)	-	-	-	-	(362)	-	(362)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(93)	-	-	-	93	-	-	-
Investments available-for-sale	-	-	-	-	(2,195)	-	-	-	(2,195)	(1)	(2,196)
Cash flow hedges	-	-	-	-	-	-	(13,397)	-	(13,397)	-	(13,397)
Exchange differences on translation of foreign operations	-	-	-	-	-	(3,074)	-	-	(3,074)	(369)	(3,443)
Deferred income tax	-	-	-	1,353	423	-	2,680	(137)	4,319	-	4,319
Total comprehensive income	-	-	-	898	(1,772)	(3,074)	(10,717)	21,761	7,096	(2,011)	5,085
Purchase of treasury shares	-	(14)	(406)	-	-	-	-	-	(420)	-	(420)
Sale of treasury shares	-	6	235	-	-	-	-	-	241	-	241
Change in non-controlling interest due to increase of ownership share	-	-	-	-	-	-	-	-	-	(10,263)	(10,263)
31 December 2008	7,000	(10)	152,684	6,918	(1,842)	(3,016)	(10,717)	162,567	313,584	278	313,862

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value reserve[1]	Cumulative translation reserve[1]	Hedging reserve[1]	Retained earnings[1]	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2008	7,000	(10)	152,684	6,918	(1,842)	(3,016)	(10,717)	162,567	313,584	278	313,862
Net profit	-	-	-	-	-	-	-	19,423	19,423	(400)	19,023
Loss on revaluation of property and equipment	-	-	-	(1,896)	-	-	-	-	(1,896)	-	(1,896)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(80)	-	-	-	80	-	-	-
Investments available-for-sale	-	-	-	-	2,523	-	-	-	2,523	-	2,523
Cash flow hedges	-	-	-	-	-	-	12,227	-	12,227	-	12,227
Exchange differences on translation of foreign operations	-	-	-	-	-	2,544	-	-	2,544	(101)	2,443
Deferred income tax	-	-	-	(7)	(490)	-	(2,445)	(15)	(2,957)	-	(2,957)
Total comprehensive income	-	-	-	(1,983)	2,033	2,544	9,782	19,488	31,864	(501)	31,363
Increase of share capital											
- ordinary shares	2,044	-	42,428	-	-	-	-	-	44,472	-	44,472
Purchase of treasury shares	-	(13)	(266)	-	-	-	-	-	(279)	-	(279)
Sale of treasury shares	-	10	160	-	-	-	-	-	170	-	170
31 December 2009	9,044	(13)	195,006	4,935	191	(472)	(935)	182,055	389,811	(223)	389,588

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Share capital	Treasury shares	Share premium reserve	Property and equipment revaluation reserve	Investments available-for-sale fair value reserve[1]	Cumulative translation reserve[1]	Hedging reserve[1]	Retained earnings[1]	Total equity attributable to equity holders of the Parent	Non-controlling interest	Total equity
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
31 December 2009	9,044	(13)	195,006	4,935	191	(472)	(935)	182,055	389,811	(223)	389,588
Net profit	-	-	-	-	-	-	-	21,879	21,879	109	21,988
Gain on revaluation of property and equipment	-	-	-	771	-	-	-	-	771		771
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(80)	-	-	-	80	-	-	-
Investments available-for-sale	-	-	-	-	540	-	-	-	540	-	540
Cash flow hedges	-	-	-	-	-	-	941	-	941	-	941
Exchange differences on translation of foreign operations	-	-	-	-	-	(1,030)	-	-	(1,030)	1,188	158
Deferred income tax	-	-	-	(118)	55	-	(188)	(7)	(258)	-	(258)
Total comprehensive income	-	-	-	573	595	(1,030)	753	21,952	22,843	1,297	24,140
Sale of treasury shares	-	-	18	-	-	-	-	-	18	-	18
31 December 2010	9,044	(13)	195,024	5,508	786	(1,502)	(182)	204,007	412,672	1,074	413,746

[1] The amounts included within the Investments available-for-sale fair value (deficit)/reserve, Cumulative translation reserve, Hedging reserve and Retained earnings, in the above table, are included within "Other reserves" in the consolidated statement of financial position.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

24 March 2011
Almaty

Shoinbekova G.K.
Chief Accountant

24 March 2011
Almaty

The notes on pages 12-108 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Notes	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million) (Restated)*	Year ended 31 December 2008 (KZT million) (Restated)*
CASH FLOWS FROM OPERATING ACTIVITIES:				
Interest received from financial assets at fair value through profit or loss		1,773	2,802	5,701
Interest received on loans and advances to banks and other financial institutions		5,501	7,957	10,076
Interest received from loans to customers		204,235	234,827	332,858
Interest received from investments available-for-sale		788	1,653	370
Interest received from investments held to maturity		46	41	105
Interest paid on loans and advances from banks and other financial institutions		(8,514)	(16,301)	(31,022)
Interest paid on customer accounts		(99,173)	(80,995)	(76,896)
Interest paid on debt securities issued		(39,464)	(72,695)	(66,735)
Interest paid on other borrowed funds		(1,646)	(4,663)	(8,195)
Interest paid on subordinated debt		(7,841)	(5,824)	(4,400)
Fee and commission received		20,798	20,957	22,149
Fee and commission paid		(3,768)	(3,544)	(4,140)
Other income received		6,807	3,795	8,756
Operating expenses paid		(33,679)	(24,456)	(37,393)
Cash inflow from operating activities before changes in operating assets and liabilities		45,863	63,554	151,234
Changes in operating assets and liabilities				
(Increase)/decrease in operating assets:				
Funds deposited with National Bank of the Republic of Kazakhstan and cash on hand		(153)	14,228	103,263
Funds deposited with Central Bank of Russian Federation		(1,429)	(771)	2,252
Funds deposited with National Bank of the Kyrgyz Republic		94	(49)	42
Funds deposited with National Bank of Tajikistan		(19)	29	(49)
Precious metals		(137)	(892)	(317)
Financial assets at fair value through profit or loss		(110,380)	(49,372)	100,482
Loans and advances to banks and other financial institutions		10,664	79,632	19,295
Loans to customers		(56,016)	245,123	115,674
Other assets		(11,508)	11,083	(5,884)
Increase/(decrease) in operating liabilities:				
Loans and advances from banks and other financial institutions		(59,560)	(121,917)	(426,163)
Customer accounts		242,124	145,223	80,462
Other liabilities		(2,647)	(10,760)	3,153
Cash inflow from operating activities before taxation		56,896	375,111	143,444
Income tax paid		(102)	(3,851)	(6,516)
Net cash inflow from operating activities		56,794	371,260	136,928

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2010, 2009 AND 2008

	Notes	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million) (Restated)*	Year ended 31 December 2008 (KZT million) (Restated)*
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of property, equipment and intangible assets		(4,883)	(4,383)	(5,928)
Proceeds on sale of property, equipment and intangible assets		5,015	1,609	134
Dividends received		181	186	176
Proceeds on sale of investments available-for-sale		3,510	2,764	5,074
Purchase of investments available-for-sale		(4,489)	(5,328)	(3,666)
Proceeds on maturity of investments held to maturity		13	173	39
Purchase of investments held to maturity		(1,093)	(525)	(422)
Purchase of investments in associates		-	-	(2,172)
Proceeds on disposal of investments in associates		-	6,147	-
Purchase of subsidiaries, net of cash of entities acquired		-	-	(2,940)
Proceeds on disposal of subsidiary		1,149	-	-
Net cash (outflow)/inflow from investing activities		(597)	643	(9,705)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Issue of ordinary shares		-	44,472	-
Purchase of treasury shares		-	(279)	(420)
Proceeds on sale of treasury shares		18	170	241
Proceeds from debt securities issued		2,095	37,570	111,164
Repurchase and repayment of debt securities issued		(71,144)	(404,941)	(173,008)
Proceeds from subordinated debt		1,000	2,530	8,549
Repayment of subordinated debt		-	(3,391)	-
Repayment of other borrowed funds		(7,054)	(140,265)	(12,953)
Dividends paid on preference shares		(741)	(738)	(595)
Net cash outflow from financing activities		(75,826)	(464,872)	(67,022)
Effect of changes in foreign exchange rate on cash and cash equivalents		(944)	5,653	(22)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(20,573)	(87,316)	60,179
CASH AND CASH EQUIVALENTS, beginning of period	15	138,796	226,112	165,933
CASH AND CASH EQUIVALENTS, end of period	15	118,223	138,796	226,112

*Restated as described in Note 4.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

24 March 2011
Almaty

Shoinbekova G.K.
Chief Accountant

24 March 2011
Almaty

The notes on pages 12-108 form an integral part of these consolidated financial statements.

1. ORGANISATION

Joint Stock Company ("JSC") Kazkommertsbank (the "Bank", or "Kazkommertsbank") is a joint stock bank and operates in the Republic of Kazakhstan since 1990. The Bank's activities are regulated by the Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations (the "FMSA") in accordance with the license № 48 dated 27 December 2007 and by the National Bank of the Republic of Kazakhstan (the "NBRK"). The Bank's primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at: 135Zh, Gagarin str., Almaty 050060, Republic of Kazakhstan.

As at 31 December 2010, 2009 and 2008, the Bank has 23 branches in the Republic of Kazakhstan, and a representative office in London.

Kazkommertsbank is a parent company of the banking group (the "Group") which consists of the following enterprises consolidated in the financial statements:

		Proportion or ownership interest/voting rights			
Name	**Country of operation**	**2010**	**2009**	**2008**	**Type of operation**
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	100%	Payment card processing and other related services
Kazkommerts International B.V.	Kingdom of Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V.	Kingdom of Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
JSC OCOPAIM Grantum Asset Management	Republic of Kazakhstan	100%	100%	100%	Investment management of pension assets
LLP Kazkommertsbank RFCA	Republic of Kazakhstan	-	-	100%	Operations with financial instruments on Regional financial centre of Almaty
JSC Life Insurance Company Kazkommerts Life	Republic of Kazakhstan	100%	100%	100%	Life insurance
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	100%	Commercial bank
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	95.75%	94.64%	94.64%	Commercial bank
JSC Grantum APF	Republic of Kazakhstan	82.52%	80.01%	80.01%	Pension fund
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	100%	100%	100%	Insurance
LLP Commercial bank Moskommertsbank	Russian Federation	100%	100%	100%	Commercial bank
LLP Investment Group East Kommerts	Russian Federation	-	50%	50%	Securities market transactions

JSC Kazkommerts Securities is a joint stock company and has operated under the laws of the Republic of Kazakhstan since 1997. The company's primary business consists of trading with securities, including broker and dealing operations, consulting in investments and corporate finances, organization of security issuances, allocation and underwriting of securities, and purchase and sale of securities in the capacity of the agent. In connection with the renaming from OJSC to JSC company received license on broker and dealing operations № 0401201207 dated 17 May 2006 and license for investment portfolio management № 0403200439 dated 17 May 2006 issued by the FMSA.

LLP Processing Company is a limited liability partnership and has operated under the laws of the Republic of Kazakhstan since 9 July 2004. The company is registered with the Ministry of Justice of the Republic of Kazakhstan under № 64313-1910-TOO. The Company's primary business is to provide payment and other types of card processing.

Kazkommerts International B.V. is a limited liability partnership (B.V.) and has operated under the laws of the Kingdom of the Netherlands. The Company was established for the primary purpose of raising funds for the Bank in foreign capital markets. The company was registered with the Chamber of Commerce of the Netherlands under the license № 24278506 dated 1 October 1997 for raising funds, including the issuance of bonds and other securities and entering into agreements regarding those activities.

Kazkommerts Finance II B.V. is a limited liability partnership (B.V.) and has operated under the laws of the Kingdom of the Netherlands. The Company was established for the primary purpose of raising funds for the Bank at foreign capital markets. The company was registered with the Chamber of Commerce of the Netherlands under the license № 24317181 dated 13 February 2001 for conducting separate types of banking and other types of operations.

Kazkommerts Capital II B.V. is a limited liability partnership (B.V.) and has operated under the laws of the Kingdom of the Netherlands since 11 April 2000. The Company was established for the primary purpose of raising funds for the Bank in foreign capital markets. The company has license № 24305284 dated 11 April 2000 issued by the Chamber of Commerce of the Netherlands for conducting operations.

JSC OCOPAIM Grantum Asset Management ("Grantum PAMC") is a joint stock company and has operated under the laws of the Republic of Kazakhstan since 1998. The company's primary business is investment management of pension funds. The company has license № 0411200249 dated 26 June 2006 on investment management of pension funds issued by the FMSA, license № 0403200454 dated 26 June 2006 on management of investment portfolio issued by the FMSA, license № 0402200299 dated 26 June 2006 on broker and dealer activity without right to custody activities issued by the FMSA.

JSC Life Insurance Company Kazkommerts Life is a joint stock company and has operated under the laws of the Republic of Kazakhstan. The company's primary business consists of life insurance. The company has a license on life insurance (reinsurance) services № 42-2/1 dated 14 April 2008 issued by the FMSA.

On 29 May 2007, the Board of Directors of the Bank decided to establish a subsidiary bank, CJSC Kazkommertsbank Tajikistan. The Bank received an approval from the FMSA № 93 on 6 September 2007 for the creation of a subsidiary bank in Tajikistan. On 24 January 2008, CJSC Kazkommertsbank Tajikistan received an operating license from the National Bank of Tajikistan for banking operations in both national currency and foreign currencies № 33/1. The Bank's primary business consists of commercial activities, trading with foreign currencies, originating loans and guarantees.

JSC Kazkommertsbank Kyrgyzstan is a joint stock bank and has operated under the laws of the Kyrgyz Republic since 1991. The Bank's operations are regulated by the National Bank of the Kyrgyz Republic (the "NBKR") according to license № 010 dated 15 April 2005 for banking operations in national currency and license № 010/1 dated 15 April 2005 for banking operations in foreign currency. The Bank's primary business consists of commercial banking activities, acceptance of deposits from individuals, transfer of payments, operations with foreign exchange and derivative instruments, originating loans and guarantees.

JSC Grantum APF is a joint stock company and has operated since 1998 under the laws of the Republic of Kazakhstan. The company's primary business consists of the receipt of pension contributions of depositors and making pension payments to recipients under the laws of the Republic of Kazakhstan. The company operates based on a state license on the receipt of pension contributions and making pension payments № 0000019 dated 20 April 2006, issued by the FMSA.

JSC Insurance Company Kazkommerts-Policy is a joint stock company and operates under laws of the Republic of Kazakhstan since 1996. The company's primary business consists of insurance of property, cargoes, auto insurance, civil liability insurance of vehicle owners, insurance of other civil liabilities and reinsurance. The company has licenses on voluntary insurance services DOS № 13-11/2 dated 13 April 2007 and on obligatory insurance services OS № 13-11/2 dated 13 April 2007 issued by the FMSA.

LLP Commercial Bank Moskommertsbank ("MKB") is a limited liability partnership and operates under the laws of the Russian Federation since 2001. MKB's operations are regulated by the Central Bank of the Russian Federation (the "CBR") in accordance with the license on the banking operations № 3365 dated 20 September 2002 and license on the banking operations with private sector № 3365 dated 16 June 2005. License of the Federal securities commission on broker operations № 177-11190-100000 dated 18 April 2008, license on the depository activity № 177-11200-000100 dated 18 April 2008, license on dealer operations № 177-11192-010000 dated 18 April 2008, license on the trust operations № 177-11196-001000 dated 18 April 2008 and license of stock broker commodity futures and option transactions in the exchange trade № 1283 dated 4 December 2008.

MKB provides a wide spectrum of banking products and services for individuals, corporate clients and financial institutions. The Bank's primary business consists of retail banking, crediting of small and medium business and the corporate sector. At the date of acquisition the estimated fair value of the net assets of MKB approximated their carrying value.

Acquisitions and sales

On 22 April 2008, the Bank acquired 290,000 ordinary shares of JSC Life Insurance Company Kazkommerts-Life for KZT 290 million. The Bank's capital share did not change.

On 28 April 2008, the Bank acquired 53,486 ordinary shares (35%) of JSC Insurance Company Kazkommerts-Policy from the European Bank of Reconstruction and Development for KZT 1,630 million. The Bank's capital share in JSC Insurance Company Kazkommerts-Policy increased to 100% upon acquisition.

An independent appraisal of the fair value of the assets acquired was not needed due to the fact that the fair value of most purchased assets and liabilities being available and easily definable. The fair value of the net assets purchased and the Bank's interest in the definitive net fair value of net assets of JSC Insurance Company Kazkommerts-Policy over the consideration paid, are as follows:

	Book value as at 28 April 2008 (KZT million) (unaudited)	Fair value as at 28 April 2008 (KZT million) (unaudited)
Assets		
Cash and balances with national (central) banks	12	12
Financial assets at fair value through profit or loss	1,495	1,495
Loans and advances to banks	3,487	3,487
Investments available-for-sale	1,362	1,362
Loans under reverse repurchase agreements	1,084	1,084
Property, equipment and intangible assets	171	171
Other assets	2,387	2,387
	9,998	9,998
Liabilities		
Other liabilities	4,755	4,755
	4,755	4,755
Net assets	5,243	5,243
Non-controlling interest		-
Net assets acquired, being 35%		1,835
Purchase consideration		(1,581)
Excess of the Bank's interest in fair value of net assets of JSC Insurance Company Kazkommerts-Policy over cash consideration paid		254
Net cash outflow on acquisition:		
JSC Insurance Company Kazkommerts-Policy purchase intergroup balances elimination		49
Purchase cash outflows:		
Total paid in cash		(1,630)
Cash acquired, being 35%		4
Total		(1,626)

The negative goodwill arose due to a change in the net assets between the date of the pricing and the date the transaction took place.This is due to the purchase consideration for JSC Insurance Company Kazkommerts-Policy being determined as at 31 December 2007, while the transaction was finalized on 28 April 2008. The resulting gain was recorded within other income.

The 35% share of income and revenue of JSC Insurance Company Kazkommerts-Policy from the beginning of the period till the date of acquisition were accounted for as being attributable to non-controlling interest. Prior to the date of acquisition, the Group consolidated JSC Insurance Company Kazkommerts-Policy as it had a controlling interest in JSC Insurance Company Kazkommerts-Policy.

On 19 May 2008, the Bank acquired 480,071 ordinary shares of JSC Grantum Accumulated Pension Fund ("APF") within the parameters of a privileged acquisition program. The amount of the transaction of KZT 480 million comprised 80.01% of total shares placed. The Bank's share in the capital of JSC Grantum APF did not change.

On 27 May 2008, the Bank acquired the remaining share in LLP Commercial Bank Moscommertsbank ("MKB") capital – 47.89%. The transaction amount of KZT 5,484 million brought the Bank's share in the MKB capital to 100% upon acquisition.

An independent appraisal of the fair value of the acquired assets was not needed due to the fact that the present value of most purchased assets and liabilities was available and easily definable. The fair value of the net assets purchased and the Bank's interest in the definitive net fair value of net assets of MKB over the consideration paid are as follows:

	Book value as at 27 May 2008 (KZT million) (unaudited)	**Fair value as at 27 May 2008 (KZT million) (unaudited)**
Assets		
Cash and balances with national (central) banks	8,731	8,731
Financial assets at fair value through profit or loss	7,071	7,071
Loans and advances to banks	14,947	14,947
Loans to customers	185,354	185,354
Loans under reverse repurchase agreements	13,371	13,371
Property, equipment and intangible assets	2,533	2,533
Other assets	1,687	1,687
	233,694	233,694
Liabilities		
Loans and advances from banks	71,433	71,433
Customer accounts	34,371	34,371
Debt securities issued	86,192	86,192
Subordinated debt	16	16
Derivative financial instruments	1,082	1,082
Other liabilities	1,037	1,037
	194,131	194,131
Net assets	39,563	39,563
Non-controlling interest		-
Net assets acquired, being 47.89%		18,946
Purchase consideration		(16,063)
Excess of the Bank's interest in fair value of net assets of LLP Commercial bank Moscommertsbank over cash consideration paid		2,883
Net cash outflow on acquisition:		
LLP Commercial bank Moscommertsbank purchase intergroup balances elimination		(10,579)
Purchase cash outflows:		
Total paid in cash		(5,484)
Cash acquired, being 47.89%		4,181
Total		(1,303)

The excess of the Bank's interest in the fair value of net assets was credited to "Other income" in the consolidated income statement on the date of acquisition.

Negative goodwill has been recognised on the acquisition of 47.89% of the issued ordinary share capital of MKB due to the investment in MKB being considered a financial rather than strategic investment by the previous shareholders. As such the Bank was solely responsible for the development of MKB, including the enhancement of internal business processes and building brand recognition. In addition, the previous shareholders did not intend to make any additional capital contributions in MKB in light of worsening market conditions. As a result, the Bank acquired the remaining 47.89% of issued ordinary share capital of MKB at a price exceeding the initial investment of the previous shareholders, however, below the current fair value.

On 8 August 2008, the Bank acquired 50,000 ordinary shares of JSC OCOPAIM Grantum Asset Management within the parameters of a privileged acquisition program. The amount of the transaction was KZT 500 million. The Bank's capital share did not change.

On 10 September 2008, the Bank has paid a premium on the existing shares held of Kazkommerts Capital II B.V. by contributing cash of KZT 132 million.

OJSC Kazkommertsbank Kyrgyzstan increased share capital by 20.5% (or KZT 71 million) through the placement of an additional 41,000 ordinary shares. On 24 October 2008, the Bank bought 38,368 shares of this new emission in accordance with its prevailing purchase right for KZT 163 million. The share of the Bank of 93.58% did not change.

On 24 December 2008, the Bank acquired 2,568 ordinary shares of OJSC Kazkommertsbank Kyrgyzstan for KZT 11 million. The share of the Bank increased from 93.58% up to 94.64%.

On 28 January 2009, the Board of Directors of the Bank approved the decision to voluntarily liquidate its subsidiary LLP Kazkommerts RFCA ("Kazkommerts RFCA") and return its license for brokerage and dealership activities issued in favor of Kazkommerts RFCA by authorized governmental bodies. The procedure on voluntary liquidation was conducted in accordance with the requirements of current legislation.

On 10 March 2009, the Bank sold its stake in associates, JSC APF Ular Umit and JSC OCOPAIM Zhetysu, for KZT 5,817 million and KZT 200 million, respectively. The gain on sale of these companies amounted to KZT 4,027 million.

On 25 March 2009, the Bank purchased 900 thousand shares of the new issue of JSC Kazkommerts Securities, within the additional issue on the right of preferential purchase, at the price of placement of KZT 1,000 per share. As a result, the share capital of JSC Kazkommerts Securities increased by KZT 900 million and amounted to KZT 1,475 million. The share of the Bank did not change and amounted to 100%.

On 24 March 2009, the Bank purchased 292 thousand shares of the new issue of JSC Life Insurance Company Kazkommerts Life at the placement price of KZT 1,000 per share. As a result, the share capital of the insurer increased by KZT 292 million and amounted to KZT 1,382 million. The share of the Bank did not change and amounted to 100%.

On 29 September 2009, the Board of Directors of JSC Kazkommertsbank decided to participate in acquisition of shares of the new 7th issue of OJSC Kazkommertsbank Kyrgyzstan ("subsidiary bank") of 66,036 shares with placement price of Kyrgyz soms 500 per share. As a result of the placement, share capital of the subsidiary bank increased by Kyrgyz soms 33,018 thousand. JSC Kazkommertsbank has used its pre-emptive right and acquired 62,500 shares for Kyrgyz soms 31,250 thousand. On 12 March 2010, JSC Kazkommertsbank made payment for placement of shares from dividends received from the subsidiary bank. The ownership share of JSC Kazkommertsbank did not change and amounted to 94.64%.

On 24 December 2009, the Bank purchased 69,000 shares of the new issue of JSC Life Insurance Company Kazkommerts Life ("insurer") at the placement price of KZT 1,000 per share. As a result, the share capital of the insurer increased by KZT 69 million and amounted to KZT 1,451 million. The ownership share of the Bank did not change and amounted to 100%.

On 11 February 2010, at the Extraordinary General Shareholders Meeting of JSC Grantum APF, a decision was taken to increase the charter capital of JSC Grantum APF by issuing 2,200,000 additional common shares. On 2 March 2010, the Board of Directors of JSC Grantum APF approved the price at KZT 1,000 per share. On 6 April 2010, Kazkommertsbank exercised its pre-emptive right and purchased 1,760,260 shares of JSC Grantum APF for KZT 1,760 million. After the completion of the placement, the Board of Directors of JSC Grantum APF made a decision to place the remaining 80,370 common shares at KZT 1,000 per share among unrestricted investors. On 5 May 2010, Kazkommertsbank purchased in full the above-mentioned shares. As a result, Kazkommertsbank increased its stake in JSC Grantum APF from 80.01% to 82.52%.

On 14 May 2010, Kazkommertsbank has acquired ordinary shares of the 7th issue of OJSC Kazkommertsbank Kyrgyzstan, increasing its stake from 94.64% to 95.75% at a price of Kyrgyz soms 1,689,500 (equivalent to KZT 5 million).

On 8 December 2010, the Bank sold its stake in LLP Investment Group East Kommerts for KZT 295 million. Gain on sale amounted to KZT 1,199 million.

The investments of the Bank into the share capital of subsidiaries were made with the purpose of increasing their financial stability and compliance with the prudential and capital adequacy requirements.

