JOINT STOCK COMPANY ZAMAN-BANK

Financial Statements
For the Year Ended 31 December 2010

JOINT STOCK COMPANY ZAMAN-BANK

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JOINT STOCK COMPANY ZAMAN-BANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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 financial statements of Joint Stock Company Zaman-Bank ("the Bank").

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

In preparing the 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 financial statements on a going concern basis, unless it is inappropriate to presume that the Bank 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 Bank;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the Bank, and which enable them to ensure that the financial statements of the Bank comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the Bank; and
- Detecting and preventing fraud, errors and other irregularities.

The financial statements for the year ended 31 December 2010 were authorized for issue on 24 March 2011 by the Management Board of the Bank.

On behalf of the Management Board:

Gupalo E.A.	**Seitova R.S.**
Chairwoman	**Chief Accountant**
24 March 2011	24 March 2011
Ekibastuz, Kazakhstan	Ekibastuz, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To: Shareholders and Board of Directors of Joint Stock Company Zaman-Bank:

We have audited the accompanying financial statements of Joint Stock Company Zaman-Bank ("the Bank"), which comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects the financial position of Joint Stock Company Zaman-Bank as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion we draw attention to Note 3 to these financial statements. As described in the note the presentation of the Statement of Cash Flows has been changed for the year ended 31 December 2009.

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

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

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

24 March 2011
Almaty, Kazakhstan

JOINT STOCK COMPANY ZAMAN-BANK

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2010

(in thousands of Kazakhstani tenge)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009
Interest income	4, 18	462,675	412,447
Interest expense	4	(2,015)	(1,489)
NET INTEREST INCOME BEFORE (PROVISION)/RECOVERY OF PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		460,660	410,958
(Provision)/recovery of provision for impairment losses on interest bearing assets	5	(190,525)	52,879
NET INTEREST INCOME		270,135	463,837
Net gain on foreign exchange operations	6	23,625	28,835
Fee and commission income	7, 18	156,937	74,830
Fee and commission expense	7	(2,190)	(2,227)
(Provision)/recovery of provision for impairment losses on other assets	5	(18)	648
(Provision)/recovery of provision for guarantees	5	(46,708)	901
Other income		2,330	587
NET NON-INTEREST INCOME		133,976	103,574
OPERATING INCOME		404,111	567,411
OPERATING EXPENSES	8, 18	(179,502)	(157,835)
PROFIT BEFORE INCOME TAX		224,609	409,576
Income tax expense	9	(46,107)	(81,244)
NET PROFIT		178,502	328,332
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME		178,502	328,332

On behalf of the Management Board:

Gupalo E.A.	**Seitova R.S.**
Chairwoman	**Chief Accountant**
24 March 2011	24 March 2011
Ekibastuz, Kazakhstan	Ekibastuz, Kazakhstan

The notes on pages 8-38 form an integral part of these financial statements.

JOINT STOCK COMPANY ZAMAN-BANK

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010
(in thousands of Kazakhstani tenge)

	Notes	31 December 2010	31 December 2009	31 December 2008
ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	10	575,211	739,901	152,470
Due from banks	11	542,463	89,777	75,926
Loans to customers	12, 18	3,643,764	3,347,363	2,015,729
Property, equipment and intangible assets		23,497	16,568	18,806
Deferred income tax assets		-	-	5,917
Other assets		10,994	5,323	11,238
TOTAL ASSETS		4,795,929	4,198,932	2,280,086
LIABILITIES AND EQUITY				
LIABILITIES:				
Customer accounts	13, 18	690,943	484,041	64,545
Provisions	5	112,470	65,752	66,653
Deferred income tax liabilities	9	47,308	49,379	-
Other liabilities	14	21,326	105,677	34,158
Subordinated loan	15	251,297	-	-
Total liabilities		1,123,344	704,849	165,356
EQUITY:				
Share capital	16	3,015,000	3,015,000	1,917,084
Retained earnings		657,585	479,083	197,646
Total equity		3,672,585	3,494,083	2,114,730
TOTAL LIABILITIES AND EQUITY		4,795,929	4,198,932	2,280,086

On behalf of the Management Board:

Gupalo E.A. **Chairwoman**	**Seitova R.S.** **Chief Accountant**
24 March 2011 Ekibastuz, Kazakhstan	24 March 2011 Ekibastuz, Kazakhstan

The notes on pages 8-38 form an integral part of these financial statements.