Shareholders

As at 31 December 2010, 2009 and 2008, the following shareholders owned the issued ordinary shares of the Bank:

	31 December 2010		**31 December 2009**		**31 December 2008**	
	Number of shares	**Direct ownership,* %**	**Number of shares**	**Direct ownership, * %**	**Number of shares**	**Direct ownership,* %**
JSC Central-Asian Investment Company (“CAIC”)**	184,679,013	23.72	184,679,013	23.72	184,679,013	32.14
European Bank for Reconstruction and Development	76,095,329	9.77	76,095,329	9.77	48,597,741	8.46
Subkhanberdin N.S.	72,570,672	9.32	72,570,672	9.32	72,570,672	12.63
JSC Alnair Capital Holding (“Alnair”)	223,922,790	28.76	222,408,342	28.57	144,625,896	25.17
JSC National Welfare Fund Samruk – Kazyna***	165,517,241	21.26	165,517,241	21.26	-	-
Other shareholders	55,800,316	7.17	57,330,567	7.36	124,141,548	21.6
Total****	**778,585,361**	**100.00**	**778,601,164**	**100.00**	**574,614,870**	**100.00**

Notes:
*These percentage holdings were calculated based on the direct holding of each shareholder in the total number of common shares outstanding.
**For the years 2010 and 2009 total number of shares under CAIC’s control is 241,885,810 common shares (ownership – 31.06%), including 56,324,076 shares received in trust management from JSC National Welfare Fund Samruk-Kazyna and 882,721 shares owned indirectly through JSC Ak-Zhalyn, subsidiary of CAIC.
***As at 31 December 2010, out of total mentioned number of common shares 56,324,076 common shares were passed to trust management to CAIC. As at 31 December 2009, out of total mentioned number of common shares, 56,324,076 common shares were passed to trust management with voting right to CAIC and 50,208,649 shares to JSC Alnair. However, on 28 December 2009, JSC Alnair and JSC National Welfare Fund Samruk-Kazyna cancelled the agreement on trust management of the Bank’s shares with actual cancellation became effective in January 2010
****This number is calculated at each reporting date as the total number of the common shares outstanding minus treasury shares purchased by the Bank’s market-maker based on the requirements of the JSC Kazakhstan Stock Exchange.

During the first half of 2009, 325,000,000 ordinary shares for total amount of KZT 3,250 million were authorized for issue by the shareholders.

On 14 May 2009, the Bank completed the placement of 204,338,177 ordinary shares. As a result of the placement of shares, the Bank’s share capital increased by KZT 44.47 billion (149.82/$1). The new shares were priced at US$ 1.45 per ordinary share and US$ 2.90 per GDR (representing two ordinary shares). Samruk-Kazyna purchased 165,517,241 ordinary shares. Meanwhile, the main shareholders of the Bank, CAIC, Alnair and Mr. Subkhanberdin N.S., opted not to exercise their pre-emptive purchase rights or participate in the increase. The European Bank of Reconstruction and Development (“EBRD”), used its pre-emptive rights and purchased 27,497,588 ordinary shares. The holders of GDRs purchased 9,704,658 ordinary shares via the Bank of New York Mellon in the framework of pre-emptive purchase rights. Non-controlling shareholders purchased 1,618,690 ordinary shares in accordance with their pre-emptive rights.

In January 2010, JSC Alnair Capital Holding acquired additional shares of JSC Kazkommertsbank. As a result of the transaction, Alnair has increased its holding of JSC Kazkommertsbank's common shares to 28.76% and now owns 223,922,790 common shares of the Bank (mainly in form of GDRs). The earlier agreement between Alnair and JSC National Welfare Fund Samruk-Kazyna, in relation to the placement of 6.448% of the Bank's common shares under the trust management of Alnair, has been terminated based on the mutual agreement of both parties. This purchase has not resulted in any changes to the shareholdings structure of other major shareholders – Mr. Subkhanberdin, CAIC, EBRD and Samruk-Kazyna.

Information on major shareholders:

JSC Central-Asian Investment Company ("CAIC") is one of the entities through which the Directors and Management Board members own shares of the Bank. As at 31 December 2010, CAIC held 184,679,013 shares of the Bank (2009: 184,679,013 shares, 2008: 184,679,013 shares). As at 31 December 2010 sole shareholders of CAIC were Subkhanberdin N.S., Chairman of the Board of Directors of the Bank, who owns 87.21% (2009: 87.21%, 2008: 87.21%) and Zhussupova N.A., Chairman of the Management Board of the Bank, who owns 12.79% (2009: 12.79%, 2008: 12.79%). CAIC and Subkhanberdin N.S. act as bank holding company and major shareholder, respectively, on the basis of approval of FMSA. As at 31 December 2010, Subkhanberdin N.S. owns 36.41% (2009: 30.01%, 2008: 40.66%) of the ordinary share capital of the Bank through direct and indirect ownership as a result of his holdings in CAIC, Zhussupova N.A. owns 3.97% (2009: 3.97%, 2008: 4.11%) through indirect ownership.

JSC Alnair Capital Holding ("Alnair") is a company operating under the laws of the Republic of Kazakhstan and is owned by a private investment fund, established by Sheikh Takhnun bin Zaid Al-Nahayan. Alnair has been a shareholder of the Bank since 2008 and together with "Alnair Capital" LLP has the official status of bank holding. Alnair owns shares in the form of GDRs, which are included in the total amount of shares under the nominal holding with the Central Depository.

JSC Samruk-Kazyna National Welfare Fund ("Samruk–Kazyna**")** belongs to the Government of the Republic of Kazakhstan. Samruk–Kazyna took its position in the Bank in 2009 following the Government's decision to protect the rights of the Bank's creditors and support the sustainability of the kazakh banking system**.** Samruk-Kazyna is a shareholder of the Bank for a limited period based on the terms of the agreements signed between Samruk-Kazyna, the Bank and its major shareholders. According to these agreements, Samruk-Kazyna will not participate in the day-to-day management of the Bank. The major shareholders of the Bank have maintained control over the Bank, as Samruk-Kazyna has transferred a portion of its common shares to the trust management of major shareholders CAIC and Alnair. As a result of this agreement, CAIC, EBRD and Mr. Subkhanberdin together have voting rights of 50% plus one common share of the Bank. Due to the refusal of the pre-emptive right for acquisition of shares of the Bank major shareholders were granted an option to repurchase shares of the Bank owned by the Samruk-Kazyna.

EBRD is an international financial institution established in 1991 to support market economies in the countries of Central Europe and Central Asia. It has been a shareholder of the Bank since 2003. EBRD is a large investor in the region, and in addition to allocating its own funds, it attracts significant direct foreign investments. It's shareholders are 61 countries and two intergovernmental organizations.

These consolidated financial statements were authorized for issue by the Management Board of the Bank on 24 March 2011.

2. BASIS OF PRESENTATION

Accounting basis

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

These consolidated financial statements are presented in millions of Kazakhstani tenge ("KZT"), unless otherwise indicated.

These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments and measurement of property and equipment at revalued amounts according to International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement" and IAS 16 "Property, Plant and Equipment", respectively.

Kazkommertsbank and its subsidiaries (except for subsidiaries in Russia and Tajikistan) maintain their accounting records in accordance with IFRS. Subsidiaries in Russia and Tajikistan maintain their accounting records in accordance with local GAAP and their financial statements are prepared from the local statutory accounting records and adjusted to conform with IFRS.

These consolidated financial statements have been prepared based on the accounting records of the Bank and its subsidiaries. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The reporting currency of the Group is the Kazakhstani tenge.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including special purpose entities) controlled by the Bank (its subsidiaries). Control is achieved where the Bank has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Bank.

All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21"), and in particular, performs the following procedures:

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- Income and expense items of the foreign entity are translated at exchange rates on the date of the transactions;
- Equity items of the foreign entity are translated at exchange rates on the date of the transactions;
- All resulting exchange differences are classified as equity until the disposal of the investment;
- On disposal of an investment in a foreign entity, related exchange differences are recognized in the consolidated income statement.

Business combinations

The assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the period of acquisition.

The non-controlling interest is initially measured at the minority's proportion of the fair values of the assets, liabilities and contingent liabilities recognized. The equity attributable to equity holders of the parent and net income attributable to non-controlling shareholders' interests are shown separately in the consolidated statement of financial position and consolidated income statement, respectively.

The Group accounts for increases in ownership of a controlled entity by revaluing all identified assets and liabilities of the subsidiary to fair value at the date of exchange in proportion to the amounts attributable to the additional interest acquired. Goodwill is recognized for any excess of the cost of the increase over the Group's interest in the net fair value of the identifiable assets and liabilities.

For a business combination involving an entity or business under common control, all assets and liabilities of the subsidiary are measured at the carrying values recorded in the stand-alone financial statements of the subsidiary. The difference between the carrying value of the acquired share in net assets of the subsidiary and the cost of acquisition are recorded directly in equity attributable to the owners of the parent.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

The difference, between the carrying amount of non-controlling interest and the amount received on its purchase is recognized in equity attributable to the owners of the parent.

Recognition and measurement of financial instruments

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

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

Derecognition of financial assets and liabilities

Financial assets

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

- the rights to receive cash flows from the asset have expired;
- the Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Financial liabilities

A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

On the redemption or settlement of debt securities (including subordinated liabilities) issued by the Group, the Group derecognises the debt instrument and records a gain or loss being the difference between the debt's carrying amount and the cost of redemption or settlement. The same treatment applies where the debt is exchanged for a new debt issue that has terms substantially different from those of the existing debt. The assessment of whether the terms of the new debt instrument are substantially different takes into account qualitative and quantitative characteristics including a comparison of the discounted present value of the cash flows under the new terms with the discounted present value of the remaining cash flows of the original debt issue.

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

Cash and balances with national (central) banks

Cash and balances with national (central) banks include cash on hand and unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan, the Central Bank of the Russian Federation, the National Bank of Kyrgyz Republic and the National Bank of Tajikistan with original maturities within 90 days.

For the purposes of determining cash flows, cash and cash equivalents includes advances to banks with original maturities less than 3 months. The minimum reserve deposits required by the Central Bank of the Russian Federation, the National Bank of the Republic of Kazakhstan, the National Bank of the Kyrgyz Republic and the National Bank of Tajikistan are not included in cash equivalents.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange rates using the KZT/USD exchange rate effective on the date. Changes in the bid prices are recorded in net gain/(loss) on foreign exchange and precious metals operations.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss represent derivative instruments or securities (1) acquired principally for the purpose of selling them in the near future, (2) which are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking or (3) which are designated by the Group at fair value through profit or loss upon initial recognition.

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

Financial assets and liabilities at fair value through profit or loss are initially recorded and subsequently measured at fair value. The Group uses quoted market prices to determine fair value for financial assets and liabilities at fair value through profit or loss. Fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the consolidated income statement for the period.

The Group enters into derivative financial instruments to manage interest rate, currency and liquidity risks and for trading purposes. These instruments include forwards on foreign currency, interest rate swaps, cross currency swaps and precious metals and securities.

Reclassification of financial assets

On 13 October 2008, IASB issued amendments to IAS 39 and IFRS 7 which permits certain reclassification of non-derivative financial assets (other than those designated as at fair value through profit or loss at initial recognition under the fair value option) out of the fair value through profit or loss category in particular circumstances. The amendments to IFRS 7 introduce additional disclosure requirements as the Group has reclassified financial assets in accordance with the amendments to IAS 39. The amendments are effective as of 13 October 2008 and, due to rare market circumstances as in accordance with the amendments, the Group applied the revised IAS 39 retrospectively from 1 July 2008. Transfers must be made at fair value and this fair value becomes the instruments' new cost or amortized cost. Reclassifications made before 1 November 2008 were backdated to 1 July 2008; subsequent classifications were effective from the date the reclassification was made. The Group has reclassified certain debt and equity securities out of trading instruments category into the available-for-sale category. The carrying values of these assets, the effect of the reclassification on the income statement and the impairment losses relating to these assets are shown in Note 19.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including forwards, swaps and options on foreign currency, precious metals and securities to manage currency, interest rate and liquidity risks and for trading purposes. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in Net gain/loss from financial assets and liabilities at fair value through profit or loss in the consolidated income statement.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in the consolidated income statement. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Hedge accounting

From 1 January 2008, the Group implemented a hedge accounting policy to designate certain financial instruments as cash flow hedges in accordance with IAS 39 “Financial Instruments: Recognition and Measurement”.

At inception of the hedge relationship, the Group documents the relationship between hedging instruments and hedged items, along with its risk management objectives and the way in which effectiveness will be assessed at inception and during the period of the hedge. Furthermore, at inception of the hedge and on an ongoing basis, the Group documents whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. If the hedge is not highly effective in offsetting changes in cash flows attributable to the hedged risk, consistent with the documented risk management strategy, hedge accounting is discontinued. A hedge is normally regarded as highly effective if, at inception and throughout its life, the Group can expect, and actual results indicate, that changes in the fair value or cash flows of the hedged items are effectively offset by changes in the fair value of the hedging instrument, and actual results are within a range of 80% to 125%.

With cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised directly in consolidated statement of changes in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the “Net gain/(loss) on financial assets and liabilities at fair value through profit or loss” line of the consolidated income statement. Amounts deferred in equity are recycled in profit or loss in the same periods when the hedged item is recognised in profit or loss, in the same line of the consolidated income statement as the recognised hedged item. Hedge accounting is discontinued when the Group revokes the hedging relationship or when the hedging instrument expires, is sold, terminated or exercised, or no longer qualifies for hedge accounting. On the discontinuance of hedge accounting (except where a forecast transaction is no longer expected to occur), any cumulative unrealized gain or loss recognised in equity is recognised in profit or loss when the hedged cash flow occurs or, if the forecast transaction results in the recognition of a financial asset or financial liability, in the same periods during which the asset or liability affects profit or loss. Where a forecast transaction is no longer expected to occur, the cumulative unrealised gain or loss is recognised in profit or loss immediately.

Loans and advances to banks and other financial institutions

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks and other financial institutions. Loans and advances to banks and other financial institutions with a fixed maturity term are subsequently measured at amortized cost using the effective interest rate method, and are carried net of an allowance for impairment.

Securities repurchase and reverse repurchase agreements and lending transactions

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

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

Assets purchased under reverse repos are recorded in the consolidated financial statements as cash placed on deposit which is collateralized by securities and other assets and are classified within loans and advances to banks and other financial institutions and loans to customers.

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

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

As at 31 December 2010, the fair value of securities transferred as collateral under loans under repurchase agreements amounted to KZT 37 million (2009: KZT Nil, 2008: KZT 11,095 million).

As at 31 December 2010, the fair value of securities received as collateral under reverse repurchase agreements amounted to KZT 9,589 million (2009: KZT 12,238 million, 2008: KZT 23,413 million).

Loans to customers

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

Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated income statement according to nature of the losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

Loans and advances to banks and customers are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated income statement in the period of recovery.

Impairment losses

Assets carried at amortized cost

The Group accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset's original effective interest rate. Such impairment losses are not reversed unless in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, such as recoveries, in which case the previously recognized impairment loss is reversed by adjustment of an allowance account.

Investments available-for-sale

If an available-for-sale asset is impaired, the cumulative loss comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is transferred from equity to the consolidated income statement. Reversals of impairment losses in respect of equity instruments classified as available-for-sale are not recognized in the consolidated income statement. Reversals of impairment losses on debt instruments are reversed through the consolidated income statement if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss were recognized in the consolidated income statement.

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

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

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

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

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. A lease classified as finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as a lessor presents finance leases as loans and initially measures them in the amount equal to net investment in the lease. Subsequently, the recognition of finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment in the finance lease.

Investments available-for-sale

Investments available-for-sale represents debt and equity investments that are intended to be held for an indefinite period of time. Investments available-for-sale are initially recorded at fair value and subsequently are measured at fair value, with such re-measurement recognized directly in equity, except for impairment losses, foreign exchange gains or losses and interest income accrued using the effective interest method, which are recognized directly in the consolidated income statement. When sold, the gain/loss previously recorded in equity is recycled through the consolidated income statement. The Group uses quoted market prices to determine the fair value for the Group's investments available-for-sale. If the market for investments is not active, the Group establishes fair value by using valuation techniques. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the Group uses that technique.

Dividends received on equity investments are included in dividend received in the consolidated income statement.

Non-marketable debt/equity securities are stated at amortized cost/cost less impairment losses, if any, unless fair value can be reliably measured.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the consolidated income statement for the period. These financial assets are recognized net of impairment loss.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments. The Group has a positive intent and the ability to hold them to maturity. Such securities are carried at amortized cost, using the effective interest rate method, less any allowance for impairment. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Investments in associates are carried in the consolidated statement of financial position at cost and adjusted for goodwill and post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of associates in excess of the Group's interest in those associates are not recognized.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition (i.e. discount on acquisition) is credited in the consolidated income statement in the period of acquisition.

Where a Group company transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

The Bank sold its stake in JSC APF Ular Umit and JSC OCOPAIM Zhetysu, thus financial information of the associates as at and for the years ended 31 December 2010 and 2009 is not presented.

Details of the Group's investments in associates, including summarized financial information of the associates, as at and for the year ended 31 December 2008 are presented below:

Name of associated Company	Ownership interest	Fair value of investments in associates	Total assets of associated company	Total liabilities of associated company	Revenue of associated company	Net loss
		(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
JSC APF Ular Umit	49.35%	1,775	18,263	14,061	5, 625	(3,880)
JSC OCOPAIM Zhetysu	50.00%	-	1,371	6,971	539	(8,481)

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment loss. The Group's policy for goodwill arising on the acquisition of an associate is described under 'Investments in associates' above.

The Group tests goodwill for impairment at least annually. An impairment loss recognized for goodwill is not reversed in a subsequent period.

If the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Group:

(a) Reassesses the identification and measurement of the Group's identifiable assets, liabilities and contingent liabilities of acquired company and the measurement of the cost of the combination; and
(b) Recognizes immediately in the consolidated income statement any excess remaining after that reassessment.

On disposal of an investment, the amount of goodwill attributable is included in the determination of the profit or loss on disposal.

Property, equipment and intangible assets

Property and equipment, except for buildings and other real estate and construction, and intangible assets are carried at historical cost less accumulated depreciation and amortization. Buildings and other real estate and construction are carried at market value. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

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

Buildings and other real estate	1-10%
Furniture and equipment	4-50%
Intangible assets	15-50%

Leasehold improvements are amortized during 5 years. Expenses related to repairs and renewals are charged when incurred and included in operating expenses of consolidated income statement, unless they qualify for capitalization.

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

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

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

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

Market value of property is assessed using one of four methods:

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

Non-current assets held for sale

A non-current asset is classified as held for sale if it is highly probable that the asset's carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the consolidated income statement as loss from non-current assets held for sale. Any subsequent increase in an asset's fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Taxation

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

Countries where the Group operates also have various other taxes other than income tax, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

Loans and advances from banks and other financial institutions, customer accounts, debt securities issued, other borrowed funds and subordinated debt

Loans and advances from banks and other financial institutions, customer accounts, debt securities issued, other borrowed funds and subordinated debt are initially recognized at fair value less transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Provisions

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

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies

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

Share capital and share premium reserve

Share capital is recognized at historical cost. Share premium reserve represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium reserve.

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

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

Preference shares

Preference shares having a prescribed dividend amount are considered to be compound financial instruments in accordance with the substance of the contractual arrangement and accordingly the liability and equity components are presented separately in the consolidated statement of financial position. On initial recognition the equity component is assigned the residual amount after deducting from the initial carrying amount of the instrument as a whole the fair value determined for the liability component. The fair value of the liability component on initial recognition is estimated by discounting expected future cash flows at a market interest rate for a comparable debt instrument. Subsequently, the liability component is measured according to the same principles used for subordinated debt, and the equity component is measured according to the same principles used for share capital.

Retirement and other benefit obligations

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

Recognition of income and expense

Recognition of interest income and expense

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

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

Interest income also includes income earned on investments in securities. Other income is credited to the consolidated income statement when the related transactions are completed. Interest income, received on assets assessed at fair value, is classified as interest income.

Recognition of fee and commission income and expense

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

Underwriting income and expenses

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve, claims paid, the provision of insurance losses and loss adjustment expenses, and policy acquisition cost.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within other assets in the accompanying consolidated statement of financial position.

Losses and loss adjustments are charged to the consolidated income statement as incurred.

Commissions earned on ceded reinsurance contracts are recorded to the consolidated income statement at the date the reinsurance contract is written and deemed enforceable.

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are deferred, recorded in the accompanying consolidated statement of financial position within other assets, and are amortized over the period in which the related written premiums are earned and is reviewed for impairment in circumstances where its carrying amount may not be recoverable. If the asset is greater than the recoverable amount it is written down immediately. All other costs are recognized as expenses when incurred.

Reserve for insurance losses and loss adjustment expenses

Provision for losses is a summary of estimates of ultimate losses, and includes both claims reported but not settled (RBNS) and claims incurred but not reported (IBNR).

RBNS is created for significant reported claims not settled at the reporting date. Estimates are made on the basis of information received by the Group during its investigation of insured events. IBNR is estimated by the Group based on its previous history of claims/indemnification of claims using actuarial methods of calculation, which include loss triangulation for insurance classes for which there is statistical data. For lines of insurance that do not have statistical data, IBNR is calculated according to the FMSA requirements as 50% of RBNS, or in the case of an absence of IBNR for certain lines of insurance, as 5% of the written premiums, net of commissions.

The reinsurers’ share in the provision for losses is calculated in accordance with the reinsurers’ share under the reinsurance contracts.

Reinsurance

In the ordinary course of business, the Group cedes reinsurance. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from legal risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross unless a right of offset exists and is included in the accompanying consolidated statements of financial position within other assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are transferred by the Group to the reinsurer.

The Group regularly assesses its reinsurance assets for impairment. A reinsurance asset is impaired if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Rates of exchange

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

	31 December 2010	31 December 2009	31 December 2008
KZT/1 US Dollar	147.50	148.46	120.79
KZT/1 Euro	196.88	213.95	170.24
KZT/1 Kyrgyz Som	3.13	3.37	3.06
KZT/1 Russian Rouble	4.83	4.90	4.11

Offset of financial assets and liabilities

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

Fiduciary activities

The Group provides trustee services to its customers. Also the Group provides depositary services to its customers, which include transactions with securities on their depository accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Segment reporting

The segments are identified on the basis used by the Group's chief operating decision maker to allocate resources and evaluate performance, in accordance with IFRS 8 "Operating Segments". The Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which excludes certain unallocated costs related to interest expense on debt securities issued and loans and advances to banks and other financial institutions and operating expenses other than salaries and other employee benefits. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Group have been reported based on the domicile of the Company within the Group.

Areas of significant management judgment and sources of estimation uncertainty

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

Allowance for impairment losses of loans and receivables

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

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses management's judgment to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The most significant judgment is applied in assessing impairment levels in real estate loans and construction financing. Current economic and market conditions make historical statistical loss levels less relevant in determining the inherent loss levels in the loan portfolio. Instead, management is required to use recent empirical evidence of impairment or employ analytical tools to estimate future economic value of collateral secured under loans or the expected cash generating ability of borrowers' business. This area of judgment bears significant sensitivity to various risk factors, such as general economic growth, central government involvement, support of local authorities, trends in the housing and commercial real estate markets, and changes in the regulatory environment. The assumptions underlying this judgment are highly subjective.

The level of loan loss provisions at the reporting date is supported by following factors:

- The economic value assessment of collateral under real estate loans. In some cases management used certain assumptions to determine the inherent value of collateral, such as land, based on highest and best use, current observable lease rates and sale prices for commercial and residential real estate. Moreover, the assessment sometimes depends on expectations that local municipal government will continue funding capital expenditure costs for infrastructure development in and around any given real estate project. In certain cases, additional financing as well as investment is factored into determining the value.

- The Bank has formulated a work-out strategy for construction loans, which is currently being implemented, most significantly in Almaty and Astana. In many cases the approach taken by the Bank necessitates close partnership with local municipal authorities, construction subcontractors, suppliers of construction materials, and the availability of construction materials, specialized equipment and labor.

- Incomplete construction projects are more likely to result in past due construction loans. Therefore, the Bank encourages additional investments in incomplete construction projects, which in turn increase an opportunity to generate more cash flows for existing borrowers of the Bank that are involved in ancillary services to the construction sector, such as equipment leasing, construction materials, site management, labor outsourcing, transportation, security, and other services.

Fair value changes in the above factors and assumptions may result in significant adjustment to loan loss provisions and the carrying value of loans to customer. Management seeks to regularly update assumptions and the approach it has taken toward individual borrowers.

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

The impairment of the loan is identified within credit monitoring, which includes monitoring of payments of the customer and preparation of regular monitoring reports on the customer and his loans every 6 or 12 months, depending on the solvency of the customer. In addition, on a regular basis the credit managers monitor the quality of the loan, financial position and business of the customer, and observe the terms of the loan agreements. For the purpose of provisioning, assessment of impairment losses for corporate loans is performed on an individual basis.

The consumer loans are classified as non-performing or impaired if there is a default on payments of the principal or accrued interest for 60 days or more. For the purpose of provisioning, assessment of impairment losses is made on the collective or portfolio basis.

According to the Group's credit portfolio management policy, if at least one loan of a customer is recognized as impaired based on the above mentioned criteria, the total debt on such a customer is considered impaired, i.e. other performing loans of such customer are also recognized as impaired.

For certain performing loans which are not overdue, the Group classifies them as homogenous and individually assessed watch assets. Homogenous assets are not individually impaired, because there is not enough objective evidence to recognize them as impaired. At the same time, the Group assesses these assets for credit risk and impairment on a collective basis taking into account the general macroeconomic environment as well as industry specific developments. The individually assessed watch assets consist of loans not past due, but there is a possibility that the credit losses may arise in the future due to a possible negative trend in the borrower's financial position or evidence of some unsatisfactory financial results which affect the ability of a borrower to repay. The financial standing of such clients is evidenced and monitored, based on business results, repayment discipline and cash flows.

The Group creates allowance for impairment losses in order to cover credit losses, including losses where the asset is not specifically identified. At least monthly, the provision for impairment losses on interest bearing assets is reviewed by the Chairman of the Board, the Head of Risk Management Department #1, the Chief Financial Officer, and the Chief Accountant. At least quarterly, the provision for impairment losses and overall credit quality is reviewed by the Board of Directors. The amount of provision is reviewed relative to the credit portfolio and current economic conditions. The amount of provision is determined by individual and portfolio-based approaches. As at 31 December 2010, 2009 and 2008, Management deemed the provision for impairment losses to be appropriate and sufficient to absorb losses that are inherent to the portfolio.

The carrying amount of the allowance for impairment of loans to customers as at 31 December 2010 is KZT 572,450 million (2009: is KZT 505,548 million, 2008: KZT 289,328 million).

Valuation of financial instruments

Financial instruments that are classified at fair value through profit or loss or available-for-sale, and all derivatives, are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price at the close of business on the balance sheet date. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data and the use of discounted cash flow pricing models. Where market-based valuation parameters are not directly observable, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated income statement on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

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

The Group uses quoted market prices from independent information sources, for all its financial assets and liabilities recorded at fair value, with the exception of certain debt securities, which are valued using internal models, and derivative financial instruments, which are valued using a valuation model based on market data.

The Group also considers both the credit risk of its counterparties, as well as its own creditworthiness when estimating the fair value of financial instruments, including derivatives. The Group attempts to mitigate credit risk to third parties by entering into netting and collateral arrangements. Net counterparty exposure (counterparty positions netted by offsetting transactions and both cash and securities collateral) is then valued for counterparty creditworthiness and this resultant value is incorporated into the fair value of the respective instruments. The Group generally calculates the credit risk adjustment for derivatives on observable credit data.

Credit risk is measured using dynamic models that calculate the probability and potential future exposure given default. The main inputs used in these models are generally data relating to individual issuers in the portfolio and correlations thereto. The main inputs used in determining the underlying cost of credit for credit risk derivatives are quoted credit spreads and the correlation between individual issuers' quoted credit derivatives.

The Group also considers its own creditworthiness when determining the fair value of an instrument, including OTC derivative instruments and financial liabilities held at fair value through profit or loss if the Group believes market participants would take that into account when transacting the respective instrument. The approach to measuring the impact of the Group's credit risk on an instrument is done in the same manner as for third party credit risk. The impact of the Group's credit risk is considered when calculating the fair value of an instrument, even when credit risk is not readily observable such as in OTC derivatives contracts. As at 31 December 2010, 2009 and 2008, the impact of credit valuation adjustments in the derivatives portfolio was not material to the Group.

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit ratings of the counterparties, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available could have had a material impact on the Group's reported net income.

The table below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 31 December 2010, 2009 and 2008, respectively:

Category as per the consolidated statement of financial position		**Quoted prices in active markets (Level 1)**	**Internal models based on market prices (Level 2)**	**Internal models (unobser-vable inputs) (Level 3)**	**31 December 2010 Total**
Assets:					
Trading assets	Debt securities	197,068	-	120	197,188
	Equity investments	4,519	-	-	4,519
Derivative financial instruments	Foreign exchange and interest rate contracts	-	21,524	-	21,524
Available-for-sale financial assets	Debt securities	11,876	-	-	11,876
	Equity securities	4,946	-	-	4,946
Liabilities:					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	36,047	-	36,047

Category as per the consolidated statement of financial position		Quoted prices in active markets (Level 1)	Internal models based on market prices (Level 2)	Internal models (unobser-vable inputs) (Level 3)	31 December 2009 Total
Assets:					
Trading assets	Debt securities	73,526	-	599	74,125
	Equity investments	2,638	-	-	2,638
Derivative financial instruments	Foreign exchange and interest rate contracts	-	37,440	-	37,440
Available-for-sale financial assets	Debt securities	11,444	-	-	11,444
	Equity securities	-	5,252	-	5,252
Liabilities:					
Derivative financial instruments	Foreign exchange contracts	-	35,991	-	35,991

Category as per the consolidated statement of financial position		Quoted prices in active markets (Level 1)	Internal models based on market prices (Level 2)	31 December 2008 Total
Assets:				
Trading assets	Debt securities	32,537	-	32,537
	Equity investments	1,276	-	1,276
Derivative financial instruments	Foreign exchange and interest rate contracts	-	24,317	24,317
Available-for-sale financial assets	Debt securities	11,755	-	11,755
	Equity securities	-	3,301	3,301
Liabilities:				
Derivative financial instruments	Foreign currency contracts	-	54,339	54,339

Reconciliation from the beginning balances to the ending balances in Level 3 of fair value hierarchy for the year ended 31 December 2010 and 31 December 2009 was presented as follows:

	2010 (KZT million)	2009 (KZT million)
Beginning of the year	599	-
Transfer from Level 1 category	-	2,372
Total losses recognized in the consolidated income statement	(479)	(1,773)
End of the year	120	599

Internal models used in estimation of fair value of certain debt instruments are based on discounted future cash flows with/or without consideration of restructuring plan depending on type of debt security. Discount factors are estimated using yield curve which in turn is formed by constructing risk-free curve for a given currency of debt instrument adding a risk premium. The risk premium value is measured in basis points and reflects an issuer's credit risk determined using a robust scoring model. This internal model does not take directly into consideration available market information related to prices. However, on a regular basis its outcomes are compared with prices of similar instruments or quoted prices of certain debt instruments, which the Management does not consider reliable due to low trading volumes, thus, a minimal number of those values are used to determine fair value of the debt instrument. Reasonable possible changes in the key assumptions were used. Based on changing the key assumptions, management determined that changing these assumptions did not cause the fair value of those debt instruments to change significantly.

Goodwill

Goodwill is the excess cost of an acquisition over the fair value of its net assets. The determination of fair value of assets and liabilities of businesses acquired requires the exercise of management judgment; for example those financial assets and liabilities for which there are no quoted prices, and those non-financial assets where valuations reflect estimates of market conditions. A difference in fair values would result in changes to the goodwill arising and to the post-acquisition performance of the acquisition. Goodwill is not amortized but is tested annually or more frequently for impairment if events or changes in circumstances indicated that it might be impaired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units or groups of cash-generating units expected to benefit from the combination. Goodwill impairment testing involves the comparison of the carrying value of a cash-generating unit or group of cash generating units with its recoverable amount. The recoverable amount is the higher of the unit's fair value and its value in use. Value in use is the present value of expected future cash flows from the cash-generating unit or group of cash-generating units. Fair value is the amount obtainable for the sale of the cash-generating unit in an arm's length transaction between knowledgeable, willing parties.

Impairment testing inherently involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash-generating units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

The carrying amount of goodwill as at 31 December 2010 is KZT 2,405 million (2009: KZT 2,405 million, 2008: KZT 2,405 million).

Standards and Interpretations affecting amounts reported in the current period

Amendments to IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" (as part of Improvements to IFRSs issued in 2009)	The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements. Disclosures in these consolidated financial statements have been modified to reflect the above clarification, where applicable.
Amendments to IAS 1 "Presentation of Financial Statements" (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or noncurrent. This amendment has no effect on the amounts reported in prior years because the Group has not previously issued instruments of this nature.
Amendments to IAS 7 "Statement of Cash Flows" (as part of Improvements to IFRSs issued in 2009)	The amendments to IAS 7 specify that only expenditures that result in a recognized asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 "Intangible Assets" for capitalization as part of an internally generated intangible asset. No changes were necessary as a result of the adoption of this amendment.
Amendments to IFRS 7 "Financial Instruments: Disclosures" (as part of Improvements to IFRSs issued in 2010)	The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.

New and revised standards and interpretations issued and not yet adopted

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 "Financial Instruments" - On 12 November 2009, the IASB issued IFRS 9 "Financial Instruments" which introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition. IFRS 9 requires all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

  The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.

  IFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

  The Group anticipates that IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new standard will have a significant impact on amounts reported in respect of the Groups' financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

- The amendments to IFRS 7 titled "Disclosures – Transfers of Financial Assets" increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

- It is not expected that these amendments to IFRS 7 will have a significant effect on the Group's consolidated financial statements.

- IAS 24 "Related Party Disclosures" (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities. The disclosure exemptions introduced in IAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

- The amendments to IAS 32 titled “Classification of Rights Issues” address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

- IFRIC 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, IFRIC 19 will affect the required accounting. In particular, under IFRIC 19, equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

4. RESTATEMENTS

1) In 2010 the Group determined that the currency risk sensitivity analysis had included a clerical error when presented in the consolidated financial statements for the year ended 31 December 2009. The effect of the adjustment made to the consolidated financial statements for the year ended 31 December 2009 to correct the error is as follows:

	As previously reported 31 December 2009 (KZT million)					
	KZT/USD		**KZT/EUR**		**KZT/RUB**	
	+10%	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**
Impact on profit or loss	(26,950)	26,899	22,360	(22,360)	2,925	(2,925)

	As per restated report 31 December 2009 (KZT million)					
	KZT/USD		**KZT/EUR**		**KZT/RUB**	
	+10%	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**
Impact on profit or loss	149	(200)	3,104	(3,104)	2,925	(2,925)

2) In 2010 the Group determined that the consolidated statement of cash flows had included a clerical error in the consolidated financial statements for the year ended 31 December 2009. The effect of the adjustment made to the consolidated financial statements for the year ended 31 December 2009 to correct the error is as follows:

	Amount (KZT million)	**As per previous report year ended 31 December 2009 (KZT million)**	**As per restated report year ended 31 December 2009 (KZT million)**
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	9,803	(14,186)	(4,383)
Proceeds on sale of property, equipment and intangible assets	(9,803)	11,412	1,609

3) The Group has revised its accounting policy in relation to cash and cash equivalents. The Group has re-assessed its operations as the direct effects of the global financial crisis recede. During that re-assessment the Group identified the need to change the presentation of its cash and cash equivalents to be more comparable with other Kazakhstan banks. Previously the Group, when calculating minimum reserve deposits in Kazakhstan, had used balances on cash accounts and correspondent accounts of the NBRK, defined by the NBRK for the purposes of Minimum Reserve Requirement ("MRR") calculation. In accordance with the revised accounting policy the Group is calculating the MRR for the purposes of these consolidated financial statements as a percentage of average balances of deposits and international borrowings for two weeks: one week before and one week after the reporting date. Additionally the Group had previously excluded amounts due from banks in non-OECD countries from cash and cash equivalents. However, as the Group does not have any history of restrictions on the use of such funds, it has decided to amend its policy to include these amounts. The change in accounting policy has been applied retrospectively to the earliest reported period and the effect on previously reported cash flow statements.

The effect of the adjustments made to cash and cash equivalents as at 31 December 2009 and 2008 is as follows:

Note 15	**Amount (KZT million)**	**As per previous report (KZT million)**	**As per restated report (KZT million)**
Reclassifying due from banks to cash and cash equivalents (maturity less than 3 months)		**31 December 2009**	**31 December 2009**
Loans and advances to banks in Organization for Economic Co-operations and Development ("OECD") countries with original maturities less than 3 months	77,611	77,611	-
Loans and advances to banks with original maturities less than 3 months	84,976	-	84,976
Less funds deposited with the National Bank of the Republic of Kazakhstan ("NBRK") and cash on hand	48,865	(84,405)	(35,540)
Reclassifying due from banks to cash and cash equivalents (maturity less than 3 months)		**31 December 2008**	**31 December 2008**
Loans and advances to banks in Organization for Economic Co-operations and Development ("OECD") countries with original maturities less than 3 months	164,025	164,025	-
Loans and advances to banks with original maturities less than 3 months	185,784	-	185,784
Less funds deposited with the National Bank of the Republic of Kazakhstan ("NBRK") and cash on hand	35,359	(85,127)	(49,768)

Adjustments due to the change in accounting policy and reclassifications had the following effects on the consolidated statement of cash flows for the year ended 31 December 2009:

	Amount (KZT million)	As per previous report year ended 31 December 2009 (KZT million)	As per restated report year ended 31 December 2009 (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Funds deposited with National Bank of the Republic of Kazakhstan and cash on hand	13,506	722	14,228
Loans and advances to banks and other financial institutions	(14,394)	94,026	79,632
NET DECREASE IN CASH AND CASH EQUIVALENTS	(888)	(86,428)	(87,316)
CASH AND CASH EQUIVALENTS, beginning of year	57,118	168,994	226,112
CASH AND CASH EQUIVALENTS, end of year	56,230	82,566	138,796

Adjustments due to the change in accounting policy and reclassifications had the following effects on the consolidated statement of cash flows for the year ended 31 December 2008:

	Amount (KZT million)	As per previous report year ended 31 December 2008 (KZT million)	As per restated report year ended 31 December 2008 (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Funds deposited with National Bank of the Republic of Kazakhstan and cash on hand	28,173	75,090	103,263
Loans and advances to banks and other financial institutions	7,358	11,937	19,295
NET INCREASE IN CASH AND CASH EQUIVALENTS	35,531	24,648	60,179
CASH AND CASH EQUIVALENTS, beginning of year	21,587	144,346	165,933
CASH AND CASH EQUIVALENTS, end of year	57,118	168,994	226,112

5. NET INTEREST INCOME

	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million) (Revised)*	Year ended 31 December 2008 (KZT million) (Revised)*
Interest income comprises:			
Interest income on financial assets recorded at amortized cost:			
- interest income on homogenous and individually assessed watch assets	197,504	249,535	290,023
- interest income on individually impaired financial assets	64,532	69,784	21,557
- interest income on unimpaired financial assets	24,338	48,661	62,575
Interest income on financial assets at fair value through profit or loss	4,407	3,211	5,345
Interest income on investments available-for-sale	734	1,269	543
Total interest income	291,515	372,460	380,043
Interest income on financial assets recorded at amortized cost comprises:			
Interest on loans to customers	279,394	359,860	362,448
Interest on loans and advances to banks and other financial institutions	6,447	7,236	10,554
Interest on investments held to maturity	56	69	121
Amortization of discount on loans	477	815	1,032
Total interest income on financial assets recorded at amortized cost	286,374	367,980	374,155
Interest income on financial assets at fair value through profit or loss:			
Interest income on financial assets held-for-trading	4,407	3,211	5,345
Total interest income on financial assets at fair value through profit or loss	4,407	3,211	5,345
Interest income on investments available-for-sale	734	1,269	543
Total interest income	291,515	372,460	380,043
Interest expense comprises:			
Interest on financial liabilities recorded at amortized cost	152,091	178,846	181,212
Total interest expense	152,091	178,846	181,212
Interest expense on financial liabilities recorded at amortized cost comprise:			
Interest on customer accounts	96,997	84,436	74,938
Interest on debt securities issued	31,313	60,162	58,808
Interest on loans and advances from banks and other financial institutions	7,947	15,123	27,989
Interest expense on subordinated debt	13,544	13,874	10,740
Interest expense on securitization program	-	2,792	6,250
Preference share dividends	731	747	598
Other interest expense	1,559	1,712	1,889
Total interest expense on financial liabilities recorded at amortized cost	152,091	178,846	181,212
Net interest income before provision for impairment losses on interest bearing assets	139,424	193,614	198,831

* The classification of interest income has been revised so that the disclosure in prior years is aligned to the current basis the Group applies to defining watch assets, unimpaired assets, and impaired assets.

Individually assessed watch assets represent loans with some minor indicators of deterioration in credit quality not yet resulting in the impairment of the loan. Such indicators may include minor breaches of loan covenants, and/or some factors leading to the deterioration of the financial position of the borrower, which are not yet affecting the ability of the borrower to repay the amounts in due course. Watch list loans are subject to stricter monitoring of financial position, collateral and other enhanced credit risk management tools in comparison with unimpaired assets.

The Group classifies corporate loans as non-performing and accordingly impaired if there is a default on payment of the principal or accrued interest for 30 days or more.

During 2010, the Group has actively participated in economic stimulus programs of the Kazakhstan Government, which allowed borrowers to benefit from lower interest rates on their borrowings. Refinancing has allowed many customers to significantly reduce their debt service burden as interest rates were decreased to a range of 9% to 12.5%, depending on the type of the customer and the refinancing program. As a result of the refinancing, a portion of the loans, previously included in the collectively assessed for impairment category have been reclassified as unimpaired.

6. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

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

	Loans and advances to banks and other financial institutions (KZT million) (Note 17)	Loans to customers (KZT million) (Note 18)	Investments available-for-sale (KZT million)	Total (KZT million)
31 December 2007	1,276	140,363	-	141,639
Additional provision recognized on discontinued operations	-	1,917	-	1,917
(Recovery of provision)/additional provision recognized	(977)	149,757	-	148,780
Write-off of assets	-	(1,172)	-	(1,172)
Foreign exchange differences	-	(1,537)	-	(1,537)
31 December 2008	299	289,328	-	289,627
Additional provision recognized on discontinued operations	-	707	-	707
(Recovery of provision)/additional provision recognized	(350)	192,756	-	192,406
Write-off of assets	-	(171)	-	(171)
Foreign exchange differences	73	22,928	-	23,001
31 December 2009	22	505,548	-	505,570
Discontinued operations	-	(3,050)	-	(3,050)
Additional provision recognized	115	95,422	18	95,555
Write-off of assets	-	(23,123)	-	(23,123)
Foreign exchange differences	(1)	(2,347)	-	(2,348)
31 December 2010	136	572,450	18	572,604

As at 31 December 2010, the Group has identified certain corporate customer loans, where under the contractual terms of the loan agreements there are no cash flows to the Group prior to 2013. These loans are considered impaired by management. In accordance with IAS 39, interest should continue to be accrued on impaired loans, even where there are doubts in relation to its collection. The accrued interest income on these loans for the year ended 31 December 2010 amounted to KZT 54,398 million. Management has established an allowance for loan losses of KZT 54,398 million against this interest. Had this interest not been accrued, the net interest income before provision for impairment losses on interest bearing assets for the year ended 31 December 2010 would have been KZT 85,026 million and the provision for impairment losses on interest bearing assets would have been KZT 41,157 million. While there is currently evidence of impairment, the Group continues to progress work out strategies on these loans. The Group regularly evaluates probability of cash flows and introduces respective changes to the list of these corporate loans.

Total provisions for impairment losses on insurance provision and guarantees and other off-balance sheet contingencies comprise:

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Insurance provisions	6,287	4,728	4,005
Provisions on guarantees and other contingencies	3,903	7,217	6,271
	10,190	11,945	10,276

The movements in insurance provisions, allowances for impairment losses on other transactions and allowances on guarantees and other off-balance sheet contingencies were as follows:

	Insurance provisions (KZT million)	Other assets (KZT million) (Note 23)	Guarantees and other off-balance sheet contingencies (KZT million) (Note 31)	Total (KZT million)
31 December 2007	3,422	323	7,216	10,961
Additional provision recognized on discontinued operations	-	1,622	-	1,622
Additional provision recognized	583	513	-	1,096
Recovery	-	-	(856)	(856)
Write-off of assets	-	(249)	-	(249)
Exchange difference	-	94	(89)	5
31 December 2008	4,005	2,303	6,271	12,579
Recovery of provision on discontinued operations	-	(1,039)	-	(1,039)
Additional provision recognized	723	1,788	-	2,511
Recovery	-	-	(600)	(600)
Write-off of assets	-	(673)	-	(673)
Exchange difference	-	377	1,546	1,923
31 December 2009	4,728	2,756	7,217	14,701
Discontinued operations	-	(841)	-	(841)
Additional provision recognized	1,559	2,120	-	3,679
Recovery	-	-	(3,261)	(3,261)
Write-off of assets	-	(12)	-	(12)
Exchange difference	-	10	(53)	(43)
31 December 2010	6,287	4,033	3,903	14,223

Insurance provisions comprised:

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Annuity insurance	2,738	1,520	498
Property	1,095	664	934
Accidents	908	297	272
Civil liability for owners of vehicles	567	115	510
Vehicles	290	330	468
Civil liability for damage	164	929	853
Freight	94	110	95
Life insurance	90	54	38
Insurance of environmental risk	82	40	43
Railway transport	16	10	13
Financial loss insurance	3	11	28
Other	240	648	253
	6,287	4,728	4,005

Other insurance provisions include provisions for insurance of private lawyers, auditors and audit organizations, medical, air and marine transport and others.

7. NET (LOSS)/GAIN ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)
Net (loss)/gain on financial assets and liabilities held-for-trading	(5,947)	24,524	(27,515)
Total net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(5,947)	24,524	(27,515)
Net (loss)/gain on operations with financial assets and liabilities held-for-trading comprise:			
Realized gain/(loss) on trading operations	1,793	1,661	(72)
Unrealized gain/(loss) on fair value adjustment of financial assets held for trading	484	(4,064)	(4,212)
Hedge ineffectiveness	-	730	(186)
Net (loss)/gain on operations with derivative financial instruments	(8,224)	26,197	(23,045)
Total net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(5,947)	24,524	(27,515)

8. NET GAIN/(LOSS) ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS

	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)
Dealing, net	4,460	(15,175)	7,887
Translation differences, net	(1,898)	210	(1,859)
	2,562	(14,965)	6,028

Translation differences for the year ended 31 December 2010 amounted to KZT 1,898 million (2009: gain of KZT 210 million, 2008: loss of KZT 1,859 million). This result arises on the revaluation of assets and liabilities denominated in non-functional currencies such as the USD, Japanese Yen, Euro, Pound and Singapore dollar.

9. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)
Fee and commission income:			
Plastic cards operations	5,394	4,251	3,668
Cash operations	4,885	4,575	4,985
Settlements	3,402	2,973	3,006
Documentary operations	2,875	3,668	4,723
Investment fees on administered pension funds	2,219	2,689	2,067
Foreign exchange and securities operations	1,449	1,801	2,049
Encashment operations	312	281	284
Other	438	493	666
Total fee and commission income	20,974	20,731	21,448
Fee and commission expense:			
Plastic cards services	1,862	1,578	1,300
Insurance activity	1,154	1,190	917
Foreign exchange and securities operations	290	249	235
Correspondent bank services	169	147	160
The NBRK computation center services	130	110	92
Documentary operations	47	41	84
Investment expenses on administered pension funds	15	86	1,231
Other	112	139	283
Total fee and commission expense	3,779	3,540	4,302

10. NET REALIZED GAIN/(LOSS) ON INVESTMENTS AVAILABLE-FOR-SALE

	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)
Realized gain/(loss) from investments available-for-sale	69	34	(370)
Loss from impairment of investments available-for-sale	-	(1,060)	(2,120)
	69	(1,026)	(2,490)

11. OTHER INCOME

	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)
Insurance income	5,547	4,586	4,349
Positive/(negative) revaluation of foreclosed assets held for sale	515	(1,207)	-
Income from repurchase of own debt securities and early redemption of other obligations	180	30,727	902
Income from sale of property, equipment and intangible assets	82	18	17
Fines and penalties received	1	68	57
Bargain purchase gain on acquisition of stake in subsidiaries	-	-	3,137
Other	205	235	832
	6,530	34,427	9,294

For the year ended 31 December 2010, the Bank purchased Eurobonds issued by Kazkommerts International B.V. and its own Eurobonds in the amounted to KZT 66,765 million (USD 453 million). The Bank purchased these bonds in two ways. By purchasing them on the open market, and by customers, which own Eurobonds of the Bank and Kazkommerts International B.V. transferring their rights to the Bank in exchange for their loan repayment. As a result of this operation the Bank received a gain on debt repayment in the amount of KZT 180 million which is included in other income in the consolidated income statement.

For the year ended 31 December 2009, the Bank foreclosed loans to customers in the amount of KZT 162,938 million (USD 1,097 million) for Eurobonds issued by its subsidiary Kazkommerts International B.V. recorded at book value of KZT 168,256 million (USD 1,133 million) which resulted in a gain on redemption of own debt of KZT 5,318 million. In addition, the Bank purchased from the market Eurobonds issued by Kazkommerts International B.V. with book value of KZT 73,203 million (equivalent of USD 493 million) which resulted in a gain on extinguishment of KZT 23,378 million. On 1 April 2009 the Bank purchased KZT 19,187 million (USD 127 million) in aggregate principal amount of Securitization Notes through tender offer held since 23 March 2009 till 30 March 2009. The price of purchase was USD 920 per USD 1,000 in principal amount of Notes, which resulted in a gain of KZT 2,031 million.

For the year ended 31 December 2008, the Bank purchased Eurobonds issued by Kazkommerts International B.V. in the amount of KZT 7,680 million (USD 64 million). As a result of this operation the Bank received a gain on debt repayment in the amount of KZT 902 million which is included in Other income in the consolidated income statement.

12. OPERATING EXPENSES

	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)
Staff costs	17,709	14,180	15,677
Depreciation and amortization	3,481	3,643	3,327
Payments to the Individuals' Deposit Insurance Fund	3,103	2,160	1,627
Operating leases	2,386	2,600	3,283
Property and equipment maintenance	2,085	1,890	2,146
Taxes, other than income tax	1,319	1,127	992
Advertising costs	1,183	886	1,665
Communications	753	692	749
Bank cards services	725	648	521
Consulting and audit services	396	377	353
Business trip expenses	346	221	392
Vehicle maintenance	329	266	338
Security services	299	333	435
Collection services	284	153	39
Charity and sponsorship expenses	248	88	123
Training and information services	201	143	215
Stationery	125	130	166
Mail and courier expenses	99	92	106
Legal services	34	98	19
Other expenses	728	421	304
	35,833	30,148	32,477

13. INCOME TAX

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its subsidiaries operate and which may differ from IFRS.