JOINT STOCK COMPANY ZAMAN-BANK

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kazakhstani tenge)

	Share capital	Retained earnings	Total equity
31 December 2008	1,917,084	197,646	2,114,730
Total comprehensive income for the year	-	328,332	328,332
Share capital increase through issue of ordinary shares	1,097,916	-	1,097,916
Dividends declared on ordinary shares	-	(46,895)	(46,895)
31 December 2009	3,015,000	479,083	3,494,083
Total comprehensive income for the year	-	178,502	178,502
31 December 2010	3,015,000	657,585	3,672,585

On behalf of the Management Board:

Gupalo E.A.
Chairwoman

24 March 2011
Ekibastuz, Kazakhstan

Seitova R.S.
Chief Accountant

24 March 2011
Ekibastuz, Kazakhstan

The notes on pages 8-38 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2010
(in thousands of Kazakhstani tenge)

	Notes	Year ended 31 December 2010	Year ended 31 December 2009 (restated)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received on loans to customers		461,690	406,928
Interest received on due from banks		203	302
Interest paid on customer accounts		(385)	(235)
Interest paid on due from banks		-	(1,254)
Interest paid on subordinated loan		(1,599)	-
Fee and commission received		68,052	152,009
Fee and commission paid		(2,190)	(2,227)
Other income received		24,079	21,688
Operating expenses paid		(177,583)	(147,279)
Cash inflow from operating activities before changes in operating assets and liabilities		372,267	429,932
(Increase)/decrease in operating assets:			
Due from banks		-	70,011
Loans to customers		(486,144)	(1,273,503)
Other assets		(743)	(380)
Increase/(decrease) in operating liabilities:			
Customer accounts		206,918	419,496
Other liabilities		4,430	7,427
Cash inflow/(outflow) from operating activities before income tax		96,728	(347,017)
Income tax paid		(46,752)	(29,855)
Net cash inflow/(outflow) from operating activities		49,976	(376,872)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(13,230)	(2,926)
Proceeds from sale of property and equipment		-	105
Net cash outflow from investing activities		(13,230)	(2,821)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from subordinated loan		251,250	-
Proceeds from issue of ordinary shares	16	-	1,097,916
Dividends paid	16	-	(46,895)
Net cash inflow from financing activities		251,250	1,051,021
NET INCREASE IN CASH AND CASH EQUIVALENTS		287,996	671,328
CASH AND CASH EQUIVALENTS, beginning of the year	10	829,678	158,350
CASH AND CASH EQUIVALENTS, end of the year	10	1,117,674	829,678

On behalf of the Management Board:

Gupalo E.A.
Chairwoman

24 March 2011

Ekibastuz, Kazakhstan

Seitova R.S.
Chief Accountant

24 March 2011

Ekibastuz, Kazakhstan

The notes on pages 8-38 form an integral part of these financial statements.

1. ORGANISATION

Joint Stock Company Zaman-Bank ("the Bank") operates in the Republic of Kazakhstan since 1991. The Bank is regulated by the Agency of the Republic of Kazakhstan on Regulation and Supervision of the financial market and financial organizations (the "FMSA") and conducts its business under license for conducting bank operations # 11 issued on 24 December 2007. The Bank has the license for banking and other operations in the national and foreign currencies (deposits, opening and maintaining accounts; cash, transfer, custody, borrowing operations, issue of bank guarantees, leasing, and other operations envisioned by the license).

The Bank's primary business consists of commercial activities, trading with securities, foreign currencies, originating loans and guarantees.

The registered office of the Bank is located at 111A Mashhur Zhusup Street, Ekibastuz, 141206, the Republic of Kazakhstan.

As at 31 December 2010 and 2009, the Bank has one branch in Almaty.

The number of employees of the Bank as at 31 December 2010 and 2009 was 42 and 39, respectively.

As at 31 December 2010 and 2009, the following shareholders owned the issued shares:

	31 December 2010	**31 December 2009**
Shareholder:		
Abguzhinov A.T.	23.3%	23.3%
LLP Alan-A	20.0%	20.0%
LLP Energotaktika	9.5%	9.5%
Abguzhinov T.S.	9.2%	9.2%
LLP DIRECT	7.9%	7.9%
LLP Ekibastuz regional Business Centre	6.7%	6.7%
Abguzhinov B.S.	6.4%	6.4%
LLP Solteko-Kazakhstan	4.1%	4.1%
Kim R.S.	3.3%	3.3%
Other shareholders (individually hold less than 3%)	9.6%	9.6%
Total	100%	100%

As at 31 December 2010 and 2009, the structure of shareholders in specified above companies was the following:

Shareholders:	**Owners of the shareholders:**	**31 December 2010**	**31 December 2009**
LLP Ekibastuz regional Business Centre	Beisembayev S.M.	100%	100%
LLP Energotaktika	Voronov A.S.	100%	100%
LLP Solteko-Kazakhstan	Kashaganov B.Z.	100%	100%
LLP Alan-A	Gabdulin S.A.	45%	45%
	Kuanyshev A.V.	45%	45%
	LLP Sigma is owned by Kuanyshev A.V. (49.5%), Gabduliny S.A. (41.2%) and LLP Alnur & K (9.3%).	10%	10%
LLP DIRECT	LLP "ArMist" is owned by Askarov I.H. (100%).	95%	95%
	Kalivina G.V.	5%	5%

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These 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").