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

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2010, 2009 and 2008 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax effect of temporary differences as at 31 December 2010, 2009 and 2008:

	31 December 2010 (KZT millions)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Deferred income tax assets:			
Unrealised loss on trading securities and derivatives	2,603	2,967	6,082
Provision on guarantees and letters of credit	492	836	-
Unrealised loss on revaluation of financial instruments treated as cash flow hedges	46	234	2,680
Realized loss on securities	-	676	1,030
Bonuses accrued	794	478	649
Investments in associates	-	238	-
Unamortized deferred loan fees	58	81	132
Losses on sale of investments in associates	421	-	-
Deferred tax losses	170	1,198	240
Total deferred income tax assets	4,584	6,708	10,813
Deferred income tax liabilities:			
Allowance for losses on loans and advances to banks and customers	32,681	29,294	19,144
Property, equipment and intangible assets and accumulated depreciation	1,922	1,807	1,498
Provision on guarantees and letters of credit	-	-	264
Investments in associates	-	2	108
Unrealised gain on trading securities and derivatives	8	124	4
Other liabilities	8	-	-
Total deferred income tax liabilities	34,619	31,227	21,018
Net deferred income tax liabilities	30,035	24,519	10,205

Relationships between tax expenses and accounting profit for the years ended 31 December 2010, 2009 and 2008 are explained as follows:

	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)
Profit before income tax	29,357	31,786	11,474
Tax at the statutory tax rate (20% for 2010 and 2009 and 30% for 2008)	5,871	6,357	3,442
Tax effect of permanent differences:			
- tax exempt income	(1,446)	(168)	(1,687)
- non-deductible expense	2,944	1,402	3,714
Recalculation of net deferred liability expenses due to tax rate changes	-	4,892	(14,267)
Adjustments to prior year provisions for income tax	-	280	108
Income tax expense/(benefit)	7,369	12,763	(8,690)
Current income tax expense	2,768	1,406	7,282
Deferred income tax expense/(benefit)	4,601	11,357	(15,972)
Income tax expense/(benefit)	7,369	12,763	(8,690)
Income tax expense/(benefit) from continued operations	7,419	13,101	(8,298)
Income tax benefit from discontinued operations	(50)	(338)	(392)
Income tax expense/(benefit)	7,369	12,763	(8,690)

Corporate income tax rate in the Republic of Kazakhstan was 20% during 2010 and 2009 and 30% during 2008.

There was a change during 2010 in tax legislation in Kazakhstan in relation to corporate income tax, which is set at 20%.

	2010 (KZT million)	2009 (KZT million)	2008 (KZT million)
Deferred income tax liabilities			
1 January	24,519	10,205	30,496
Increase/(decrease) of deferred tax liability due to tax rate changes	-	4,892	(14,267)
Increase/(decrease) of deferred tax liability	4,601	6,465	(1,705)
Effect of disposal of discontinued operations	663	-	-
Change in hedging reserve	188	2,445	(2,680)
Increase/(decrease) of deferred tax expenses through the equity due to tax rate changes	-	453	(1,144)
Change in available-for-sale reserve	(54)	438	(423)
Change in deferred tax liability from revaluation of property and equipment	118	(379)	(72)
31 December	30,035	24,519	10,205

14. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net income for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year.

As described in Note 30, dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings:

	Year ended 31 December 2010 (KZT million)	Year ended 31 December 2009 (KZT million)	Year ended 31 December 2008 (KZT million)
Basic and diluted earnings per share			
Net profit for the year attributable to equity holders of the Parent	21,879	19,423	21,805
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(2,385)	(2,271)	(3,399)
Net profit for the year attributable to ordinary shareholders	19,494	17,152	18,406
Weighted average number of ordinary shares for basic and diluted earnings per share	778,595,809	706,725,587	574,861,869
Earnings per share – basic and diluted (KZT)	25.04	24.27	32.01

The Group is not presenting the earnings per share for discontinued operations because its impacts in total EPS are not material.

The book value per share for each type of shares as at 31 December 2010, 2009 and 2008 is as follows:

	31 December 2010			31 December 2009			31 December 2008		
Type of shares	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT	Outstanding shares	Net asset value (KZT million)	Book value per share, KZT
Ordinary shares	778,585,361	405,783	521.18	778,601,164	381,353	489.79	574,614,870	305,713	532.03
Preferred shares	124,514,944	13,034	104.68	124,452,984	13,059	104.93	124,356,443	11,800	94.89
		418,817			394,412			317,513	

Number of outstanding ordinary and preferred shares is calculated net of the treasury shares.

According to amendments enacted to the KASE Listing Rules effective from 25 August 2010, listed companies are required to present book value per share (ordinary and preferred) in their financial statements. The Management of the Group believes that the book value per share is calculated in accordance with the methodology in the KASE Listing Rules.

15. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Cash on hand	38,243	35,073	35,879
Balances with national (central) banks	22,973	55,460	54,599
	61,216	90,533	90,478

Cash and cash equivalents for the purposes of the consolidated statement of cash flows are comprised of the following:

	31 December 2010 (KZT million)	31 December 2009 (KZT million) (Restated)*	31 December 2008 (KZT million) (Restated)*
Cash and balances with national (central) banks	61,216	90,533	90,478
Loans and advances to banks with original maturities less than 3 months	95,227	84,976	185,784
Less funds deposited with the National Bank of the Republic of Kazakhstan ("NBRK") and cash on hand	(35,693)	(35,540)	(49,768)
Less funds deposited with the Central Bank of Russian Federation ("CBR")	(2,378)	(949)	(178)
Less funds deposited with the National Bank of the Kyrgyz Republic ("NBKR")	(110)	(204)	(155)
Less funds deposited deposit with the National Bank of Tajikistan	(39)	(20)	(49)
	118,223	138,796	226,112

* Restated as described in Note 4.

16. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Debt securities	197,188	74,125	32,537
Derivative financial instruments	21,524	37,440	24,317
Equity investments	4,519	2,638	1,276
Total financial assets at fair value through profit or loss	223,231	114,203	58,130

The financial assets at fair value through profit or loss relate entirely to financial assets held for trading.

	31 December 2010		31 December 2009		31 December 2008	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:						
Short-term NBRK notes	-	110,913	-	51,822	-	5,609
State treasury bonds of the Ministry of Finance of Republic of Kazakhstan	8.75	36,084	4.05-8.90	5,738	4.50-8.75	1,765
Eurobonds of OECD countries	0.38-4.75	16,184	-	-	-	-
Bonds of Russian companies	6.21-14.75	11,069	7.29-16.50	2,891	7.28-13.80	3,078
Bonds of Kazakhstani companies	6.25-11.00	8,916	5.69-11.00	7,837	8.00-19.20	12,356
Bonds of Russian banks	6.48-9.00	3,943	15.00-16.00	1,905	7.34-9.90	1,828
Eurobonds of Kazakhstani companies	6.25-11.75	3,778	-	-	-	-
Bonds of local executive bodies of the Russian Federation	7.70-9.00	2,167	6.73-8.20	218	7.26-8.70	378
Eurobonds of Kazakhstani banks	7.25-9.25	1,428	3.148-8.00	591	7.875-8.125	2,089
Bonds of international financial organizations	5.05-7.75	919	4.847-7.75	1,385	6.50-15.715	2,920
Bonds of Kazakhstani banks	7.50-9.70	833	7.50-10.90	1,440	6.00-12.00	2,390
Bonds of Eurasian Bank of Development	7.38	649	-	-	-	-
Bonds of federal loan of the Ministry of Finance of the Russian Federation	8.00	155	8.00	154	9.00	124
Bonds of Development Bank of Kazakhstan	6.50	150	6.50	144	-	-
		197,188		74,125		32,537

As at 31 December 2010, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data, and certain debt securities, which are valued using valuation models not based on observable market data. The Group applied a valuation model to certain debt securities of local issuers which have undergone a restructuring of its liabilities (JSC Alliance Bank, JSC BTA Bank, JSC BTA Ipoteka and JSC Azia Auto) as the use of quoted prices in an active market was not available. As at 31 December 2010, total carrying value of these debt securities amounted to KZT 120 million (2009: KZT 599 million) (total nominal value of KZT 1,476 million (2009: KZT 6,451 million)) and unrealized loss on fair value adjustment of debt securities recognized during 2010 amounted to KZT 479 million (2009: KZT 1,773 million).

	Ownership share %	31 December 2010 (KZT million)	Ownership share %	31 December 2009 (KZT million)	Ownership share %	31 December 2008 (KZT million)
Equity investments:						
GDRs of Kazakhstani banks	0.002-0.25	2,310	0.20	1,609	0.64	610
GDRs of Kazakhstani companies	0.00001-0.08	1,052	0.0006	31	0.0006	8
GDRs of Russian bank	0.014	723	0.072	546	0.103	214
Shares of Kazakhstani companies	0.12	267	0.124-0.158	265	0.001-0.293	162
Shares of Russian companies	0.0001	88	0.006-0.619	29	0.0001-2.00	108
GDRs of Russian companies	0.00002-0.0018	45	0.0001-2.468	67	0.0001-0.01	30
Shares of foreign company	0.0002	34	0.0003	27	0.0003-5.93	45
ADRs of Russian company	-	-	0.014	58	0.003	12
Shares of Kazakhstani bank	-	-	0.006	6	0.025	75
Shares of Russian bank	-	-	-	-	0.00001	12
		4,519		2,638		1,276

As at 31 December 2010, financial assets at fair value through profit or loss included accrued interest income on debt securities of KZT 1,417 million (2009: KZT 441 million, 2008: KZT 592 million).

As at 31 December 2010 and 2009, there were no financial assets pledged under repurchase agreements. As at 31 December 2008, financial assets at fair value through profit or loss included state treasury bonds of the Ministry of Finance of the Republic of Kazakhstan, bonds of Kazakhstani companies, pledged under repurchase agreements with other banks and customers of fair value of KZT 9,860 million. All of the repurchase agreements open as at 31 December 2008 were settled by January 2009.

	31 December 2010 Nominal value	31 December 2010 Fair value (KZT million)		31 December 2009 Nominal value	31 December 2009 Fair value (KZT million)		31 December 2008 Nominal value	31 December 2008 Fair value (KZT million)	
Derivative financial instruments:		**Assets**	**Liabilities**		**Assets**	**Liabilities**		**Assets**	**Liabilities**
Foreign exchange contracts:									
Foreign exchange swap	338,379	20,228	(23,470)	303,891	37,182	(24,011)	305,917	21,265	(34,648)
Spot	5,012	1,114	(1,112)	4,684	-	-	18,563	2	(8)
Forward contracts	4,216	3	(1)	1,041	8	(4)	112,221	1,941	(4,135)
Options	-	-	-	-	-	-	23,227	163	-
Interest rate contracts:									
Interest rate swap	98,819	179	(11,464)	111,743	250	(11,976)	124,591	946	(15,548)
Securities purchase/sale contracts:									
Securities swap	-	-	-	-	-	-	-	-	-
		21,524	(36,047)		37,440	(35,991)		24,317	(54,339)

Included in the above are derivatives held and classified for hedging purposes as follows:

	31 December 2010			31 December 2009			31 December 2008		
	Nominal value	Net fair value (KZT million)		Nominal value	Net fair value (KZT million)		Nominal value	Net fair value (KZT million)	
Cash flow hedging:		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
Interest rate swap	-	-	-	2,524	11	(105)	14,132	43	(1,618)
Foreign exchange swap	-	-	-	-	-	-	191,476	11,952	(32,216)
		-	-		11	(105)		11,995	(33,834)

The Group's cash flow hedges were related to exposure to variability in the anticipated future cash flows on its financial liabilities.

To hedge against the variability in the cash flows on financial liabilities due to the floating interest rate risk, the Group used interest rate swap contracts to exchange the floating rates for fixed rates. As such, the Group converted its floating rate debt repayments to fixed rate debt repayments and minimizes the effect of change in interest rates on its future cash flows. The cash flow related to the hedging relationship will occur over the life of the debt securities instruments which are being hedged. The Group de-designated some hedge relationship in 2009 and the rest of them in 2010. Accordingly, changes in fair values of these instruments since the de-designation of the hedging relationships have been recognized in the consolidated income statement.

To hedge the foreign exchange risk on financial liabilities the Group uses cross-currency swap contracts to convert, partially or in-full, its repayments on foreign currency denominated liabilities to the functional currency of the subsidiary which issues these liabilities. The cash flows related to the hedging relationships will occur over the life of the debt securities instruments which are being hedged. The Group de-designated some hedge relationships in 2009 and the rest of them in 2010. Accordingly, changes in fair value of these instruments since the de-designation of the hedging relationships have been recognized in the consolidated income statement.

As at 31 December 2010, the fair value of assets and liabilities arising from the derivative financial instruments classified as hedging instruments is KZT Nil (2009: KZT 11 million and KZT 105 million; 2008: KZT 11,995 million and KZT 33,834 million).

For the year ended 31 December 2010, gain from hedge ineffectiveness recognized in net gain/(loss) on financial assets and liabilities at fair value through profit or loss was KZT Nil (for the year ended 31 December 2009: KZT 730 million; for the year ended 31 December 2008: KZT (186) million).

As at 31 December 2010, the aggregate amount of unrealized gain/(losses) under foreign exchange swap contracts deferred in the hedging reserve relating to the exposures amounted to KZT 1,428 million (2009: KZT 975 million, 2008: KZT (11,034) million). It is being recycled to profit or loss over the periods up to February 2017, in line with the previously hedged cash flows relating to these contracts.

As at 31 December 2010, the aggregate amount of unrealized losses under interest rate swap contracts deferred in the hedging reserve relating to the exposures amounted to KZT 1,658 million (2009: KZT 2,144 million; 2008: KZT 2,363 million). It is being recycled to profit or loss over the periods up to January 2018, in line with the previously hedged cash flows relating to these contracts.

17. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Recorded as loans and receivables:			
Loans and advances to banks	120,370	90,676	222,785
Correspondent accounts with other banks	17,690	46,828	19,262
Loans under reverse repurchase agreements	8,407	10,893	65
	146,467	148,397	242,112
Less allowance for impairment losses	(136)	(22)	(299)
	146,331	148,375	241,813

Movements in allowances for impairment losses on loans and advances to banks and other financial institutions for the years ended 31 December 2010, 2009 and 2008 are disclosed in Note 6.

As at 31 December 2010, loans and advances to banks and other financial institutions included accrued interest of KZT 275 million (2009: KZT 402 million, 2008: KZT 1,123 million).

As at 31 December 2010, 2009 and 2008, the Group had no loans and advances to banks and other financial institutions, which individually exceeded 10% of the Group's equity. As at 31 December 2010, the maximum exposure to any individual bank amounted to KZT 24,161 million (2009: KZT 33,434 million, 2008: KZT 39,651 million).

As at 31 December 2010 the maximum credit risk exposure on loans and advances to banks and other financial institutions amounted to KZT 146,331 million (2009: KZT 148,375 million, 2008: KZT 241,813 million).

The fair value of collateral and carrying value of loans under reverse repurchase agreements as at 31 December 2010, 2009 and 2008 comprised:

	31 December 2010 (KZT million)		31 December 2009 (KZT million)		31 December 2008 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Notes of National Bank of the Republic of Kazakhstan	5,263	5,000	-	-	-	-
Bonds of the executive bodies and subjects of the Russian Federation	1,549	1,256	495	421	-	-
Bonds of the Russian banks	1,024	901	1,313	1,134	-	-
Bonds of the Russian companies	844	724	812	981	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	54	500	8,725	7,913	39	65
Shares of Kazakhstani companies	37	26	-	-	-	-
Bonds of the Ministry of Finance of the Russian Federation	-	-	494	444	-	-
	8,771	8,407	11,839	10,893	39	65

In addition, as at 31 December 2010, the Bank maintained deposits of KZT 403 million included in loans and advances to banks as collateral for credit cards operations (2009: KZT 2,036 million). As at 31 December 2008, the Bank placed deposits with JP Morgan Chase Bank and Morgan Stanley totaling KZT 4,723 million to guarantee certain letters of credit and derivative operations closed during 2009.

18. LOANS TO CUSTOMERS

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Recorded as loans and receivables:			
Originated loans	2,739,966	2,658,772	2,392,218
Net investments in finance lease	6,417	6,654	7,475
Loans under reverse repurchase agreements	827	889	34,417
	2,747,210	2,666,315	2,434,110
Less allowance for impairment losses	(572,450)	(505,548)	(289,328)
	2,174,760	2,160,767	2,144,782

As at 31 December 2010, accrued interest income included in loans to customers amounted to KZT 301,219 million (2009: KZT 224,510 million, 2008: KZT 98,183 million).

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2010, 2009 and 2008 are disclosed in Note 6.

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

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Analysis by type of collateral:			
Loans collateralized by real estate	1,093,333	1,167,069	914,265
Loans collateralized by equipment	401,473	309,245	266,345
Loans collateralized by inventories	226,045	181,694	67,717
Loans collateralized by shares of the banks and other companies	220,857	208,693	249,811
Loans collateralized by accounts receivable	57,804	61,264	83,884
Loans collateralized by guarantees of enterprises	37,958	81,507	175,352
Loans collateralized by cash or Kazakhstani Government guarantees	24,896	23,563	58,231
Loans with collateral under the registration process (property, land, shares, guarantees, etc.)	20,496	49,503	77,973
Loans collateralized by mixed types of collateral	3,755	14,725	122,956
Loans collateralized by securities	818	889	34,417
Loans collateralized by guarantees of financial institutions	143	171	2,701
Unsecured loans	87,182	62,444	91,130
	2,174,760	2,160,767	2,144,782

Mixed collateral consists of multiple types of collateral including real estate, guarantees and inventories. Loans are classified as being collateralized by mixed collateral where it is impractical to split this collateral into the categories disclosed above.

In addition to the collateral disclosed above, as at 31 December 2010, the Bank has own bonds and Eurobonds (previously issued by its subsidiary Kazkommerts Finance II B.V) with a nominal value of KZT 12,547 million (USD 85 million) (2009: KZT 15,087 million (USD 102 million), 2008: KZT Nil)) as collateral for certain loans.

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Analysis by sector:			
Housing construction	368,093	311,969	301,665
Real estate	327,872	306,961	140,901
Wholesale and retail trade	255,718	282,509	333,171
Individuals	232,690	274,141	351,088
Hospitality business	183,800	171,795	135,015
Commercial real estate construction	160,702	187,171	192,869
Production of other non-metal materials	102,749	111,920	93,492
Investments and finance	95,349	67,441	131,866
Transport and communication	92,830	106,099	97,576
Energy	57,699	49,992	73,792
Industrial and other construction	48,345	27,889	30,447
Food industry	42,481	60,102	56,730
Agriculture	41,699	24,328	45,440
Production of construction materials	18,896	18,499	16,073
Mining and metallurgy	11,809	15,756	13,118
Machinery construction	10,357	28,826	39,972
Medicine	8,099	6,526	5,877
Culture and art	2,996	402	2,437
Other	112,576	108,441	83,253
	2,174,760	2,160,767	2,144,782

During the years ended 31 December 2010, 2009 and 2008, the Group received non-financial assets by taking possession of collateral it held as security. As at 31 December 2010, 2009 and 2008, such assets in amount of KZT 16,517 million (2009: KZT 2,479 million, 2008: KZT 1,620 million) are included in other assets line of the consolidated statement of financial position. These assets are represented mostly by real estate the majority of which will be realized through auctions.

Loans to individuals comprise the following products:

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Mortgage loans	144,264	183,016	197,663
Consumer loans	73,105	59,724	100,830
Car loans	5,348	8,951	13,584
Business loans	2,760	15,279	25,390
Other	7,213	7,171	13,621
	232,690	274,141	351,088

As at 31 December 2010, 2009 and 2008, the Group granted loans to the borrowers, shown below, respectively, which individually exceeded 10% of the Group's equity. Although loans to borrowers disclosed in 2008 and 2009 may continue to be outstanding in 2009 and 2010, only those borrowers which exceed 10% of equity are disclosed below.

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
JSC Visor Investment Solutions	80,247	70,674	58,455
Holding Vek ZhSK	74,621	66,404	50,660
JSC Holding Build Investment	61,444	-	44,097
LLP AFD Development	56,144	-	-
LLP Capital Tower	54,146	61,806	-
LLP GAS Corporation	-	72,875	64,835
Holding Airport Almaty	-	51,007	-
JSC NGSK Kazstroiservice	-	-	47,343
Group LLP CP Retail Almaty	-	-	46,593
	326,602	322,766	311,983

As at 31 December 2010, significant part of loans 84.42% (2009: 82.42%, 2008: 80.43%) of the total portfolio is granted to companies operating on the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

As at 31 December 2010, maximum credit risk exposure on loans to customers amounted to KZT 2,174,760 million (2009: KZT 2,160,767 million, 2008: KZT 2,144,782 million).

As at 31 December 2010, maximum credit risk exposure on loan commitments and overdrafts extended by the Group to its customers amounted to KZT 8,992 million (2009: KZT 9,865 million, 2008: KZT 9,312 million).

As at 31 December 2010, 2009 and 2008, the fair value of collateral and carrying value of loans under reverse repurchase agreements comprised:

	31 December 2010 (KZT million)		**31 December 2009 (KZT million)**		**31 December 2008 (KZT million)**	
	Fair value of collateral	**Carrying value of loans**	**Fair value of collateral**	**Carrying value of loans**	**Fair value of collateral**	**Carrying value of loans**
Promissory notes of Russian companies	461	461	-	-	-	-
Bonds of Kazakhstani companies	357	366	34	342	1,711	1,981
Notes of the National Bank of the Republic of Kazakhstan	-	-	338	483	-	-
Shares of Kazakhstani banks	-	-	21	58	139	498
Shares of Kazakhstani companies	-	-	6	6	11,189	19,803
ADR of Kazakhstani companies	-	-	-	-	1,642	4,338
Shares of Russian companies	-	-	-	-	4,165	3,800
Bonds of Russian companies	-	-	-	-	3,543	2,983
Shares of Russian banks	-	-	-	-	519	446
Bonds of Kazakhstani banks	-	-	-	-	290	383
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	-	-	176	185
	818	827	399	889	23,374	34,417
Less allowance for impairment losses	-	(9)	-	-	-	-
Total securities purchased under reverse repurchase agreements	818	818	399	889	23,374	34,417

The components of net investment in finance lease as at 31 December 2010, 2009 and 2008 are as follows:

	31 December 2010 (KZT million)	**31 December 2009 (KZT million)**	**31 December 2008 (KZT million)**
Minimum lease payments	6,941	8,359	9,739
Less: unearned finance income	(524)	(1,705)	(2,264)
Net investment in finance lease	6,417	6,654	7,475
Current portion	3,126	2,778	2,310
Long-term portion	3,291	3,876	5,165
Net investment in finance lease	6,417	6,654	7,475

The value of future minimum lease payments received from the customer under finance lease as of 31 December 2010, 2009 and 2008 comprised:

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Not later than one year	2,731	2,985	3,393
From one year to five years	2,897	3,864	1,015
More than 5 years	1,313	1,510	5,331
Total value of future minimum lease payments	6,941	8,359	9,739

19. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Debt securities	11,876	11,444	11,755
Equity securities	4,946	5,252	3,301
	16,822	16,696	15,056

	Nominal interest rate %	31 December 2010 (KZT million)	Nominal interest rate %	31 December 2009 (KZT million)	Nominal interest rate %	31 December 2008 (KZT million)
Debt securities:						
Bonds of Kazakhstani companies	0-18.59	6,346	6.10-18.59	6,194	6.50-19.20	7,258
State treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	0-10.10	4,974	0.50-10.10	4,345	3.35-17.94	2,882
Bonds of Kazakhstani banks	3.70-10.50	556	7.90-10.90	766	8.50-12.00	1,615
Short-term notes of the NBRK	-	-	-	139	-	-
		11,876		11,444		11,755

	Ownership share %	31 December 2010 (KZT million)	Ownership share %	31 December 2009 (KZT million)	Ownership share %	31 December 2008 (KZT million)
Equity securities:						
GDR of Kazakhstani companies	0.180	2,242	0.040	2,798	0.263	1,687
ADR of Kazakhstani companies	0.650	1,262	3.230	1,154	0.646	930
Shares of Kazakhstani companies	0.030-0.120	701	0.006-0.119	718	0.029-0.078	311
GDR of Russian banks	0.009	492	0.066	348	0.070	136
GDR of Kazakhstani banks	0.017	155	0.020	134	0.057-0.080	93
Shares of Kazakhstani banks	0.000007-0.014	94	0.008-0.014	100	0.020-0.042	142
Shares of Kazakhstan stock exchange	-	-	-	-	1.330	2
		4,946		5,252		3,301

As at 31 December 2010, interest income on debt securities amounting to KZT 438 million (2009: KZT 478 million, 2008: KZT 904 million), was accrued and included in investments available-for-sale.

As at 31 December 2010 and 2009, there were no investments available-for-sale pledged under reverse repurchase agreements. As at 31 December 2008, investments available-for-sale included bonds of Kazakhstani banks, pledged under repurchase agreements with other banks with fair value of KZT 1,235 million. All of the repurchase agreements open as at 31 December 2008 were settled by January 2009.

As at 31 December 2010, the Management of the Group believes certain equity securities to be impaired and loss transferred to the consolidated income statement on impairment of shares of Kazakhstani banks, JSC Kazakhtelecom and on GDRs of Russian banks amounted to KZT Nil (2009: KZT 1,060 million, 2008: KZT 2,120 million). This amount is recognized in the line "Net realized loss on investments available-for-sale" of the consolidated income statement.

In October 2008, the International Accounting Standards Board issued amendments to IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") to permit the reclassification of financial assets out of the held-for-trading and available-for-sale categories, subject to certain restrictions. In accordance with these amendments, during 2008, the Group reclassified certain debt and equity securities with total fair value as at 31 December 2009 of KZT 11,083 million (2008: KZT 10,886 million) from the held-for-trading category of financial assets at fair value through profit or loss into investments available-for-sale. Total fair value of debt and equity securities reclassified amounted to KZT 14,896 million as at the reclassification date.

The reclassifications were made for those securities which have had a significant decline in volume of transactions in the financial markets as a result of the financial crisis. In the current situation the Group has revised its investment strategy and has the intention and ability to hold those securities for the foreseeable future. Those debt and equity securities which were reclassified are presented in the tables below. Reclassifications implemented before 1 November 2008 have been backdated to 1 July 2008, 1 August 2008, 1 September 2008 and 1 November 2008, as permitted by the revision to IAS 39.

	On reclassification			31 December 2010		31 December 2009		31 December 2008	
	Effective interest rate %	**Fair value**	**Estimated cash flows expected to be recovered**	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**	**Nominal value**	**Fair value**
Debt securities:		**(KZT million)**		**(KZT million)**		**(KZT million)**		**(KZT million)**	
Bonds of Kazakhstani companies	17.6453	6,419	6,456	5,514	5,562	5,514	5,622	5,514	6,182
Bonds of Kazakhstani banks	5.5054	1,556	1,846	-	-	304	307	1,504	1,405
Total debt securities		7,975	8,302	5,514	5,562	5,818	5,929	7,018	7,587

		31 December 2010		31 December 2009		31 December 2008	
	Fair value on reclassificati on	**Par value**	**Fair value**	**Par value**	**Fair value**	**Par value**	**Fair value**
Equity securities:	**(KZT million)**	**(KZT million)**		**(KZT million)**		**(KZT million)**	
GDR of Kazakhstani companies	3,232	2,112	2,242	2,125	2,798	2,474	1,687
ADR of Kazakhstani companies	2,201	905	1,262	911	1,154	741	930
Shares of Kazakhstani companies	621	1,067	594	1,067	681	790	311
GDR of Kazakhstani banks	484	178	155	179	134	519	93
Shares of Kazakhstani banks	286	380	22	380	39	369	142
GDR of Russian banks	97	825	492	830	348	675	136
Total equity securities	6,921	5,467	4,767	5,492	5,154	5,568	3,299

	As at and for the year ended 31 December 2010			
	After reclassification			Amount that would have been recognized had reclassification not occurred
	Interest income/other income	Impairment losses	Movements in available-for-sale revaluation reserves	Income from FVTLP
	(KZT million)			(KZT million)
Debt securities:				
Bonds of Kazakhstani companies	488	-	(60)	(60)
Bonds of Kazakhstani banks	18	-	(307)	(307)
Total debt securities	506	-	(367)	(367)
Equity securities:				
GDR of Kazakhstani companies	-	-	(556)	(556)
ADR of Kazakhstani companies	-	-	108	108
Shares of Kazakhstani companies	-	-	(87)	(87)
GDR of Kazakhstani banks	-	-	21	21
Shares of Kazakhstani banks	-	-	(17)	(17)
GDR of Russian banks	-	-	144	144
Total equity securities	-	-	(387)	(387)
	506	-	(754)	(754)

	As at and for the year ended 31 December 2009			
	After reclassification			Amount that would have been recognized had reclassification not occurred
	Interest income/other income	Impairment losses	Movements in available-for-sale revaluation reserves	Income from FVTLP
	(KZT million)			(KZT million)
Debt securities:				
Bonds of Kazakhstani companies	714	-	(560)	(560)
Bonds of Kazakhstani banks	114	-	(1,098)	(1,098)
Total debt securities	828	-	(1,658)	(1,658)
Equity securities:				
GDR of Kazakhstani companies	-	-	1,111	1,111
ADR of Kazakhstani companies	-	(605)	224	(381)
Shares of Kazakhstani companies	-	(306)	370	64
GDR of Kazakhstani banks	-	(39)	41	2
Shares of Kazakhstani banks	-	(90)	(103)	(193)
GDR of Russian banks	-	(20)	212	192
Total equity securities	-	(1,060)	1,855	795
	828	(1,060)	197	(863)

	As at and for the year ended 31 December 2008			
	After reclassification			Amount that would have been recognized had reclassification not occurred
	Interest income/other income	Impairment losses	Movements in available-for-sale revaluation reserves	Income from FVTLP
	(KZT million)		(KZT million)	
Debt securities:				
Bonds of Kazakhstani companies	854	-	(237)	(237)
Bonds of Kazakhstani banks	45	-	(151)	(151)
Total debt securities	899	-	(388)	(388)
Equity securities:				
GDR of Kazakhstani companies	-	-	(1,545)	(1,545)
ADR of Kazakhstani companies	-	(1,277)	(1,271)	(2,548)
Shares of Kazakhstani companies	-	(214)	(310)	(524)
GDR of Kazakhstani banks	-	(392)	(391)	(783)
Shares of Kazakhstani banks	-	(237)	(144)	(381)
GDR of Russian banks	-	-	39	39
Total equity securities	-	(2,120)	(3,622)	(5,742)
	899	(2,120)	(4,010)	(6,130)

20. INVESTMENTS HELD TO MATURITY

	31 December 2010		31 December 2009		31 December 2008	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:						
Discount bonds of National companies Kazmunaigaz	0-7.00	754	-	-	-	-
Eurobonds of HSBK Europe BV	9.25	366	9.25	337	-	-
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6.75	238	6.75	234	6.75	229
Eurobonds JP Morgan Chase Bank	6.69	154	-	-	-	-
Eurobonds of National company Kazmunaigaz	11.75	139	-	-	-	-
Bonds of JSC Halyk Bank	6.00-7.90	110	6.00-9.20	110	6.00-7.75	109
Bonds of JSC BankCenterCredit	8.70-10.00	95	8.90-10.00	116	8.50-10.00	117
Bonds of JSC ATF Bank	9.20-11.00	91	10.90-11.00	91	8.50-11.00	92
Bonds of JSC Batys Transit	7.80	48	9.20	49	19.20	52
Bonds of JSC KazexportAstik	8.70	1	6.80	1	11.00	1
Bonds of the Ministry of Finance of the Kyrgyz Republic	-	-	4.04-11.65	5	19.16-19.21	2
Notes of the National Bank of Kyrgyz Republic	-	-	-	-	15.20-16.40	174
		1,996		943		776

As at 31 December 2010, interest income on debt securities amounting to KZT 39 million (2009: KZT 30 million, 2008: KZT 19 million) was accrued and included in investments held to maturity.

21. GOODWILL

Goodwill arising as a result of business acquisition relates to expected income from business expansion from the distribution of products on new markets, raising long-term funds and expected combined activity.

Goodwill arising as a result of a business acquisition is distributed to the companies that generate cash flows.

Companies that generate cash flows:	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
JSC Grantum APF	1,281	1,281	1,281
JSC OCOPAIM Grantum Asset Management	1,124	1,124	1,124
	2,405	2,405	2,405

As at 31 December 2010, 2009 and 2008, there was no evidence that the goodwill that arose on the acquisition of JSC Grantum APF and JSC OCOPAIM Grantum Asset Management has been impaired.

As at 31 December 2010, the Group has conducted a reassessment of goodwill attributable to Grantum APF and Grantum AM. For the estimations of cash flows, the Group used the following assumptions:

- The economy is cyclical;
- Equity market volatility;
- Conservative investment strategy;
- Stable customer base (high salary customers);
- Favorable population indicators (expanding younger population); and
- Cross-selling opportunities.

The Bank used forecasted cash flows for revenues and expenses of Grantum APF and Grantum AM for the next 4 years based on the budgets; the revenues and expenses were segregated by sources of inflows/outflows (e.g. commission income/expense, general and administrative expenses). Estimation was made using the discounted cash flows method. Calculations used discounted rates of 15.40% (2009: 15.94%, 2008: 19.35%). Based on the results of internal estimation of goodwill the recoverable value of shares exceeds the acquisition cost. As such, the Management of the Bank believes that there is no impairment of goodwill. Moreover, a sensitivity analysis allowing for reasonable possible changes in the key assumptions used, on which Management has based its determination of the recoverable amounts, did not cause the carrying amount of goodwill to exceed its recoverable amount.

22. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and other real estate (KZT million)	Furniture and equipment (KZT million)	Intangible assets (KZT million)	Construction in progress (KZT million)	Other equipment (KZT million)	Total (KZT million)
At primary/revalued cost:						
31 December 2007	13,998	15,716	3,149	8,235	1,607	42,705
Additions	765	1,953	392	1,960	858	5,928
Transfers	-	(354)	-	-	354	-
Revaluation decrease	(778)	-	-	-	-	(778)
Disposals	(51)	(879)	(15)	-	(239)	(1,184)
Net foreign currency exchange differences	(85)	(285)	(58)	-	(140)	(568)
31 December 2008	13,849	16,151	3,468	10,195	2,440	46,103
Additions	64	1,624	556	2,108	31	4,383
Transfers	11,891	-	-	(11,891)	-	-
Revaluation decrease	(2,352)	-	-	-	-	(2,352)
Disposals	(178)	(801)	(390)	-	(239)	(1,608)
Net foreign currency exchange differences	83	236	58	-	141	518
31 December 2009	23,357	17,210	3,692	412	2,373	47,044
Additions	2,458	2,393	322	(374)	84	4,883
Transfers	-	-	-	-	-	-
Revaluation increase	142	-	-	-	-	142
Disposals	(3,377)	(1,110)	(18)	-	(510)	(5,015)
Net foreign currency exchange differences	(6)	(122)	(57)	-	(18)	(203)
31 December 2010	22,574	18,371	3,939	38	1,929	46,851
Accumulated depreciation:						
31 December 2007	134	6,655	1,245	-	412	8,446
Charge for the year	182	2,323	418	-	456	3,379
Transfers	-	(225)	-	-	225	-
Disposals	(37)	(735)	(12)	-	(212)	(996)
Net foreign currency exchange differences	(6)	(135)	(20)	-	(30)	(191)
31 December 2008	273	7,883	1,631	-	851	10,638
Charge for the year	143	2,361	506	-	662	3,672
Transfers	-	(56)	-	-	56	-
Disposals	(177)	(649)	(390)	-	(219)	(1,435)
Net foreign currency exchange differences	6	105	23	-	64	198
31 December 2009	245	9,644	1,770	-	1,414	13,073
Charge for the year	261	2,167	577	-	477	3,482
Transfers	(15)	70	-	-	(56)	(1)
Disposals	(100)	(979)	(18)	-	(343)	(1,440)
Net foreign currency exchange differences	(1)	(88)	(22)	-	(9)	(120)
31 December 2010	390	10,814	2,307	-	1,483	14,994
Net book value:						
31 December 2010	22,184	7,557	1,632	38	446	31,857
31 December 2009	23,112	7,566	1,922	412	959	33,971
31 December 2008	13,576	8,268	1,837	10,195	1,589	35,465

As at 31 December 2010, property, equipment and intangible assets of the Group included fully depreciated and amortized assets on initial cost amounting to KZT 6,342 million (2009: KZT 3,620 million, 2008: KZT 3,176 million), of which KZT 5,389 million pertain to the Bank (2009: KZT 3,217 million, 2008: KZT 3,009 million).

Buildings and other real estate are revalued on a regular cyclical basis, with the last valuation being conducted on 22 September 2010 (2009: 20 August 2009, 2008: 7 May 2008). The valuation was conducted by a local independent appraisal company and for determining of the final value on these dates, the Group used observable prices in an active market for the properties. These prices are obtained through publications and current market data, and are adjusted based on characteristics of the valued property.

The carrying value of the buildings as at 31 December 2010 amounted to KZT 21,184 million (2009: 23,112 million, 2008: KZT 13,135 million). If the buildings were accounted for at historical cost restated according to inflation indices less accumulated depreciation and impairment losses, their carrying value as at 31 December 2010 would be KZT 13,361 million (2009: 15,632 million, 2008: KZT 3,278 million).

Intangible assets include software, patents and licenses.

23. OTHER ASSETS

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Other financial assets recorded as loans and receivables in accordance with IAS 39:			
Receivables on other transactions	7,935	10,249	13,463
Insurance agreement accounts receivable	1,901	1,598	4,733
Accrued commission	1,159	983	726
	10,995	12,830	18,922
Less allowance for impairment losses	(4,033)	(2,756)	(2,303)
Total other financial assets recognized as loans and receivables in accordance with IAS 39	6,962	10,074	16,619
Non-current assets held for sale	16,517	2,479	1,620
Tax settlements, other than income tax	2,597	1,692	2,278
Prepaid expenses	1,574	2,554	3,030
Income tax receivable	495	1,972	237
Inventory	-	-	24
Total other non-financial assets	21,183	8,697	7,189
	28,145	18,771	23,808

During the years ended 31 December 2010, 2009 and 2008, the Group received non-financial assets by taking possession of collateral it held as security. For the year ended 31 December 2010, the amount of loss from sale of non-current assets amounted to KZT Nil (2009: KZT 41 million, 2008: KZT 12 million). The non-current assets are included in the retail banking segment in Note 34. Loss from revaluation of such non-financial assets amounted to KZT Nil (2009: KZT 1,207 million, 2008: KZT Nil).

Movements in allowances for impairment losses for the years ended 31 December 2010, 2009 and 2008 are disclosed in Note 6.

24. LOANS AND ADVANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Recorded at amortized cost:			
Correspondent accounts of other banks	1,940	2,680	14,267
Correspondent accounts of organizations that serve certain types of banking operations	227	254	386
Loans from banks and other financial institutions, including:			
Syndicated loan from a group of banks with maturity of December 2009 and interest rate of 1.1%	-	-	36,451
Loan with maturity of August 2011	148	314	300
Loan with maturity of June 2014	23,037	32,357	32,952
Loans with other banks and financial establishments	121,760	172,093	193,764
Deposits with banks	1	1,424	8,745
Loans under repurchase agreements	26	-	9,526
	147,139	209,122	296,391

As at 31 December 2010, accrued interest expense included in loans and advances from banks and other financial institutions amounted to KZT 492 million (2009: KZT 1,059 million, 2008: KZT 2,238 million).

As at 31 December 2010, loans with other banks and financial institutions for KZT 116,985 million (96% of total loans with other banks and financial establishments) (2009: KZT 162,264 million or 94% of total loans with other banks and financial establishments, 2008: KZT 173,203 million or 89% of total loans with other banks and financial establishments) consisted of 9 (2009: 14, 2008: 23) banks and financial institutions of such countries as Great Britain, Austria, Russia, Luxemburg, Kazakhstan, Germany, Switzerland and China. Maturities of these loans range from 48 days to 52 months (2009: 13 days to 97 months, 2008: 5 days to 97 months). Interest rates on loans with other banks and financial establishments varied from 1.33% to 9.75% (2009: 0.72% to 11.84%, 2008: from 0.05% to 15%).

As at 31 December 2010, included in loans and advances to banks and other financial institutions are loans under repurchase agreements of KZT 26 million (2009: KZT Nil, 2008: KZT 9,526 million and maturity in January 2009).

The fair value of collateral and carrying value of loans under repurchase agreements as at 31 December 2010, 2009 and 2008 are presented as follows:

	31 December 2010 (KZT million)		31 December 2009 (KZT million)		31 December 2008 (KZT million)	
	Fair value of collateral	Carriyng value of loans	Fair value of collateral	Carriyng value of loans	Fair value of collateral	Carriyng value of loans
Shares of Kazakhstani companies	37	26	-	-	-	-
Notes of the National Bank of the Republic of Kazakhstan	-	-	-	-	4,209	4,000
Bonds of Kazakhstani companies	-	-	-	-	4,359	3,611
Bonds of Kazakhstani banks	-	-	-	-	1,235	1,000
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	-	-	553	500
Bonds of Russian banks	-	-	-	-	467	415
	37	26	-	-	10,823	9,526

During 2010 the Group simultaneously placed with and received short-term funds from banks in different currencies for a total amount of KZT 15,339 million (2009: KZT 29,408 million, 2008: KZT 96,962 million).

In accordance with the contractual terms of the loans from certain OECD based banks and EBRD, the Group is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. In accordance with the terms of certain of those loans, the Group is also required to obtain the approval of the lender before distributing any dividends to the common shareholders except for dividends to be reinvested for ordinary shares. Furthermore, certain of the Group's outstanding financing agreements include covenants restricting the capability of the Group to create the right of pledge on its assets. The Group's failure to observe obligations on these covenants can lead to cross reduction in the maturity and a chain of defaults on the terms of other financial agreements of the Group.

As at 31 December 2010, 2009 and 2008, the Group was in compliance with the covenants of the various debt agreements the Group has with other banks and financial institutions.

25. CUSTOMER ACCOUNTS

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Recorded at amortized cost:			
Time deposits	893,814	799,880	789,780
Demand deposits	459,480	299,926	153,967
JSC National Welfare Fund "Samruk-Kazyna", JSC Entrepreneurship Development Fund "Damu" and JSC Stress Assets Fund	152,383	175,583	35,110
Metallic accounts in precious metals	1,123	1,075	300
Loans under repurchase agreements	-	-	296
	1,506,800	1,276,464	979,453

As at 31 December 2010, customer accounts included accrued interest expense of KZT 16,767 million (2009: KZT 18,943 million, 2008: KZT 14,610 million).

As at 31 December 2010, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 3,711 million (2009: KZT 5,438 million, 2008: KZT 4,736 million).

As at 31 December 2010, total amount of funds deposited under the stabilization program of the Government of Kazakhstan by means of deposits from JSC National Welfare Fund "Samruk-Kazyna" and JSC Stress Assets Fund amounted to KZT 138,314 million, including:

- KZT 37,500 million for crediting real economy sector (initially granted and deposited in the Bank KZT 84,000 million);
- KZT 24,000 million for refinancing mortgage loans;
- KZT 73,174 million for completion of construction projects in Almaty and Astana (initially granted and deposited in the Bank KZT 92,698 million); and
- KZT 3,640 million for financing large-scale businesses in manufacturing sector.

As at 31 December 2010, the customer accounts of KZT 769,594 million or 51.07% (2009: KZT 774,868 million or 60.8%, 2008: KZT 565,565 million or 57.74%), were due to 10 customers, which represents significant concentration. The Management of the Group believes that in the event of withdrawal of funds, the Group would be given sufficient notice as to realize its liquid assets to enable repayment.

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Analysis by sector:			
Individuals	451,428	327,622	263,771
Chemical and petrochemical industry	289,085	356,415	393,550
Investments and finance	130,164	92,916	105,169
Public authorities	120,650	147,447	271
Transport and communication	107,617	48,533	27,644
Distribution of electricity, gas and water	104,791	116,402	45,386
Individual services	72,220	48,513	30,249
Wholesale and retail trade	54,606	43,688	46,667
Construction	46,524	35,360	24,711
Education	31,854	19,002	10,800
Agriculture	28,831	11,019	13,895
Mining and metallurgy	21,179	7,655	6,090
Public organizations and unions	21,130	1,516	519
Health care	6,114	6,450	2,856
Hotel business	2,563	2,805	1,145
Real estate	2,242	890	606
Food industry	1,333	545	570
Machinery construction	1,187	900	939
Metallic accounts in precious metals	1,123	1,075	300
Culture and art	972	706	770
Light industry	378	580	1,168
Energy	-	-	1
Other	10,809	6,425	2,376
	1,506,800	1,276,464	979,453

The fair value of collateral and carrying value of loans under repurchase agreements as at 31 December 2010, 2009 and 2008 are presented as follows:

	31 December 2010 (KZT million)		31 December 2009 (KZT million)		31 December 2008 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	-	-	176	185
Bonds of Kazakhstani companies	-	-	-	-	7	30
Shares of Russian companies	-	-	-	-	29	29
Shares of Kazakhstani banks	-	-	-	-	35	27
Shares of Russian banks	-	-	-	-	25	25
Total securities sold under repurchase agreements	-	-	-	-	272	296

26. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Recorded at amortized cost:						
Eurobonds of JSC Kazkommertsbank (previously Kazkommerts International B.V.):						
Issued in July 2007 at the price of 100%	JPY	July 2009	2.56	-	-	33,500
Tranche A issued in November 2004 at the price of 98.967%	USD	November 2009	7.00	-	-	36,797
Issued in March, 2006 at the price of 99.993%	EUR	March 2011	5.125	35,741	50,840	49,965
Issued in May 2008 at the price of 100%	USD	May 2011	12.00	5,739	34,146	27,782
Issued in February 2007 at the price of 99.962%	GBP	February 2012	7.625	30,632	42,190	61,124
Issued in April 2003 at the price of 97.548%	USD	April 2013	8.50	51,625	51,893	40,471
Issued in April 2004 at the price of 99.15%	USD	April 2014	7.875	36,183	38,335	46,397
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.00	40,363	45,350	60,395
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	50,250	52,878	60,395
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.875	77,283	90,158	127,680
Other Eurobonds	USD	December 2012 - April 2013	8.50-12.85	26,330	32,497	59,743
				354,146	438,287	604,249
(Less)/including:						
Discount on debt securities issued				(2,361)	(3,162)	(3,951)
Accrued interest on debt securities issued				10,850	13,588	18,239
Total issued Eurobonds of JSC Kazkommertsbank (previously Kazkommerts International B.V)				362,635	448,713	618,537
Debt securities issued of JSC Kazkommertsbank at price 102.21%-104.48%		April 2016	9.00	2,329	-	-
Accrued interest expenses on debt securities issued of JSC Kazkommertsbank				47	-	-
Premium on debt securities issued of JSC Kazkommertsbank				97	-	-
Issued promissory notes of LLP Moscommertsbank at the price of 88.00-100.00%		June 2013	7.00-15.00	2,642	6,124	50,342
Accrued interest expense on issued promissory notes of LLP Moscommertsbank				419	647	1,326
Issued bonds of Moscow Stars B.V. at the price of 99.00%		February 2022	1.983-5.483	7,020	8,161	8,066
Accrued interest on bonds of Moscow Stars B.V.				10	11	14
				375,199	463,656	678,285

As at 31 December 2010 accrued interest expense included in debt securities issued amounted to KZT 11,326 million (2009: KZT 14,246 million, 2008: KZT 19,579 million).

On 11 February 2010, the Bank replaced Kazkommerts International B.V. as a Eurobonds issuer. As a result, the Bank's guarantee is no longer effective and all of the issuer's liabilities on the Eurobonds have been transferred to the Bank. The issuer has been substituted in accordance with the terms and conditions of the Eurobonds; and this transfer has no effect on the bondholders' rights.

On 18 July 2007, Eurobonds were issued by Moscow Stars B.V. with a maturity of February 2022, the first coupon payment was due on 16 August 2007 and subsequent coupon is to be paid on the 15th of each month. Moscow Stars B.V. is the special purpose vehicle created for securitization of mortgage loans, and it is consolidated into the financial statement of MKB in accordance with SIC 12 "Consolidation – Special Purpose Entities".

On 3 November 2009, the Bank redeemed the issue of Eurobonds placed in November 2004 of KZT 75,425 million (USD 500 million). The issuer of bonds was Kazkommerts International B.V. Full scheduled redemption of the issue was made through own funds of the Bank. Previously, the Bank has partially repurchased Eurobonds of this issue.

During 2010 the Bank acquired bonds issued by Kazkommerts International B.V. and its own bonds for total amount of KZT 66,765 million (USD 453 million) (2009: KZT 168,256 million (USD 1,133 million), 2008: KZT 7,680 million (USD 64 million)).

The Group is obligated to comply with financial covenants in relation to the debt securities disclosed above. These covenants include stipulated capital ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants in the years ended 31 December 2010, 2009 and 2008.

27. OTHER BORROWED FUNDS

	Currency	Maturity	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Funding by JSC Entrepreneurship Development Fund "Damu"*	KZT	February 2016	16,300	19,059	2,716
Societe Generale Financial Corp	USD	September 2017	3,549	4,656	4,704
Private Export Funding Corporation	USD	April 2017	1,788	1,798	1,572
London Forfaiting Company LTD	USD	June 2012	1,475	1,485	-
DEG-Deutsche Investitions MBH	USD	November 2011	642	1,291	5,471
Deere Credit	USD	May 2013	170	275	311
Funding by the Ministry of Finance of the Republic of Kazakhstan and by the Ministry of Finance of Kyrgyz Republic	KZT	September 2011	19	38	58
Funding of agricultural equipment purchasing by Export Development Canada	USD	March 2011	-	316	432
NLB InterFinanz AG	USD	August 2010	-	2,252	1,849
Funding by the Ministry of Finance of Kyrgyz Republic	USD	July 2015	-	2	2
Moore's Creek	KZT	February 2009	-	-	6,588
Kazkommerts DPR Company	USD	March 2017	-	-	111,436
Intesa Soditic Trade Finance LTD	USD	August 2009	-	-	246
Cargill Financial Services Int, USA	USD	March 2009	-	-	1,939
			23,943	31,172	137,324

* JSC Entrepreneurship Development Fund "Damu" is a subsidiary of JSC National Welfare Fund "Samruk-Kazyna".

As at 31 December 2010, accrued interest expense included in other borrowed funds amounted to KZT 317 million (2009: 405 million, 2008: KZT 564 million).

On 7 June, 2006 the Bank, in the framework of the future payment inflow securitization program, allocated additional series of bonds 2006A and 2006B, insured by the specialized financial companies AMBAC and FGIC. The sum of the given bonds amounted to KZT 11,999 million (USD 100 million) each, with a maturity of 7 years, a three year grace period of the principal debt and an interest rate of 3-month LIBOR plus 0.25 %.

On 12 April 2007, the Bank, in the framework of the future payment inflow securitization program, allocated three additional series of bonds: 2007A in the amount of KZT 18,363 million (USD 150 million), 2007B in the amount of KZT 30,605 million (USD 250 million) and 2007C in the amount of KZT 12,242 million (USD 100 million). The bonds were issued with a maturity of 10 years, a three year grace period of the principal debt and floating interest rates. The insurers were specialized financial companies FGIC (2007A series), MBIA (2007B series) and ADB (2007C series). The interest rate on each series is 3-month LIBOR plus the following spreads: 2007A plus 0.20%, 2007B plus 0.20% and 2007C plus 0.16%.

On 11 June 2009 Kazkommertsbank, acting in its capacity as originator, requested the securitization of future payments programme's controlling parties (Ambac Assurance Corporation, MBIA Insurance Corporation, Financial Guaranty Insurance Company, the Asian Development Bank and WestLB) to terminate the programme. As a result of this termination, the programme's issuer, Kazkommerts DPR Company ("SPC") optionally redeemed all of its outstanding notes issued under the programme. The principal amount of KZT 127,892 million on 11 June 2009 (equivalent of USD 850.4 million) and KZT 14,965 million on 16 March 2009 (USD 99.6 million).

The Group is obligated to comply with financial covenants in relation to other borrowed funds disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2010, 2009 and 2008.