Other basis of presentation criteria

These financial statements have been prepared on the assumption that the Bank is a going concern and will continue in operation for the foreseeable future.

These financial statements are presented in thousand of Kazakhstani tenge ("KZT thousands"), unless otherwise indicated. These financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The Bank maintains its accounting records in accordance with IFRS. These financial statements have been prepared based on the accounting records of the Bank.

The Bank presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 21.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

The principal accounting policies are set out below.

Recognition of 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.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at fair value through profit or loss.

Once a financial asset or a Bank 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 earned on assets at fair value is classified within interest income.

Recognition of revenue – other

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct 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 in profit or loss when the services are provided. All other commissions are recognized when services are provided.

Financial instruments

The Bank recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of the financial assets and liabilities are recognized using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified category: ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as ‘loans and receivables’. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectable. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Bank and after the Bank 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 statement of comprehensive income in the period of recovery.

Derecognition of financial assets

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

- Rights to receive cash flows from the asset has expired;
- The Bank 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 Bank 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 required that the Bank either (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to receive the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Bank 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 on the balance sheet. 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 Bank assesses whether of not it has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Bank retained control of the asset, it continues to recognise the asset to the extent of its continuing involvement.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Bank's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Bank's own equity instruments.

Customer accounts and subordinated loan

Customer accounts and subordinated loan are initially recognized at fair value plus related transaction costs that directly relate to the issuance of the financial liabilities. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings, using the effective interest method.

Financial liabilities

Financial liabilities are classified as 'other financial liabilities'.

Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit and loss.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at fair value through profit or loss, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

Cash and balances with the National Bank of the Republic of Kazakhstan

Cash and balances with the National Bank of the Republic of Kazakhstan include cash on hand and unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan with maturity within 90 days.

Cash and cash equivalents include cash on hand, unrestricted balances on correspondent and time deposit accounts and advances to banks with original maturities within 90 days, which may be converted to cash within a short period of time and thus are considered liquid.

Due from banks

In the normal course of business, the Bank maintains advances or deposits for various periods of time with other banks. Due from banks are initially recognized at fair value. Due from banks with a fixed maturity term are subsequently measured at amortized cost using the effective interest method, and are carried net of any allowance for impairment losses. Those that do not have fixed maturities are carried at cost based on expected maturities.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and any recognized impairment loss, if any.

Depreciation is charged on the carrying value of property equipment and intangible assets and is designed to allocate depreciable amount of asset on a systematic basis over its useful life. It is calculated on a straight line basis at the following annual prescribed rates:

Computers	20-50%
Other fixed assets	10-50%
Intangible assets	10-20%

The carrying amounts of property, equipment and intangible assets are reviewed by the Bank at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment 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.

Expenses related to repairs and renewals are charged in the statement of comprehensive income when incurred and included in operating expenses unless they qualify for capitalization.

Taxation

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

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Bank's current tax expense is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary 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. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised 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 taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Bank expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Operating taxes

The Republic of Kazakhstan also has various other taxes, which are assessed on the Bank's activities. These taxes are included as a component of operating expenses in the statement of comprehensive income.

Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event, it is probable that the Bank will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies

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

Foreign currencies

In preparing the financial statements of the Bank, transactions in currencies other than the Bank's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

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

	31 December 2010	**31 December 2009**
KZT/1 US Dollar	147.50	148.46
KZT/1 Euro	196.88	213.95
KZT/1 Russian Rouble	4.83	4.90

Share capital

Share capital is recognized at cost.

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” (“IAS 10”) and disclosed accordingly.

External 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.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Bank’s accounting policies, the Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and receivables

The Bank regularly reviews its loans and receivables to assess for impairment. The Bank's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Bank 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 Bank's estimated losses and actual losses would require the Bank to record provisions which could have a material impact on its financial statements in future periods.

The Bank 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 Bank 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 Bank, and national or local economic conditions that correlate with defaults on assets in the Bank. 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. The Bank uses management's judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

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

As at 31 December 2010 and 2009, the gross loans and receivables totalled KZT 3,885,833 thousand and KZT 3,431,610 thousand, respectively, and allowance for impairment losses amounted to KZT 242,069 thousand and KZT 84,247 thousand, respectively

New and revised IFRSs affecting presentation and disclosure only

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.