28. OTHER LIABILITIES

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Other financial liabilities:			
Payable to employees	4,206	2,514	2,714
Settlements on other transactions	919	1,212	941
Accounts payable on re-insurers	783	674	3,464
Accrued commission expense	44	16	358
	5,952	4,416	7,477
Other non-financial liabilities			
Taxes payable	1,755	4,037	8,648
Advances received	161	537	816
	7,868	8,990	16,941

29. SUBORDINATED DEBT

	Currency	Maturity date (year)	Interest rate %	31 December 2010 (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)
Subordinated debt (previously Kazkommerts Finance II B.V.)	USD	2017	8.50	36,883	37,097	30,175
Subordinated bonds	KZT	2015 - 2019	7.70 – 9.00	33,108	31,736	29,291
Subordinated debt (previously Kazkommerts Finance II B.V.)	USD	2016	8.625	30,515	30,709	24,975
Subordinated debt of Citigroup GMD AG & Co	USD	2014	8.19	15,083	15,200	12,310
Perpetual bonds of Kazkommerts Finance II B.V.	USD	-	9.20	14,845	14,922	12,125
Debt component of preference shares	USD	-	-	6,703	6,747	5,490
Indexed subordinated bonds	KZT	-	-	-	-	3,358
				137,137	136,411	117,724

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

As at 31 December 2010, accrued interest expenses included in subordinated debt amounted to KZT 2,272 million (2009: KZT 2,304 million, 2008: KZT 1,928 million).

On 25 August 2010, the Bank replaced Kazkommerts Finance II B.V. as a subordinated bonds issuer. As a result, all of the issuer's liabilities on the bonds have been transferred to the Bank. The issuer has been substituted in accordance with the terms and conditions of the subordinated bonds; and this transfer has no effect on the bondholders' rights.

The Group is obligated to comply with financial covenants in relation to subordinated debt disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2010, 2009 and 2008.

30. SHARE CAPITAL

As at 31 December 2010, authorized share capital consisted of 1,100,000,000 (2009: 1,100,000,000, 2008: 575,000,000) ordinary shares and 175,000,000 (2009: 175,000,000, 2008: 125,000,000) preference shares.

As at 31 December 2010, the Group's share capital comprised the following:

	Authorized share capital (KZT million)	**Authorized but not issued share capital (KZT million)**	**Repurchased share capital (KZT million)**	**Issued share capital (KZT million)**
Ordinary shares	11,000	(3,206)	(8)	7,786
Preferred shares	1,750	(500)	(5)	1,245
	12,750	(3,706)	(13)	9,031

As at 31 December 2009, the Group's share capital comprised the following:

	Authorized share capital (KZT million)	**Authorized but not issued share capital (KZT million)**	**Repurchased share capital (KZT million)**	**Issued share capital (KZT million)**
Ordinary shares	11,000	(3,206)	(7)	7,787
Preferred shares	1,750	(500)	(6)	1,244
	12,750	(3,706)	(13)	9,031

As at 31 December 2008, the Group's share capital comprised the following:

	Authorized share capital (KZT million)	**Authorized but not issued share capital (KZT million)**	**Repurchased share capital (KZT million)**	**Issued share capital (KZT million)**
Ordinary shares	7,750	(2,000)	(4)	5,746
Preferred shares	1,250	-	(6)	1,244
	9,000	(2,000)	(10)	6,990

During first half of 2009, 325,000,000 ordinary shares were authorized for issue by the shareholders of the Group. As at 31 December 2010, 320,661,823 ordinary shares remain unpaid (2009: 320,661,823 ordinary shares, 2008: 200,000,000 ordinary shares).

The preference shares carry no voting rights, unless preference dividends are not paid, but rank ahead of the ordinary shares in the event of liquidation of the Bank. The annual dividend is determined by the preference shares issuance rules in the amount of USD 0.04 per share. According to Kazakhstan legislation on Joint Stock Companies, additional dividend payments on the preference shares cannot be less than the dividends paid on common shares. These shares are not redeemable.

During 2010, dividends declared on preference shares amounted to KZT 731 million (2009: KZT 747 million, 2008: KZT 598 million). In 2010, 2009 and 2008 dividends on ordinary shares of the Bank have not been declared.

The table below provides a reconciliation of the number of shares outstanding as of 31 December 2010, 2009 and 2008:

	Preference shares Number of shares	**Ordinary shares Number of shares**
31 December 2007	124,921,727	574,849,821
Repurchase of treasury shares	(565,284)	(234,951)
31 December 2008	124,356,443	574,614,870
Issue of shares	-	204,338,177
Sale/(repurchase) of treasury shares	96,541	(351,883)
31 December 2009	124,452,984	778,601,164
Issue of shares	-	-
Sale/(repurchase) of treasury shares	61,960	(15,803)
31 December 2010	124,514,944	778,585,361

As at 31 December 2010, the number of ordinary shares held as treasury shares is 752,815 (2009: 737,013, 2008: 385,130).

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

The Group's profit distributable among shareholders is limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves 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. The reserve has been created in accordance with the regulations of the Republic of Kazakhstan that provide for the creation of a reserve for these purposes of not less than 2% from classified assets recorded in its statutory accounts as defined by and in accordance with local legislative requirements. Retained earnings include these non-distributable reserves which are kept as a reserve fund.

31. COMMITMENTS AND CONTINGENCIES

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

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

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

As at 31 December 2010, provision for losses on guarantees and contingent liabilities amounted to KZT 3,903 million (2009: KZT 7,217 million, 2008: KZT 6,271 million).

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the Basel Committee on Banking Supervision.

As at 31 December 2010, the credit risk on contingent liabilities and credit commitments was covered by collateral of KZT 23,383 million (2009: KZT 48,958 million, 2008: KZT 68,213 million). The collateral includes real estate, deposits and various other financial and non-financial assets.

As at 31 December 2010, 2009 and 2008, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2010		31 December 2009		31 December 2008	
	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount	Nominal amount	Risk weighted amount
	(KZT million)		(KZT million)		(KZT million)	
Contingent liabilities and credit commitments:						
Guarantees issued and similar commitments	90,557	90,557	122,096	122,096	109,550	109,550
Letters of credit and other transaction related to contingent obligations	2,783	131	8,391	1,040	37,570	6,760
Commitments on loans and unused credit lines	8,992	8,992	9,865	9,865	9,312	9,312
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	44	44	58	58	72	72
	102,376	99,724	140,410	133,059	156,504	125,694

The decision to issue loans to customers within open credit lines is made by the Group at each request of a customer for the borrowed funds and depends on the financial position of the borrower, credit history and other factors. As at 31 December 2010, the amount of contingent liabilities on such unused credit lines equals KZT 286,654 million (2009: KZT 433,903 million, 2008: KZT 502,123 million). The decision to issue further funds is not obligatory since the Group is entitled to suspend or stop providing the borrower with a credit line or deny the borrower the credit for any reason including in case: the borrower violates the obligations before the Group; insufficiency of the collateral when revaluing the collateral due to a decrease in its pledge value or change of prices in the market; or as a result of provision of the credit line (provision of credit) the Group will violate any of the prudential norms established by the regulatory authorities for the second-tier banks; without warning the borrower.

Capital commitments

As at 31 December 2010, capital commitments amounted to KZT 959 million (2009: KZT 2,272 million, 2008: KZT 1,960 million).

Operating lease commitments

There were no material operating lease commitments outstanding as at 31 December 2010, 2009 and 2008.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited rights on decision making with clients for the management of assets in accordance with specific criteria established by clients. The Group may be liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. The maximum potential financial risk of the Group at any given moment is equal to the volume of the customer's funds plus/minus any unrealized income/loss on the customer's position. The management believes that the potential financial risk on securities held on behalf of the customers is not inherent to the Group.

The Group also provides depositary services to its customers. As at 31 December 2010, 2009 and 2008 the Group had customer securities in its nominal holder accounts totaling:

- on broker and dealer operations 79,856,360 deals totaling KZT 19,505 million (2009: 4,973,334,166 deals totaling KZT 44,744 million, 2008: 17,699,975,814 deals totaling KZT 93,102 million).
- on custodial operations 16,001,612,206 deals totaling KZT 171,133 million (2009: 5,218,591,161 deals totaling KZT 59,061 million, 2008: 7,881,879,257 deals totaling KZT 1,969,480 million).

Legal proceedings

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

Taxation

Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and the Kazakhstan economy in general.

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

The global financial turmoil that has negatively affected Kazakhstan's financial and capital markets in 2008 and 2009 has receded. However significant economic uncertainties remain. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment could slow or disrupt the Kazakhstani economy, adversely affect the Group's access to capital and cost of capital for the Group and, more generally, its business, results of operations, financial condition and prospects.

Kazakhstan is facing a relatively high level of inflation (according to the government's statistical data consumer price inflation for the years ended 31 December 2010, 2009 and 2008 was 7.8%, 6.2%, and 9.5%, respectively).

Because Kazakhstan produces and exports large volumes of oil and gas, Kazakhstan's economy is particularly sensitive to the price of oil and gas on the world market that fluctuated significantly during 2010, 2009 and 2008.

32. SUBSEQUENT EVENTS

On February 2011, CAIC and CAIC's 100% owned subsidiary, JSC "Ak Zhalyn" together owning 882,721 ordinary shares of the Bank (ownership - 0.11%), conducted a reorganization by means of joining JSC "Ak Zhalyn" to CAIC. As a result of the reorganization CAIC's share in the Bank's equity changed insignificantly: direct ownership increased from 23.72% to 23.83%, indirect ownership decreased from 7.34% to 7.23% (shares were transferred from Samruk-Kazyna to CAIC under trust management). Total share (direct and indirect) of CAIC in the Bank's equity did not change and amounted to 31.06% out of total number of issued shares.

On 8 February 2011, the Bank acquired 139,000 of ordinary shares JSC "Life Insurance Company "Kazkommerts Life" for KZT 139 million. The share of the Bank in JSC "Life Insurance Company "Kazkommerts Life" equity did not change.

On 23 March 2011, the Bank has announced the repayment of its Eurobond issued in March 2006 for the original amount of EUR 300 million. The Eurobond was repaid in full on the date of its maturity from the Bank's own funds.

33. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are assessed in accordance with IAS 24.

In considering each possible related party relationship, special attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2010 (KZT million)		31 December 2009 (KZT million)		31 December 2008 (KZT million)	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers	1,055	2,747,210	1,140	2,666,315	1,525	2,434,110
- entities with joint control or significant influence over the entity	-		-		3	
- key management personnel of the entity or its parent	1,055		1,138		1,522	
- other related parties	-		2		-	
Allowance for impairment losses	110	(572,450)	114	(505,548)	106	(289,328)
- key management personnel of the entity or its parent	110		114		106	
Investments in associates	-	-	-		1,775	1,775
- to associates	-		-		1,775	
Customer accounts	5,255	1,506,800	7,769	1,276,464	4,661	979,453
- parent company	1,402		1,287		1,124	
- entities with joint control or significant influence over the entity	327		106		53	
- associates	-		-		29	
- key management personnel of the entity or its parent	3,474		3,966		3,443	
- other related parties	52		2,410		12	
Commitments on loans and unused credit lines	305	8,992	456	9,865	304	9,312
- key management personnel of the entity or its parent	305		453		304	
- other related parties	-		3		-	
Guarantees issued and similar commitments	18	90,557	580	122,096	19	109,550
- key management personnel of the entity or its parent	18		8		19	
- other related parties	-		572		-	

Included in the consolidated income statement for the years ended 31 December 2010, 2009 and 2008 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2010 (KZT million)		Year ended 31 December 2009 (KZT million)		Year ended 31 December 2008 (KZT million)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	91	291,515	204	372,460	155	380,043
Interest expense	(471)	(152,091)	(354)	(178,846)	(464)	(181,212)
Operating expenses	(1,033)	(35,833)	(730)	(30,148)	(1,221)	(32,477)
Short-term employee benefits	(1,033)	(17,709)	(730)	(14,180)	(1,221)	(15,677)
Recovery/(Provision) for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies	8	(95,973)	(11)	(194,317)	(47)	(149,020)
Share of results of associates	-		345	4,372	(3,585)	(3,585)

Key management personnel compensation for the years ended 31 December 2010, 2009 and 2008 is represented by short-term employee benefits.

As at 31 December 2010, 2009 and 2008, the Group does not pledge any assets in connection with guarantees issued to management.

34. SEGMENT REPORTING

Business segments

The Group is managed and reported on the basis of four main operating segments. The Group's segments are strategic business units that offer different products and services which are managed separately.

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, documentary credits, foreign currency and derivative products.
- Investment banking – representing financial instruments trading, structured financing, and merger and acquisitions advice.
- Other – representing insurance operations and other activities.

Retail Banking offers a range of personal banking, savings and mortgage products and services. Corporate Banking offers business banking services principally to small and mid sized companies and commercial loans to larger Corporate & Commercial customers. Investment Banking consists of assets and liabilities required to support the liquidity and funding requirements of the Group, Asset and Liability Management activities, Group Capital and shared services.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments. Internal charges and transfer pricing adjustments, if any, have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the financial position, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

More specific information on the revenues from external customers for each product and service, or each group of similar products and services is not available and the cost to develop it is excessive. Hence the Group presents operating segments on the basis of three main products.

Segment information about these businesses is presented below.

	Retail banking (KZT million)	Corporate banking (KZT million)	Investment banking (KZT million)	Other (KZT million)	Unallocated (KZT million)	Eliminations (KZT million)	For the year ended 31 December 2010 (KZT million)
External interest income	32,970	246,812	11,023	710	-	-	291,515
Internal interest income	45,736	59,893	177,375	-	-	(283,004)	-
External interest expenses	(37,974)	(58,802)	(55,315)	-	-	-	(152,091)
Internal interest expenses	(18,848)	(165,600)	(98,556)	-	-	283,004	-
Net interest income before provision for impairment losses on interest bearing assets	21,884	82,303	34,527	710	-	-	139,424
Provisions for impairment losses on interest bearing assets	(172)	(95,212)	(171)	-	-	-	(95,555)
NET INTEREST INCOME	21,712	(12,909)	34,356	710	-	-	43,869
Net loss on financial assets and liabilities at fair value though profit or loss	-	-	(6,259)	312	-	-	(5,947)
Net gain on foreign exchange and precious metals operations	686	88	1,775	13	-	-	2,562
Fee and commission income	8,821	9,640	2,513	-	-	-	20,974
Fee and commission expense	(1,172)	(917)	(441)	(1,249)	-	-	(3,779)
Net realized gain on investments available-for-sale	-	-	64	5	-	-	69
Dividends received	-	-	166	15	-	-	181
Other income	6	272	704	5,548	-	-	6,530
NET NON-INTEREST INCOME	8,341	9,083	(1,478)	4,644	-	-	20,590
OPERATING INCOME	30,053	(3,826)	32,878	5,354	-	-	64,459
OPERATING EXPENSES	(17,515)	(13,367)	(2,437)	(2,514)	-	-	(35,833)
PROFIT BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES	12,538	(17,193)	30,441	2,840	-	-	28,626
Provision for impairment losses on other transactions	-	(1,905)	21	(1,795)	-	-	(3,679)
Recovery of provision for guarantees and other contingencies	-	3,261	-	-	-	-	3,261
OPERATING PROFIT BEFORE INCOME TAX	12,538	(15,837)	30,462	1,045	-	-	28,208

	Retail banking (KZT million)	Corporate banking (KZT million)	Investment banking (KZT million)	Other (KZT million)	Unallocated (KZT million)	Eliminations (KZT million)	For the year ended 31 December 2009 (KZT million)
External interest income	48,762	312,053	10,841	804	-	-	372,460
Internal interest income	35,869	49,674	177,786	-	-	(263,329)	-
External interest expenses	(29,818)	(55,849)	(93,179)	-	-	-	(178,846)
Internal interest expenses	(24,810)	(181,752)	(56,767)	-	-	263,329	-
Net interest income before provision for impairment losses on interest bearing assets	30,003	124,126	38,681	804	-	-	193,614
Provisions for impairment losses on interest bearing assets	(22,793)	(171,411)	1,798	-	-	-	(192,406)
NET INTEREST INCOME	7,210	(47,285)	40,479	804	-	-	1,208
Net gain on financial assets and liabilities at fair value though profit or loss	-	-	24,758	(234)	-	-	24,524
Net loss on foreign exchange and precious metals operations	1,563	538	(17,265)	(5)	204	-	(14,965)
Fee and commission income	7,513	10,214	3,004	-	-	-	20,731
Fee and commission expense	(801)	(1,103)	(305)	(1,320)	(11)	-	(3,540)
Net realized loss on investments available-for-sale	-	-	(1,079)	53	-	-	(1,026)
Dividends received	-	-	171	15	-	-	186
Other income	58	225	29,331	4,764	49	-	34,427
NET NON-INTEREST INCOME	8,333	9,874	38,615	3,273	242	-	60,337
OPERATING INCOME	15,543	(37,411)	79,094	4,077	242	-	61,545
OPERATING EXPENSES	(15,999)	(10,017)	(2,290)	(1,748)	(94)	-	(30,148)
PROFIT BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES	(456)	(47,428)	76,804	2,329	148	-	31,397
Provision for impairmen losses on other transactions	-	(1,334)	(495)	(682)	-	-	(2,511)
Recovery of provision for guarantees and other contingencies	-	600	-	-	-	-	600
Gain from sale of associates	-	-	4,372	-	-	-	4,372
OPERATING PROFIT BEFORE INCOME TAX	(456)	(48,162)	80,681	1,647	148	-	33,858

	Retail banking (KZT million)	Corporate banking (KZT million)	Investment banking (KZT million)	Other (KZT million)	Unallocated (KZT million)	Eliminations (KZT million)	For the year ended 31 December 2008 (KZT million)
External interest income	62,031	299,421	17,711	880	-	-	380,043
Internal interest income	34,666	50,144	148,840	-	62,909	(296,559)	-
External interest expenses	(29,066)	(43,308)	(108,838)	-	-	-	(181,212)
Internal interest expenses	(34,804)	(149,849)	(49,749)	-	(62,157)	296,559	-
Net interest income before provision for impairment losses on interest bearing assets	32,827	156,408	7,964	880	752	-	198,831
Provisions for impairment losses on interest bearing assets	(20,962)	(128,966)	1,148	-	-	-	(148,780)
NET INTEREST INCOME	11,865	27,442	9,112	880	752	-	50,051
Net loss on financial assets and liabilities at fair value though profit or loss	-	-	(27,330)	(185)	-	-	(27,515)
Net gain on foreign exchange and precious metals operations	528	16	5,478	34	(28)	-	6,028
Fee and commission income	7,141	11,155	3,152	-	-	-	21,448
Fee and commission expense	(1,124)	(723)	(1,318)	(1,001)	(136)	-	(4,302)
Net realized loss on investments available-for-sale	-	-	(2,272)	(218)	-	-	(2,490)
Dividends received	-	-	158	18	-	-	176
Other income	11	416	4,294	4,543	30	-	9,294
NET NON-INTEREST INCOME	6,556	10,864	(17,838)	3,191	(134)	-	2,639
OPERATING INCOME	18,421	38,306	(8,726)	4,071	618	-	52,690
OPERATING EXPENSES	(16,054)	(12,686)	(1,909)	(1,766)	(62)	-	(32,477)
PROFIT BEFORE OTHER OPERATING PROVISIONS AND RESULTS OF ASSOCIATES	2,367	25,620	(10,635)	2,305	556	-	20,213
Provision for impairment losses on other transactions	-	(424)	1	(673)	-	-	(1,096)
Recovery of provision for guarantees and other contingencies	-	856	-	-	-	-	856
Share of results of associates	-	-	(3,585)	-	-	-	(3,585)
OPERATING PROFIT BEFORE INCOME TAX	2,367	26,052	(14,219)	1,632	556	-	16,388

Geographical segments

Segment information for the main geographical segments of the Group is set out below for the years ended 31 December 2010, 2009 and 2008.

	Kazakhstan (KZT million)	CIS (KZT million)	OECD Countries (KZT million)	Other non-OECD Countries (KZT million)	For the year ended 31 December 2010 Total (KZT million)
Interest income	275,681	15,646	188	-	291,515
Interest expense	(133,177)	(9,162)	(9,752)	-	(152,091)
Provision for impairment losses on interest bearing assets	(96,760)	1,205	-	-	(95,555)
Net loss on financial assets and liabilities at fair value through profit or loss	(5,857)	(90)	-	-	(5,947)
Net gain on foreign exchange and precious metals operations	2,088	499	(25)	-	2,562
Fee and commission income	20,359	615	-	-	20,974
Fee and commission expense	(3,662)	(116)	(1)	-	(3,779)
Net realized gain on investments available-for-sale	69	-	-	-	69
Dividends received	181	-	-	-	181
Other income	5,966	564	-	-	6,530
OPERATING INCOME	64,888	9,161	(9,590)	-	64,459

	Kazakhstan (KZT million)	CIS (KZT million)	OECD Countries (KZT million)	Other non-OECD Countries (KZT million)	For the year ended 31 December 2009 Total (KZT million)
Interest income	347,202	24,701	557	-	372,460
Interest expense	(97,989)	(12,878)	(67,979)	-	(178,846)
Provision for impairment losses on interest bearing assets	(189,567)	(2,839)	-	-	(192,406)
Net gain on financial assets and liabilities at fair value through profit or loss	23,498	1,026	-	-	24,524
Net loss on foreign exchange and precious metals operations	(15,943)	774	204	-	(14,965)
Fee and commission income	20,016	715	-	-	20,731
Fee and commission expense	(3,354)	(185)	(1)	-	(3,540)
Net realized loss on investments available-for-sale	(1,028)	2	-	-	(1,026)
Dividends received	186	-	-	-	186
Other income	35,553	(1,126)	-	-	34,427
OPERATING INCOME	118,574	10,190	(67,219)	-	61,545

	Kazakhstan	CIS	OECD Countries	Other non-OECD Countries	For the year ended 31 December 2008 Total
	(KZT million)	(KZT million)	(KZT million)	(KZT million)	(KZT million)
Interest income	352,601	26,060	1,182	200	380,043
Interest expense	(165,814)	(14,891)	(507)	-	(181,212)
Provision for impairment losses on interest bearing assets	(144,935)	(3,845)	-	-	(148,780)
Net loss on financial assets and liabilities at fair value through profit or loss	(25,677)	(1,838)	-	-	(27,515)
Net gain on foreign exchange and precious metals operations	33,947	232	(28,151)	-	6,028
Fee and commission income	20,227	1,213	-	8	21,448
Fee and commission expense	(3,775)	(391)	(136)	-	(4,302)
Net realized loss on investments available-for-sale	(2,549)	59	-	-	(2,490)
Dividends received	176	-	-	-	176
Other income	8,374	25	895	-	9,294
OPERATING INCOME	72,575	6,624	(26,717)	208	52,690

External operating income has been allocated based on domicile of the company within the Group.

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value:

Loans and advances to and from banks and other financial institutions and other borrowed funds – for assets and liabilities maturing within three months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over three months, the fair value in relation to repurchase and reverse repurchase agreements was estimated as the fair value of collateral pledged and received. For all other loans and advances and other borrowed funds the fair value is estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates and making adjustments for credit risk of the Group or counterparty.

Loans to customers – the estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Debt securities issued – market values have been used, where available, to determine the fair value of debt securities traded on an active market.

Subordinated debt – market values have been used, where available, to determine the fair value of subordinated bonds issued and perpetual debt of Kazkommerts Finance II B.V.

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

	31 December 2010		31 December 2009		31 December 2008	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	(KZT million)		(KZT million)		(KZT million)	
Financial assets:						
Loans and advances to banks and other financial institutions	146,331	144,960	148,375	149,321	241,813	241,650
Loans to customers	2,174,760	2,123,515	2,160,767	2,033,690	2,144,782	2,109,144
Financial liabilities:						
Loans and advances from banks and financial institutions	147,139	139,022	209,122	179,422	296,391	260,911
Debt securities issued	375,199	353,548	463,656	402,996	678,285	432,778
Other borrowed funds	23,943	20,496	31,172	22,488	137,324	86,402
Subordinated debt	137,137	136,827	136,411	113,289	117,724	109,331

Financial assets and liabilities at fair value through profit or loss and investments available-for-sale are carried at fair value in the consolidated statement of financial position. The carrying amounts of cash and balances with national (central) banks, investments held to maturity, other financial assets and other financial liabilities and customer accounts approximates fair value due to the short-term nature of such financial instruments. The carrying amount of customer accounts approximates fair value as interest rates charged to customers closely approximate market interest rates.

36. REGULATORY MATTERS

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total and tier 1 capital to risk weighted assets.

Capital adequacy requirements are set by the FMSA and controlled using the principles, methods and factors identified by the Basel Committee on Banking Supervision.

	31 December 2010 (KZT million)	31 December 2009 (KZT million)	Change (KZT million)	31 December 2009 (KZT million)	31 December 2008 (KZT million)	Change (KZT million)	31 December 2008 (KZT million)	31 December 2007 (KZT million)	Change (KZT million)
Composition of regulatory capital[a]:									
Tier 1 capital:									
Share capital (ordinary shares)	7,786	7,787	(1)	7,787	5,746	2,041	5,746	5,749	(3)
Share premium reserve	195,024	195,006	18	195,006	152,684	42,322	152,684	152,855	(171)
Retained earnings	180,609	161,971	18,638	161,971	140,762	21,209	140,762	84,843	55,919
Current income	21,879	19,423	2,456	19,423	21,805	(2,382)	21,805	55,963	(34,158)
Non-controlling interest	1,074	(223)	1,297	(223)	278	(501)	278	12,552	(12,274)
Goodwill	(2,405)	(2,405)	-	(2,405)	(2,405)	-	(2,405)	(2,405)	-
Innovative instrument [c]	14,649	14,085	564	14,085	11,965	2,120	11,965	11,900	65
Total qualifying tier 1 capital	418,616	395,644	22,972	395,644	330,835	64,809	330,835	321,457	9,378
Property and equipment revaluation reserve [d]	5,940	5,040	900	5,040	5,905	(865)	5,905	5,981	(76)
Share capital (preferred shares)	1,245	1,244	1	1,244	1,244	-	1,244	1,249	(5)
Subordinated debt [b]	92,030	97,871	(5,841)	97,871	95,005	2,866	95,005	86,617	8,388
Total qualifying tier 2 capital	99,215	104,155	(4,940)	104,155	102,154	2,001	102,154	93,847	8,307
Total capital	517,831	499,799	18,032	499,799	432,989	66,810	432,989	415,304	17,685
Ratio of tier 1 capital adequacy	16.23%	15.94%	0.29%	15.94%	13.53%	2.41%	13.53%	11.72%	1.81%
Capital adequacy ratio	20.08%	20.14%	(0.06%)	20.14%	17.70%	2.44%	17.70%	15.15%	2.55%

[a] According to the principles applied by Basel Committee

[b] As at 31 December 2010, 2009 and 2008, the Group included in the computation of total capital for capital adequacy purposes the subordinated debt received, which is not to exceed 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

[c] Innovative instruments represents perpetual bonds.

[d] The line "Property and equipment revaluation reserve" includes 55% of investments available-for-sale securities revaluation reserve/(deficit) (in accordance with the Basel standards).

During the years ended 31 December 2010, 2009 and 2008, the Group complied with all set capital requirements.

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

Estimation	Description of position
0%	Cash and balances with national (central) banks
0%	State debt securities
20%	Loans and advances to banks and other financial institutions for up to 1 year
100%	Loans to customers
100%	Guarantees
50%	Obligations and commitments on unused loans with the initial maturity of over 1 year
100%	Other assets

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes subordinated and perpetual debt disclosed in Note 29, and equity comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board of the Bank reviews its capital structure on quarterly basis. Based on the recommendations of the Management Board by making decisions on the Board of Directors or shareholders meeting, the Group balances its overall capital structure through new share issues, issues of new debt or the redemption of existing debt, and the payment of dividends.

The Group's overall capital risk management policy remains unchanged in comparison with 2009 and 2008.

38. RISK MANAGEMENT POLICIES

Management of risks is fundamental to the Group's business. The risk management functions include:

- Risk identification: The risks, which the Group is exposed to in its daily activities, are identified by the risk management system.
- Measuring risks: The Group measures the risks using various quantitative and qualitative methodologies, which include risk based profitability analysis, calculation of possible loss amounts, and utilization of specialized models. Measurement models and associated assumptions are periodically reviewed to ensure that the tools represent the risks adequately and reasonably.
- Risk monitoring: Group's policies and procedures determine the processes for mitigating and minimizing the risks and establish limits on various types of operations. Such limits are reviewed on a periodic basis set forth in internal documents of the Group.
- Risk reporting: Risk reporting is performed on a line of business and on a consolidated basis. This information is periodically presented to the management.

The main risks inherent to the Group's operations are those related to:

- Credit risk
- Interest rate risk
- Liquidity risk
- Market risk
- Currency risk

Credit risk

The Group is exposed to credit risk which is the risk that counterparty to a financial instrument will fail to fulfill its obligation to the Group. This covers actual payment defaults as well as losses in value resulting from a decrease in credit quality of the counterparty.

Risk management and monitoring is performed within set procedures and limits by the Credit Committees and the Management of the Group. Risk management coordination is performed by the risk management specialist or Risk Management Departments. Daily risk management is performed by the Head of the Credit Departments or Credit Divisions of branches and subsidiaries.

To measure credit risk, the Group employs several methodologies for estimating the likelihood of borrower or counterparty default. Methodologies differ depending on types of assets (e.g. consumer loans versus corporate term loan), risk measurement parameters (e.g. delinquency status and credit bureau reports versus corporate risk rating), and risk management and collection procedures (e.g. consumer lending collection center versus centrally managed workout groups).

The Group determines the level of credit risk it undertakes by setting limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. Limits on the level of credit risk by a borrower and a product, by industry sector and by region are approved by the Credit Committees. The exposure to any individual borrower is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committees.

Off-balance sheet credit commitments represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk of off-balance sheet financial instruments is defined as the probability of losses due to the inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on off-balance sheet instruments, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. The actual amount of this loss is likely to be less than the total unused commitments since the commitments are contingent upon customers maintaining certain credit standards. The Group applies the same credit policy to contingent liabilities as it does to the on-balance sheet financial instruments.

Structure of credit committees

The Group has developed policies and guidelines that are designed to preserve the independence and integrity of the approval and decision making of extending credit and are aimed at accurate assessment of credit risk and its proper and timely monitoring. The policy frameworks (separate for retail lending and corporate lending) establish credit approval authorities, risk-rating methodologies, credit review parameters and guidelines for management of distressed loans.

The Group has been centralizing decision making in the Head Office over the past several years. In particular, authorities of branches and regional directorates on approval of small entrepreneurship and retail loans have been transferred to Decision Making Centers (“DMCs”) in the Head office. Furthermore, most of branch and regional directorate authorities on corporate loan approvals have also been transferred to the Head Office of the Bank.

The Group currently has the following credit committees:

- Head office committees.
    - *Head Office Credit Committee.* This committee is authorized to approve corporate loans of up to equivalent of USD 5 million. The committee also approves retail and small entrepreneurship loans which exceed the thresholds and authorities set for DMCs.
    - *Commercial Directorate.* There are eight members of the committee, including the Chair person of the Group, who presides, and seven Managing Directors. The committee is authorized to approve loans exceeding equivalent of USD 5 million.
    - *Board of Directors.* All loans exceeding 10% of the Group's total assets as well as all transactions with related parties have to be approved by the Board of Directors.
- North Regional Directorate Committee. The Group has North Regional Directorate Committee, covering the north regions of Kazakhstan (Astana, Kostanay, Kokshetau and Petropavlovsk). The north directorate has limited authorities to grant loans.
- Branch Committees. Each of the Group's branches has a credit committee. The branches have limited authorities to grant loans.

Corporate loans

While considering loan applications of corporate borrowers, the related Credit Committees take into account the analysis and conclusions of Risk Management Department №1, Collateral Valuation, Legal and Security Departments.

- Risk Management Department №1. The analytic group within the Head Office, which provides advice on commercial loans based on their assessment of the borrower's business and/or the project, to which the loan relates. Their assessment takes into account a number of industry and borrower specific factors, future cash flows of the potential borrower and anticipated risk-adjusted returns for the Group. For the purpose of the analysis, risk managers utilize the rating model described below. Furthermore, the Department of Risk Management №1 is involved in the Group's loan portfolio monitoring and in the development of procedures and guidelines with respect to the Group's lending.
- Collateral Valuation Department. The Group requires collateral for almost all of its loans. According to Kazakh legislation, collateral valuation should be performed by independent collateral valuation companies ("NOKs"). Collateral Valuation Department reviews appraisal reports issued by NOKs and carries out certification and monitoring of NOKs.
- Legal Department. The Group obtains legal advice from the Legal Department regarding proposed loans and receives confirmation as to the valid corporate existence of the potential borrower and its authority to enter into loan transactions and collateral agreement.
- Security Department. The Security Department provides information on assets, credit history and reputation of potential borrowers. A central credit bureau has recently been established in Kazakhstan and this should improve the quality of information on the credit history of potential borrowers.

Retail and small entrepreneurship loans

Loans to retail and small entrepreneurship loans are subject to a standardized approval procedure. The Group has established two new divisions in the Risk Management Department №2, the Decision Making Centers ("DMCs"). One DMC processes retail loan applications, while the second unit makes decisions on small entrepreneurship loans. In order to approve or decline an application, the DMCs analyze payment ability and creditworthiness of a potential borrower on the basis of standard terms, criteria and procedures set forth by the Group.

The DMC on retail is authorized to approve applications from customers with one obligor exposure of up to equivalent of USD 200,000. The DMC on small entrepreneurship has authorities to approve applications from customers with one obligor exposure of up to equivalent of USD 500,000. Applications with larger exposures are referred to one of the relevant credit committees in the Head Office. The DMCs conduct analysis of the applications exceeding their authority limits, and the relevant credit committee takes their conclusions into account in decision making.

Allowance for credit losses

The Group establishes an allowance for impairment losses on loans and off-balance liabilities where there is objective evidence that a financial asset is impaired. In order to assess the quality of an asset and to classify it for provisioning purposes, a loan officer takes into account a number of criteria, including financial performance of the borrower, terms of the loan, collateral value and debt service of the borrower.

Maximum exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks of certain financial assets and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and commitments. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other commitments the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. The information in relation to financial guarantees and other contingent liabilities is disclosed in Note 31.

	Maximum exposure (KZT million)	Offset (KZT million)	Net exposure after offset (KZT million)	Collateral pledged[1] (KZT million)	31 December 2010 Net exposure after offset and collateral (KZT million)
Financial assets at fair value through profit or loss	223,231	-	223,231	-	223,231
Loans and advances to banks and other financial institutions	146,331	-	146,331	-	146,331
Loans to customers	2,174,760	(18,576)	2,156,184	(1,124,117)	1,032,067
Investments available-for-sale	16,822	-	16,822	-	16,822
Investments held to maturity	1,996	-	1,996	-	1,996
Other financial assets	6,962	-	6,962	-	6,962
Contingent liabilities and other credit commitments	102,376	(4,810)	97,566	(18,527)	79,039

	Maximum exposure (KZT million)	Offset (KZT million)	Net exposure after offset (KZT million)	Collateral pledged[1] (KZT million)	31 December 2009 Net exposure after offset and collateral (KZT million)
Financial assets at fair value through profit or loss	114,203	-	114,203	-	114,203
Loans and advances to banks and other financial institutions	148,375	-	148,375	-	148,375
Loans to customers	2,160,767	(5,312)	2,155,455	(1,070,859)	1,084,596
Investments available-for-sale	16,696	-	16,696	-	16,696
Investments held to maturity	943	-	943	-	943
Other financial assets	10,074	-	10,074	-	10,074
Contingent liabilities and other credit commitments	140,410	(5,372)	135,038	(43,586)	91,452

	Maximum exposure (KZT million)	Offset (KZT million)	Net exposure after offset (KZT million)	Collateral pledged[1] (KZT million)	31 December 2008 Net exposure after offset and collateral (KZT million)
Financial assets at fair value through profit or loss	58,130	-	58,130	-	58,130
Loans and advances to banks and other financial institutions	241,813	-	241,813	(5,783)	236,030
Loans to customers	2,144,782	(19,390)	2,125,392	(1,471,267)	654,125
Investments available-for-sale	15,056	-	15,056	-	15,056
Investments held to maturity	776	-	776	-	776
Other financial assets	16,619	-	16,619	-	16,619
Contingent liabilities and other credit commitments	156,504	(5,046)	151,458	(63,167)	88,291

[1] A description of the collateral presented on loans to customers is included in Note 18.

As at 31 December 2010, loans and advances to banks and other financial institutions also include loans under reverse repurchase agreements in amount of KZT 8,407 million (2009: KZT 10,893 million, 2008: KZT 65 million).

As at 31 December 2010, loans to customers include loans under reverse repurchase agreements in amount of KZT 818 million (2009: KZT 889 million, 2008: KZT 34,417 million).

As at 31 December 2010, financial assets at fair value through profit or loss and investments available-for-sale also include securities collateralized under repurchase agreements with total fair value of KZT Nil and KZT Nil, respectively (2009: KZT Nil and KZT Nil, respectively, 2008: KZT 9,860 million and KZT 1,235 million, respectively).

Credit ratings

Financial assets are graded according to the current credit rating of international rating agencies. The highest possible rating is AAA. Investment grade of the financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as a speculative grade.

The following table details the credit ratings of financial assets held by the Group:

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2010 Total (KZT million)
Financial assets at fair value through profit or loss	15,831	7,042	291	164,367	13,774	21,926	223,231
Loans and advances to banks and other financial institutions	-	40,478	36,813	30,460	3,761	34,819	146,331
Loans to customers	-	-	-	-	3,506	2,171,254	2,174,760
Investments available-for-sale	-	-	-	5,837	5,015	5,970	16,822
Investments held to maturity	-	154	-	1,132	661	49	1,996
Other financial assets	-	114	2	314	948	5,584	6,962

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2009 Total (KZT million)
Financial assets at fair value through profit or loss	-	11,102	146	59,789	6,506	36,660	114,203
Loans and advances to banks and other financial institutions	-	50,409	17,380	28,436	7,818	44,332	148,375
Loans to customers	-	-	-	483	4,614	2,155,670	2,160,767
Investments available-for-sale	-	-	-	5,373	5,268	6,055	16,696
Investments held to maturity	-	-	-	285	266	392	943
Other financial assets	-	-	-	-	-	10,074	10,074

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2008 Total (KZT million)
Financial assets at fair value through profit or loss	1,788	11,278	1,807	9,596	11,652	22,009	58,130
Loans and advances to banks and other financial institutions	-	57,754	106,466	747	25,595	51,251	241,813
Loans to customers	-	-	-	-	4,873	2,139,909	2,144,782
Investments available-for-sale	-	-	-	3,289	4,942	6,825	15,056
Investments held to maturity	-	-	-	230	317	229	776
Other financial assets	-	-	-	-	-	16,619	16,619

Since not all counterparties of the Group have credit ratings from international rating agencies, the Group has developed its own methodologies allowing it to assign internal credit ratings. Such methodologies include a rating model for corporate borrowers and scoring models for retail banking clients and small and medium enterprises ("SME"). The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan.

Loans to customer are classified by the responsible departments on the basis of internal assessment and other analytical procedures. Taking into account past experience, in December 2010 there was an improvement of the assessment methodology of probability of default of the loans based on a deeper analysis of the financial position of the borrower and future cash flows. As a result of this improvement, added to this analysis were qualitative and quantitative factors of the borrowers, such as operational efficiency, liquidity, capital adequacy ratios, cash flows and debt servicing ratios, quality of the management, risk of the industry, presence of facts of misapplication of funds and the customers' credit history.

At present, the Bank uses classification of loans to customers as follows:

Homogeneous loans: Loans to customers with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults and other factors). Collective assessment is performed on loans that were determined not to be individually significant.

Group 1: The borrower makes interest and principal payments without delay and in full. The borrower is clearly able to repay both the loan principal and interest and the borrower's high financial efficiency is expected to continue.

Group 2: The borrower makes interest and principal payments without delay and in full. The borrower is currently in a stable financial position, however, a possible negative trend may arise.

Group 3: The borrower makes interest and principal payments without delay and in full. There is evidence of some unsatisfactory financial results which may affect the ability of the borrower to repay in the future.

Group 4: The borrower makes interest and principal payments with delays and/or not in full. There is evidence of a significant number of unsatisfactory financial results which will affect the ability of the borrower to repay.

Group 5: The borrower is unable to make interest and principal payments without delays and in full. Financial efficiency is questionable and there is low probability of a full repayment in the future.

	31 December 2010	**31 December 2009**	**31 December 2008**
Homogeneous loans	114,401	133,615	158,114
Group 1	196,778	308,175	456,728
Group 2	560,786	595,156	993,734
Group 3	911,211	817,484	337,356
Group 4	284,612	162,781	88,648
Group 5	106,154	142,667	75,785
	2,173,942	2,159,878	2,110,365
Reverse repurchase agreements	818	889	34,417
Loans to customers	2,174,760	2,160,767	2,144,782

Impairment of financial assets

The following table details the carrying value of assets that are impaired:

	Neither past due nor impaired	Financial assets that have been assessed individually for impairment	Homogenous and individually assessed watch assets	31 December 2010 Total
Financial assets at fair value through profit or loss	223,111	120	-	223,231
Loans and advances to banks and other financial institutions	144,741	-	1,590	146,331
Loans to customers	191,175	473,550	1,510,035	2,174,760
Investments available-for-sale	16,822	-	-	16,822
Investments held to maturity	1,996	-	-	1,996
Other financial assets	6,962	-	-	6,962

	Neither past due nor impaired	Financial assets that have been assessed individually for impairment	Homogenous and individually assessed watch assets	31 December 2009 Total
Financial assets at fair value through profit or loss	113,604	599	-	114,203
Loans and advances to banks and other financial institutions	148,373	-	2	148,375
Loans to customers	309,855	440,013	1,410,899	2,160,767
Investments available-for-sale	16,696	-	-	16,696
Investments held to maturity	943	-	-	943
Other financial assets	10,074	-	-	10,074

	Neither past due nor impaired	Financial assets that have been assessed individually for impairment	Homogenous and individually assessed watch assets	31 December 2008 Total
Financial assets at fair value through profit or loss	58,130	-	-	58,130
Loans and advances to banks and other financial institutions	236,368	-	5,445	241,813
Loans to customers	492,388	122,395	1,529,999	2,144,782
Investments available-for-sale	13,772	1,284	-	15,056
Investments held to maturity	776	-	-	776
Other financial assets	16,619	-	-	16,619

As at 31 December 2010, the carrying value of assets that are overdue, but not impaired is KZT 1,738 million (2009: KZT 5,722 million, 2008: KZT 4,409 million) and they are overdue for less than 3-month period.

Geographical concentration

The relevant Credit Committees exercise control over the risk in the legislation and regulatory arena and assess its influence on the Group's activity. The Group sets country limits for all countries with ratings below A- according to the Standard and Poor's classification.

The Management of the Group considers the main segment to be the Republic of Kazakhstan.

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

	Kazakhstan (KZT million)	CIS (KZT million)	OECD countries (KZT million)	Other non-OECD countries (KZT million)	31 December 2010 Total (KZT million)
FINANCIAL ASSETS:					
Cash and balances with national (central) banks	54,693	6,503	20	-	61,216
Precious metals	-	-	1,345	-	1,345
Financial assets at fair value through profit or loss	157,537	14,968	50,726	-	223,231
Loans and advances to banks and other financial institutions	10,694	9,055	126,582	-	146,331
Loans to customers	1,835,714	177,055	36,042	125,949	2,174,760
Investments available-for-sale	16,330	492	-	-	16,822
Investments held to maturity	1,842	-	154	-	1,996
Other financial assets	5,136	1,613	209	4	6,962
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	2,081,946	209,686	215,078	125,953	2,632,663
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	558	1,560	139,987	5,034	147,139
Customer accounts	1,450,156	38,769	10,781	7,094	1,506,800
Financial liabilities at fair value through profit or loss	37	5	36,005	-	36,047
Debt securities issued	1,717	2,975	370,427	80	375,199
Other borrowed funds	16,472	-	7,471	-	23,943
Dividends payable	-	4	-	-	4
Other financial liabilities	5,691	178	83	-	5,952
Subordinated debt	39,700	-	97,437	-	137,137
TOTAL FINANCIAL LIABILITIES	1,514,331	43,491	662,191	12,208	2,232,221
NET POSITION	567,615	166,195	(447,113)	113,745	

	Kazakhstan (KZT million)	CIS (KZT million)	OECD countries (KZT million)	Other non-OECD countries (KZT million)	31 December 2009 Total (KZT million)
FINANCIAL ASSETS:					
Cash and balances with national (central) banks	84,566	5,951	16	-	90,533
Precious metals	-	-	1,209	-	1,209
Financial assets at fair value through profit or loss	69,232	5,868	39,061	42	114,203
Loans and advances to banks and other financial institutions	14,886	4,218	128,480	791	148,375
Loans to customers	1,780,993	201,871	36,304	141,599	2,160,767
Investments available-for-sale	16,348	348	-	-	16,696
Investments held to maturity	938	5	-	-	943
Other financial assets	2,388	6,729	769	188	10,074
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	1,969,351	224,990	205,839	142,620	2,542,800
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	16,976	9,179	177,137	5,830	209,122
Customer accounts	1,240,089	17,814	10,880	7,681	1,276,464
Financial liabilities at fair value through profit or loss	11	60	35,920	-	35,991
Debt securities issued	-	1,385	462,197	74	463,656
Other borrowed funds	19,097	2	12,073	-	31,172
Dividends payable	-	15	-	-	15
Other financial liabilities	3,354	355	256	451	4,416
Subordinated debt	47,493	-	88,918	-	136,411
TOTAL FINANCIAL LIABILITIES	1,327,020	28,810	787,381	14,036	2,157,247
NET POSITION	642,331	196,180	(581,542)	128,584	

	Kazakhstan (KZT million)	CIS (KZT million)	OECD countries (KZT million)	Other non-OECD countries (KZT million)	31 December 2008 Total (KZT million)
FINANCIAL ASSETS:					
Cash and balances with national (central) banks	73,457	5,324	11,697	-	90,478
Precious metals	-	-	317	-	317
Financial assets at fair value through profit or loss	24,815	5,848	27,096	371	58,130
Loans and advances to banks and other financial institutions	5,769	32,767	203,277	-	241,813
Loans to customers	1,725,020	243,648	28,626	147,488	2,144,782
Investments available-for-sale	14,920	136	-	-	15,056
Investments held to maturity	600	176	-	-	776
Other financial assets	8,760	4,698	2,981	180	16,619
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	1,853,341	292,597	273,994	148,039	2,567,971
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	84,197	15,063	189,981	7,150	296,391
Customer accounts	938,376	19,589	16,591	4,897	979,453
Financial liabilities at fair value through profit or loss	149	-	53,868	322	54,339
Debt securities issued	365	51,555	626,251	114	678,285
Other borrowed funds	3,420	2	133,902	-	137,324
Dividends payable	-	5	-	-	5
Other financial liabilities	6,917	475	82	3	7,477
Subordinated debt	38,318	-	79,406	-	117,724
TOTAL FINANCIAL LIABILITIES	1,071,742	86,689	1,100,081	12,486	2,270,998
NET POSITION	781,599	205,908	(826,087)	135,553	

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Main credit risk exposure of the Group is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Asset and Liability Management Risks

Effective assets and liabilities management is fundamental to the Bank, which allows the Bank to offer competitive products in the market while maintaining the risk and profitability balance on the level creating additional value for shareholders.

The following are defined by the bank as key areas within asset and liability management:

- Structural risk management: structural interest rate and currency risks;
- Liquidity risk management;
- Market risk management in trading portfolio;
- Capital management.

The Group's Assets and Liabilities Management Committee (the "ALMC") is responsible for managing risks the bank is exposed to while managing assets and liabilities.

ALMC is responsible of making strategic and operational decisions with respect of managing asset and liabilities with purpose of:

- Maintaining and further increasing net income while keeping risk exposure at an acceptable level;
- Ensuring continuity of the bank operations.

In order to fulfill the objectives set above, short meetings of the ALMC take place on a weekly basis while extended meetings are organized monthly. Operational asset and liability management questions including trading portfolio performance and liquidity management are considered at the weekly meetings. At the monthly meetings ALMC discusses more strategic questions including balance sheet structure management. Various reports are presented to ALMC's attention including but not limiting to trading portfolio reports, open currency positions, liquidity gaps, cash flows, stress tests, etc. ALMC is lead by the chairperson of the bank and includes nine permanent members: the Chairman of the Board, seven Managing Directors and head of the Treasury Department.

Structural interest rate risk

In 2009 as a result of a Asset and Liability Management ("ALM") and Market Risk Management ("MRM") consultancy project the Group adopted a new approach to define and manage overall interest rate risk of the Group. The approach implies distinguishing interest rate risk in trading portfolio from structural interest rate risk since they impact capital and profit and loss differently. These two subtypes of the risk are now measured and managed separately. This section covers structural interest rate risk. Interest rate risk in trading portfolio is measured and managed by the bank as a part of market risks.

Structural interest rate risk is a risk of possible decline in interest income generated on balance and off-balance sheet positions accounted at amortized cost as a result of changes in market interest rates. Thus managing structural interest rate risk implies managing exposure of the Bank's net interest income and hence capital to market interest rate changes with the purpose of limiting and controlling possible income reductions or losses and ensuring optimal and stable interest income inflow.

To manage structural interest rate risk ALMC monitors and analyzes re-pricing gap and earnings at risk as well as interest rate margins. This helps the Group mitigate exposure to the structural interest rate risk and maintain positive interest rate margin. The Risk Management Department monitors financial activity of the Group regularly assessing its exposure to changes in interest rates and income impact of the changes.

As for the moment most of the loans extended by the Group are at fixed rate agreements. At the same time the loan agreements allow the Group to change the interest rate thus allowing the Group to decrease interest rate risks.

The following table presents an analysis of interest rate risk. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2010			31 December 2009			31 December 2008		
	% in KZT	% in USD	% in other currencies	% in KZT	% in USD	% in other currencies	% in KZT	% in USD	% in other currencies
ASSETS:									
Financial assets at fair value through profit or loss	2.53	3.16	9.47	3.50	1.91	12.61	8.62	6.31	8.96
Loans and advances to banks and other financial institutions	0.35	3.99	0.84	0.56	4.01	1.91	11.01	2.83	2.21
Loans to customers	12.38	11.79	11.80	13.86	13.70	11.59	15.94	15.19	15.22
Investments available-for-sale and held to maturity	5.32	1.05	-	7.34	-	7.37	13.45	0.87	15.54
LIABILITIES:									
Loans and advances from banks and other financial institutions	1.15	4.97	5.33	3.49	5.10	7.76	7.81	5.73	9.73
Customer accounts	5.38	4.72	6.92	5.91	6.95	6.81	7.29	6.89	8.04
Debt securities issued	9.00	8.36	6.59	-	8.71	6.72	-	8.26	6.76
Other borrowed funds	7.66	1.31	-	7.66	1.88	-	7.49	3.00	-
Subordinated debt	6.94	8.61	-	7.52	8.47	-	7.69	8.45	-

The Group uses derivative financial instruments to mitigate the interest rate risk and control the interest rate margin by types of products. Management monitors the interest rate margin of the Group and believes that the Group is not exposed to significant risk of change in interest rates and related cash flow interest rate risk.

Interest rate risk sensitivity analysis

The Risk Management Department periodically estimates the Group's sensitivity to changes in market interest rates and their influence on the Group's profitability. If necessary, the Risk Management Department suggests decreasing the relevant risk levels to the ALMC of the Group.

During 2009 the Group had changed its risk management policy in relation to interest rate risk sensitivity analysis and methods of calculation. From the beginning of 2009 in calculating and analyzing sensitivity of net profit of the Group to structural interest rate risk, the Group applies the earnings at risk ratio (EaR). EaR is based on interest rate gap and measures the potential fluctuations in earnings over a given time interval under normal market conditions and based on the following assumptions:

- the period when possible losses are incurred, is one year. One year is viewed as a period, within which the Group may raise new funding or restructure its assets and liabilities with a purpose of returning and keeping its risks level within its risk appetite;
- EaR is calculated based on the assumption that each interest rate gap will be reassessed at a new interest rate.

As at the reporting date, in calculating EaR, as reasonably possible, the Group applied the range of interest rate fluctuations in 200 bp across the yield curve.

The following table presents the sensitivity of the Group's consolidated income statement to the above changes to interest rates, in which all other parameters are assumed to be constant:

Earnings at risk (EaR)	**31 December 2010 (KZT million)**
Earnings at risk (EaR) as a result of parallel shift in the yield curve	
Earnings at risk (EaR) as a result of upward movement in rates by 200 bp per 1 year	1,982
Earnings at risk (EaR) as a result of downward movement in rates by 200 bp per 1 year	(1,982)

Earnings at risk (EaR)	**31 December 2009 (KZT million)**
Earnings at risk (EaR) as a result of parallel shift in the yield curve	
Earnings at risk (EaR) as a result of upward movement in rates by 200 bp per 1 year	3,694
Earnings at risk (EaR) as a result of downward movement in rates by 200 bp per 1 year	(3,694)

At the reporting date, the Group's equity is not sensitive to interest rate fluctuations, since the interest rate swaps became ineffective in 2009 and, accordingly, changes in fair value of these instruments are recognized in the consolidated income statement.

During 2008, the Group used two interest rate variation ranges as reasonable in relation to the sensitivity of its financial instruments: 10 basis points ("bp") for those in USD and 100 bp for those in other currencies, as opposed to the previous year when the Group applied 100 bp to yield curves in all currencies.

During 2008, sensitivity of the consolidated income statement represented fluctuations of interest income due to changes in interest rates for the period of one year, estimated on the basis of interest-bearing instruments of the trading portfolio, and assets and liabilities with floating interest rates.

The following table presents the sensitivity of the Group's consolidated income statement to the above changes in interest rates, in which all other parameters apart from interest rates are assumed to be constant.

	31 December 2008 (KZT million)			
	US dollar		Other currencies	
	+10 bp	-10 bp	+100 bp	-100 bp
Assets:				
Financial assets at fair value through profit or loss:				
Bonds	(3)	3	(571)	596
Derivative financial instruments	332	(335)	-	-
Instruments with floating rates:				
Loans and advances to banks	24	(24)	-	-
Loans to customers	-	-	52	(52)
Investments held-to-maturity:				
Instruments with floating rates	-	-	3	(3)
Liabilities:				
Instruments with floating rates:	(266)	266	(94)	94
Loans and advances from banks	(50)	50	(335)	335
Net effect on profit before tax	37	(40)	(945)	970

Possible losses from a change in the interest rate within the range, provided all other parameters remained fixed, amount to less than 1% of the Group's consolidated capital, which was considered as permissible and did not require a further change in the Group's strategy and policy. It should be noted that in 2008 the interest rate sensitivity decreased as a result of significant reduction of the volumes of floating rate liabilities and securities portfolio. In addition, due to considerable increase of yield to maturity (as a result of greatly widened credit spreads) prices of most financial instruments in the Group's portfolio fell. Hedging using interest rate swaps had also helped reduce the volatility of the Group's profit resulting from interest rate movements.

The sensitivity of capital to feasible variations in interest rates at 31 December 2008 has been provided in the following table:

	31 December 2008 (KZT million)			
	US dollar		Other currencies	
	+10 bp	-10 bp	+100 bp	-100 bp
Assets				
Investments available-for-sale:				
Bonds	-	-	(73)	77
Derivative financial instruments	117	(118)	-	-
Net effect on profit before tax	37	(40)	(945)	970
Change in equity	154	(158)	(1,018)	1,047

The possible changes in capital due to applied shifts in interest rates were less than 1% of the Group's equity, which was considered acceptable by the Group. Since hedging began, the effective part of the revaluation of swap transactions has had an effect on capital provisions as at 31 December 2008 due to a movement in interest rates. The sensitivity analysis does not take into account the tax effect on equity.

The management of the Group periodically monitors the interest rate margin of the Group and believes that the Group is not exposed to significant risk of fluctuations in interest rates and the corresponding risk of changes in cash flows.

The Group considers the above sensitivity to structural interest rate risk as reasonable.

Liquidity risk

Liquidity risk is the risk that the Bank will not have enough funding at reasonable price to meet all cash outflows (on- and off-balance sheet).

ALMC controls these types of risks by means of weekly liquidity gap analysis and taking appropriate decisions to reduce liquidity risk. Current liquidity is managed by the Treasury Department through the deals in the money markets, with placement of available funds in liquid securities in line with instructions of ALMC.

The Group maintains the compliance to regulatory requirements, including term liquidity ratios and foreign exchange liquidity. The Group considers these requirements to be strict, and, as such, this measure guarantees maintaining appropriate liquidity level.

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date. The presentation below is based upon the information provided internally to key management personnel of the Group.

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2010 Total (KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	37,256	18,997	85,580	40,550	34,912	-	217,295
Loans and advances to banks and other financial institutions	94,795	10,184	17,473	23,589	15	-	146,056
Loans to customers	32,128	95,225	568,158	611,068	566,962	-	1,873,541
Debt securities included in investments available-for-sale	-	-	940	4,359	6,157	-	11,456
Investments held to maturity	-	-	1	1,007	949	-	1,957
Total interest bearing assets	164,179	124,406	672,152	680,573	608,995	-	2,250,305
Cash and balances with national (central) banks	58,837	-	-	-	2,379	-	61,216
Precious metals	1,345	-	-	-	-	-	1,345
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	4,519	4,519
Equity securities in the investments available-for-sale	-	-	-	-	-	4,946	4,946
Accrued interest income on interest-bearing assets	50,197	56,372	65,617	131,120	64	-	303,370
Other financial assets	4,800	917	1,225	20	-	-	6,962
TOTAL FINANCIAL ASSETS	279,358	181,695	738,994	811,713	611,438	9,465	2,632,663
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	2,725	12,614	59,047	72,261	-	-	146,647
Customer accounts	556,953	108,891	479,002	257,491	87,696	-	1,490,033
Debt securities issued	714	36,781	8,557	190,480	127,341	-	363,873
Other borrowed funds	-	95	666	5,042	17,823	-	23,626
Subordinated debt	-	-	-	41,834	86,328	6,703	134,865
Total interest bearing liabilities	560,392	158,381	547,272	567,108	319,188	6,703	2,159,044
Financial liabilities at fair value through profit or loss	2,051	2,474	448	28,366	2,708	-	36,047
Dividends payable	-	-	4	-	-	-	4
Accrued interest expense on interest-bearing liabilities	5,551	11,935	13,019	669	-	-	31,174
Other financial liabilities	5,036	344	269	303	-	-	5,952
TOTALFINANCIAL LIABILITIES	573,030	173,134	561,012	596,446	321,896	6,703	2,232,221
Liquidity gap	(293,672)	8,561	177,982	215,267	289,542		
Interest sensitivity gap	(396,213)	(33,975)	124,880	113,465	289,807		
Cumulative interest sensitivity gap	(396,213)	(430,188)	(305,308)	(191,843)	97,964		
Cumulative interest sensitivity gap as a percentage of total assets	(15.0%)	(16.3%)	(11.6%)	(7.3%)	3.7%		
Contingent liabilities and credit commitments	1,672	5,829	51,791	29,357	4,692	-	

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2009 Total (KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	6,076	17,618	32,108	19,574	35,748	-	111,124
Loans and advances to banks and other financial institutions	89,440	531	52,080	5,907	15	-	147,973
Loans to customers	19,363	53,437	534,511	886,195	442,751	-	1,936,257
Debt securities included in investments available-for-sale	3	100	5,453	4,557	853	-	10,966
Investments held to maturity	-	194	11	558	150	-	913
Total interest bearing assets	114,882	71,880	624,163	916,791	479,517	-	2,207,233
Cash and balances with national (central) banks	89,584	-	-	-	949	-	90,533
Precious metals	1,209	-	-	-	-	-	1,209
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	2,638	2,638
Equity securities in the investments available-for-sale	-	-	-	-	-	5,252	5,252
Accrued interest income on interest-bearing assets	47,126	30,219	88,003	60,452	61	-	225,861
Other financial assets	5,958	516	3,145	435	20	-	10,074
TOTAL FINANCIAL ASSETS	258,759	102,615	715,311	977,678	480,547	7,890	2,542,800
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	24,656	4,752	42,296	133,463	2,896	-	208,063
Customer accounts	369,466	54,037	458,544	324,501	50,973	-	1,257,521
Debt securities issued	314	684	2,246	248,862	197,304	-	449,410
Other borrowed funds	-	23	674	4,946	25,124	-	30,767
Subordinated debt	-	-	-	14,836	112,524	6,747	134,107
Total interest bearing liabilities	394,436	59,496	503,760	726,608	388,821	6,747	2,079,868
Financial liabilities at fair value through profit or loss	174	137	594	26,361	8,725	-	35,991
Dividends payable	-	-	15	-	-	-	15
Accrued interest expense on interest-bearing liabilities	6,078	6,278	15,153	560	8,888	-	36,957
Other financial liabilities	769	3,470	100	77	-	-	4,416
TOTALFINANCIAL LIABILITIES	401,457	69,381	519,622	753,606	406,434	6,747	2,157,247
Liquidity gap	(142,698)	33,234	195,689	224,072	74,113		
Interest sensitivity gap	(279,554)	12,384	120,403	190,183	90,696		
Cumulative interest sensitivity gap	(279,554)	(267,170)	(146,767)	43,416	134,112		
Cumulative interest sensitivity gap as a percentage of total assets	(11.0%)	(10.5%)	(5.8%)	1.7%	5.3%		
Contingent liabilities and credit commitments	11,508	12,213	52,530	54,095	86	55	

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2008 Total (KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	1,127	6,647	26,489	13,592	8,407	-	56,262
Loans and advances to banks and other financial institutions	181,044	14,210	39,658	1,051	4,727	-	240,690
Loans to customers	69,388	94,480	484,754	861,803	536,174	-	2,046,599
Debt securities included in investments available-for-sale	106	-	822	4,292	5,631	-	10,851
Investments held to maturity	174	6	2	105	470	-	757
Total interest bearing assets	251,839	115,343	551,725	880,843	555,409	-	2,355,159
Cash and balances with national (central) banks	90,478	-	-	-	-	-	90,478
Precious metals	317	-	-	-	-	-	317
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	1,276	1,276
Equity securities in the investments available-for-sale	-	-	-	-	-	3,301	3,301
Accrued interest income on interest-bearing assets	30,866	23,345	43,105	3,504	1	-	100,821
Other financial assets	8,828	1,824	4,980	987	-	-	16,619
TOTAL FINANCIAL ASSETS	382,328	140,512	599,810	885,334	555,410	4,577	2,567,971
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	75,572	21,388	92,777	93,727	10,689	-	294,153
Customer accounts	383,076	32,790	316,450	229,805	2,722	-	964,843
Debt securities issued	487	8,405	90,220	260,093	299,501	-	658,706
Other borrowed funds	2	7,416	8,876	81,475	38,991	-	136,760
Subordinated debt	-	-	3,337	-	95,005	17,454	115,796
Total interest bearing liabilities	459,137	69,999	511,660	665,100	446,908	17,454	2,170,258
Financial liabilities at fair value through profit or loss	426	229	720	37,524	15,440	-	54,339
Dividends payable	-	5	-	-	-	-	5
Accrued interest expense on interest-bearing liabilities	3,476	15,973	16,312	3,158	-	-	38,919
Other financial liabilities	4,331	1,473	1,664	9	-	-	7,477
TOTAL FINANCIAL LIABILITIES	467,370	87,679	530,356	705,791	462,348	17,454	2,270,998
Liquidity gap	(85,042)	52,833	69,454	179,543	93,062		
Interest sensitivity gap	(207,298)	45,344	40,065	215,743	108,501		
Cumulative interest sensitivity gap	(207,298)	(161,954)	(121,889)	93,854	202,355		
Cumulative interest sensitivity gap as a percentage of total assets	(8.1%)	(6.3%)	(4.7%)	3.7%	7.9%		
Contingent liabilities and credit commitments	4,927	30,806	52,999	57,844	490	54	

Based on prior experience, the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over. The Group is aware of the importance of maintaining the stability of these deposits. In order to achieve this it is essential that the Group ensures depositor confidence in the Group's liquidity, by continuing to position itself as the depositor of choice in local markets and a leading financial institution in both the Republic of Kazakhstan and abroad.

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

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2010 Total (KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	2,725	12,614	59,047	72,261	-	-	146,647
Customer accounts	556,953	108,891	479,002	257,491	87,696	-	1,490,033
Debt securities issued	714	36,781	8,557	190,480	127,341	-	363,873
Other borrowed funds	-	95	666	5,042	17,823	-	23,626
Subordinated debt	-	-	-	41,834	86,328	6,703	134,865
Total interest bearing financial liabilities	560,392	158,381	547,272	567,108	319,188	6,703	2,159,044
Financial liabilities at fair value through profit or loss	2,051	2,474	448	28,366	2,708	-	36,047
Accrued interest expense on interest-bearing liabilities	12,538	33,909	95,871	166,545	66,494	-	375,357
Other financial liabilities	5,036	344	269	303	-	-	5,952
Contingent liabilities and other credit commitments	1,672	5,829	51,791	29,357	4,692	-	93,341
TOTAL FINANCIAL LIABILITIES	581,689	200,937	695,651	791,679	393,082	6,703	2,669,741

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2009 Total (KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	24,656	4,752	42,296	133,463	2,896	-	208,063
Customer accounts	369,466	54,037	458,544	324,501	50,973	-	1,257,521
Debt securities issued	314	684	2,246	248,862	197,304	-	449,410
Other borrowed funds	-	23	674	4,946	25,124	-	30,767
Subordinated debt	-	-	-	14,836	112,524	6,747	134,107
Total interest bearing financial liabilities	394,436	59,496	503,760	726,608	388,821	6,747	2,079,868
Financial liabilities at fair value through profit or loss	174	137	594	26,361	8,725	-	35,991
Accrued interest expense on interest-bearing liabilities	9,755	18,726	84,826	141,193	72,859	-	327,359
Other financial liabilities	769	3,470	100	77	-	-	4,416
Contingent liabilities and other credit commitments	11,508	12,213	52,530	54,095	86	55	130,487
TOTAL FINANCIAL LIABILITIES	416,642	94,042	641,810	948,334	470,491	6,802	2,578,121

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2008 Total (KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	75,572	21,388	92,777	93,727	10,689	-	294,153
Customer accounts	383,076	32,790	316,450	229,805	2,722	-	964,843
Debt securities issued	487	8,405	90,220	260,093	299,501	-	658,706
Other borrowed funds	2	7,416	8,876	81,475	38,991	-	136,760
Subordinated debt	-	-	3,337	-	95,005	17,454	115,796
Total interest bearing financial liabilities	459,137	69,999	511,660	665,100	446,908	17,454	2,170,258
Financial liabilities at fair value through profit or loss	426	229	720	37,524	15,440	-	54,339
Accrued interest expense on interest-bearing liabilities	56,233	76,215	190,354	489,600	195,914	333	1,008,649
Other financial liabilities	4,331	1,473	1,664	9	-	-	7,477
Contingent liabilities and other credit commitments	4,927	30,806	52,999	57,844	490	54	147,120
TOTAL FINANCIAL LIABILITIES	525,054	178,722	757,397	1,250,077	658,752	17,841	3,387,843

Market risk

The Group defines market risk as currency, equity, commodity and interest rate risks related to its trading and available-for-sale portfolios, as well as currency positions.

The Risk Management Department measures the risks and generates treasury position reports, which are presented to the ALMC of the Group. Risk Management Department calculates VaR to measure the market risk on equity, fixed income and currency positions and breaks it down to individual risk factors (currency risk, interest rate risk, equity risk etc.). This allows the Group to analyze exposure to each risk factor and make further decisions to mitigate a particular exposure. For internal reporting purposes, in addition to VAR analysis discussed above, the Bank also performs sensitivity analysis on its currency risk and interest rate exposures. This sensitivity analysis is presented in these financial statements.

Currency risk

Currency risk is defined as the risk of taking losses from open currency positions and financial instruments in foreign currencies as a result of changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on its open currency positions and trading portfolio.

The ALMC controls currency risk by managing its open currency positions on the basis of macroeconomic analysis and exchange rate forecasts, which give the Group an opportunity to minimize losses from significant currency fluctuations. Similar to liquidity risk management, the Treasury Department manages open currency positions of the Group using data generated by the Prudentials Monitoring and Credit Reporting Division on a daily basis.

The FMSA sets strict limits on open currency positions. This measure also limits the currency risk. In addition, the Treasury Department uses various hedging strategies including cross currency swaps in order to mitigate currency risks.

As at 31 December 2010 the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2010 Total (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	44,631	7,509	3,355	4,710	1,011	61,216
Precious metals	-	-	-	-	1,345	1,345
Financial assets at fair value through profit or loss	162,170	32,910	9,747	12,994	5,410	223,231
Loans and advances to banks and other financial institutions	9,857	118,233	12,041	3,553	2,647	146,331
Loans to customers	891,462	1,246,378	10,579	26,029	312	2,174,760
Investments available-for-sale	12,671	4,151	-	-	-	16,822
Investments held to maturity	1,491	505	-	-	-	1,996
Other financial assets	4,377	1,217	92	1,267	9	6,962
TOTAL FINANCIAL ASSETS	1,126,659	1,410,903	35,814	48,553	10,734	2,632,663
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	1,797	140,400	4,777	125	40	147,139
Customer accounts	784,476	635,996	60,435	22,762	3,131	1,506,800
Financial liabilities at fair value through profit or loss	27,561	8,481	-	5	-	36,047
Debt securities issued	2,473	220,977	118,542	545	32,662	375,199
Other borrowed funds	16,319	7,624	-	-	-	23,943
Dividends payable	-	-	-	-	4	4
Other financial liabilities	5,783	-	5	132	32	5,952
Subordinated debt	33,205	103,932	-	-	-	137,137
TOTAL FINANCIAL LIABILITIES	871,614	1,117,410	183,759	23,569	35,869	2,232,221
OPEN POSITION	255,045	293,493	(147,945)	24,984	(25,135)	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk on derivative financial instruments and spot contracts as at 31 December 2010:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2010 Total (KZT million)
Accounts payable on spot and derivative contracts	(23,889)	(288,827)	(26,943)	(3,851)	(4,097)	(347,607)
Accounts receivable on spot and derivative contracts	25,508	50,651	177,645	1,423	79,911	335,138
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	1,619	(238,176)	150,702	(2,428)	75,814	

As at 31 December 2009 the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2009 Total (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	61,450	7,753	16,345	2,913	2,072	90,533
Precious metals	-	-	-	-	1,209	1,209
Financial assets at fair value through profit or loss	91,413	359	10,647	5,196	6,588	114,203
Loans and advances to banks and other financial institutions	13,253	120,762	6,065	3,943	4,352	148,375
Loans to customers	773,155	1,338,637	10,172	37,770	1,033	2,160,767
Investments available-for-sale	12,262	4,434	-	-	-	16,696
Investments held to maturity	938	-	-	-	5	943
Other financial assets	3,138	876	52	5,585	423	10,074
TOTAL FINANCIAL ASSETS	955,609	1,472,821	43,281	55,407	15,682	2,542,800
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	4,959	178,337	9,939	15,846	41	209,122
Customer accounts	632,542	549,936	75,772	14,414	3,800	1,276,464
Financial liabilities at fair value through profit or loss	30,111	5,820	-	60	-	35,991
Debt securities issued	-	269,783	148,576	254	45,043	463,656
Other borrowed funds	19,097	12,075	-	-	-	31,172
Dividends payable	-	-	-	-	15	15
Other financial liabilities	2,363	333	646	634	440	4,416
Subordinated debt	31,736	104,675	-	-	-	136,411
TOTAL FINANCIAL LIABILITIES	720,808	1,120,959	234,933	31,208	49,339	2,157,247
OPEN POSITION	234,801	351,862	(191,652)	24,199	(33,657)	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk on derivative financial instruments and spot contracts as at 31 December 2009:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2009 Total (KZT million)
Accounts payable on spot and derivative contracts	(892)	(304,125)	-	(4,599)	-	(309,616)
Accounts receivable on spot and derivative contracts	28,017	5,463	192,555	5,053	83,860	314,948
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	27,125	(298,662)	192,555	454	83,860	

As at 31 December 2008 the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2008 Total (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	40,444	9,627	2,723	3,599	34,085	90,478
Precious metals	-	-	-	-	317	317
Financial assets at fair value through profit or loss	35,299	3,302	9,546	5,510	4,473	58,130
Loans and advances to banks and other financial institutions	4,499	164,905	62,302	4,779	5,328	241,813
Loans to customers	725,185	1,340,347	12,024	66,171	1,055	2,144,782
Investments available-for-sale	12,209	2,847	-	-	-	15,056
Investments held to maturity	600	-	-	-	176	776
Other financial assets	7,126	2,447	1,368	5,177	501	16,619
TOTAL FINANCIAL ASSETS	825,362	1,523,475	87,963	85,236	45,935	2,567,971
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	16,512	244,090	11,211	23,847	731	296,391
Customer accounts	443,862	481,640	39,467	12,505	1,979	979,453
Financial liabilities at fair value through profit or loss	52,306	2,033	-	-	-	54,339
Debt securities issued	-	359,271	188,535	22,727	107,752	678,285
Other borrowed funds	9,362	127,962	-	-	-	137,324
Dividends payable	-	-	-	-	5	5
Other financial liabilities	4,438	2,396	8	582	53	7,477
Subordinated debt	38,139	79,585	-	-	-	117,724
TOTAL FINANCIAL LIABILITIES	564,619	1,296,977	239,221	59,661	110,520	2,270,998
OPEN POSITION	260,743	226,498	(151,258)	25,575	(64,585)	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk on derivative financial instruments and spot contracts as at 31 December 2008:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2008 Total (KZT million)
Accounts payable on spot and derivative contracts	(120,432)	(294,254)	(16,143)	-	(5,872)	(436,701)
Accounts receivable on spot and derivative contracts	50,780	135,391	168,951	1,644	75,401	432,167
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(69,652)	(158,863)	152,808	1,644	69,529	

Currency risk sensitivity analysis

The Group estimates the possible effect of a 10% fluctuation in foreign currency rates on the consolidated income statement and consolidated equity based on the sensitivity analysis of the internally prepared open currency position report, which includes derivative financial instruments.

The analysis is based on the calculation of the impact of possible fluctuations in US dollar, Euro and Russian Ruble currency rates on the consolidated income statements and consolidated equity. This is due to the fact that as at 31 December 2010 these were the main currencies in which the Group had open positions. A 10% fluctuation is determined as a "reasonably possible change in the risk variable" by the management of the Group. All other parameters were assumed to be constant. Negative and positive amounts in the table reflect the potential probable effect on the consolidated income statement and consolidated equity of such fluctuations.

	31 December 2010 (KZT million)					
	KZT/USD		**KZT/EUR**		**KZT/RUB**	
	+10%	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**
Impact on profit or loss	4,761	(4,571)	3,428	(3,428)	2,750	(2,750)
Impact on equity	-	-	-	-	-	-

	31 December 2009 (KZT million) (Restated)*					
	KZT/USD		**KZT/EUR**		**KZT/RUB**	
	+10%	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**
Impact on profit or loss	149	(200)	3,104	(3,104)	2,925	(2,925)
Impact on equity	-	-	-	-	-	-

* Restated as described under Restatement in Note 4.

	31 December 2008 (KZT million)					
	KZT/USD		**KZT/EUR**		**KZT/RUB**	
	+10%	**-10%**	**+10%**	**-10%**	**+10%**	**-10%**
Impact on profit or loss	8,583	(8,525)	445	(445)	3,069	(3,069)
Impact on equity	(3,356)	3,442	3,489	(3,489)	-	-

The table shows the possible effect on the Group's consolidated profit and equity if one of the above foreign currencies strengthens or weakens by 10% at the current date to all other currencies represented in the Group's consolidated statement of financial position. In the event of the strengthening or devaluation of the tenge, open positions on all foreign currencies could have an impact on profit, while the value of the cross-currency swaps is not as sensitive to movements in the tenge exchange rate. Thus, at a 25% tenge devaluation at the reporting date the positive effect on the consolidated income statement of the Group would be KZT 38,380 million (2009: KZT 32,098 million, 2008: KZT 24,004 million) and at a 35% tenge devaluation it would amount to KZT 53,732 million (2009: KZT 44,936 million, 2008: KZT 33,657 million). The breakdown of these tenge devaluation effects are given in the following table:

	31 December 2010 (KZT million)									
	KZT/USD		**KZT/EUR**		**KZT/RUB**		**KZT/Other**		**Total**	
	-25%	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**
Impact on profit or loss	18,121	25,369	664	929	6,874	9,624	12,721	17,810	38,380	53,732

	31 December 2009 (KZT million)									
	KZT/USD		**KZT/EUR**		**KZT/RUB**		**KZT/Other**		**Total**	
	-25%	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**	**-25%**	**-35%**
Impact on profit or loss	12,052	16,872	162	227	7,313	10,238	12,571	17,599	32,098	44,936

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key risk factor while all other things held constant. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger impacts should not be extrapolated from these results.

	31 December 2008 (KZT million)									
	KZT/USD		KZT/EUR		KZT/RUB		KZT/Other		Total	
	-25%	-35%	-25%	-35%	-25%	-35%	-25%	-35%	-25%	-35%
Impact on profit or loss	14,764	20,720	300	420	7,672	10,741	1,268	1,776	24,004	33,657

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary depending on any actual market movements, since the Group's financial risk management strategy aims to manage the exposure to market fluctuations. In instances where there are significant or unexpected changes in market conditions, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the risk factors may be different from those shown above.

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