Amendments to IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010) **-** The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

New and revised IFRSs in issue but not yet effective

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

Amendments to IFRS 7	Disclosures – Transfers of Financial Assets (Effective for annual periods beginning on or after 1 July 2011)
IFRS 9 (as amended in 2010)	Financial Instruments (Effective for annual periods beginning on or after 1 January 2013)
IAS 24 (revised in 2009)	Related Party Disclosures *(*Effective for annual periods beginning on or after 1 January 2011*)*

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.

The Management of the Bank does not anticipate that these amendments to IFRS 7 will have a significant effect on the Bank's disclosures regarding transfers of trade receivables previously affected. However, if the Bank enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 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 Management of the Bank anticipate that IFRS 9 that will be adopted in the Bank's 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 Bank's 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.

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 Bank because the Bank is not a government-related entity. However, disclosures regarding related party transactions and balances in these 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.

All other Standards and Interpretations are not applicable to the Bank's operations. Management believe the adoption of these Standards and Interpretations will not have a significant impact on the results of the Bank's operations.

3. RESTATEMENT

In 2010 the Bank has changed its accounting policy in respect of the components of cash and cash equivalents. The Bank has included balances with non-OECD countries with original maturities of 90 days or less to cash and cash equivalents, because the Bank does not have any history of restrictions on the use of cash and cash equivalents in non-OECD countries. Comparative amounts were restated and the corrections were made to the earliest prior period presented.

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

	Year ended 31 December 2009 Previously reported	**Year ended 31 December 2009 Restated**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Due from banks	(18,056)	70,011
Net cash outflow from operating activities	(464,939)	(376,872)
NET INCREASE IN CASH AND CASH EQUIVALENTS	583,261	671,328
CASH AND CASH EQUIVALENTS, beginning of the year	157,339	158,350
CASH AND CASH EQUIVALENTS, end of the year	740,600	829,678

The effect of the adjustments made to cash and cash equivalents as at 31 December 2009 and 2008 in Note 10 is as follows:

Reclassifying due from banks to cash and cash equivalents (maturity less than 3 months)	**Amount**	**31 December 2009**	**31 December 2009**
Cash and cash equivalents	89,078	740,600	829,678
Reclassifying due from banks to cash and cash equivalents (maturity less than 3 months)		**31 December 2008**	**31 December 2008**
Cash and cash equivalents	1,011	157,339	158,350

4. NET INTEREST INCOME

	Year ended 31 December 2010	Year ended 31 December 2009
Interest income comprises:		
Interest income on assets recorded at amortized cost:		
- interest income on impaired assets	125,329	30,138
- interest income on unimpaired assets	337,346	382,309
Total interest income	462,675	412,447
Interest income on assets recorded at amortized cost comprises:		
Interest on loans to customers	462,472	412,180
Interest on due from banks	203	267
Total interest income on financial assets recorded at amortized cost	462,675	412,447
Interest expense comprises:		
Interest on liabilities recorded at amortized cost	2,015	1,489
Total interest expense	2,015	1,489
Interest expense on liabilities recorded at amortized cost comprise:		
Interest on subordinated loan	1,646	-
Interest on customer accounts	369	235
Interest on deposits from banks	-	1,254
Total interest expense on financial liabilities recorded at amortized cost	2,015	1,489
Net interest income before (provision)/recovery of provision for impairment losses on interest bearing assets	460,660	410,958

5. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets, guarantees and other assets were as follows:

	Loans to customers	Guarantees	Other assets
31 December 2008	149,136	66,653	644
Recovery of provision	(52,879)	(901)	(648)
Write-off of assets	(12,010)	-	-
Foreign exchange	-	-	4
31 December 2009	84,247	65,752	-
Provision recognized	190,525	46,708	18
Amortization of discount	(3,967)	-	-
Write-off of assets	(28,736)	-	-
Foreign exchange	-	10	-
31 December 2010	242,069	112,470	18

Allowance for impairment on losses on loans to customers includes discount amounting to KZT 14,627 thousand on loans at below-market interest rates initially recognized at fair value. Amortization of discount is calculated on an effective interest rate basis and is classified within interest income.

6. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

	Year ended 31 December 2010	Year ended 31 December 2009
Dealing, net	24,079	21,688
Translation differences, net	(454)	7,147
	23,625	28,835

7. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2010	Year ended 31 December 2009
Fee and commission income:		
Guarantee issuance	121,442	46,889
Foreign exchange operations	16,291	12,612
Cash operations	9,903	8,454
Transfer operations	5,306	4,769
Customer accounts maintenance	836	622
Other	3,159	1,484
Total fee and commission income	156,937	74,830
Fee and commission expense on:		
Transfer operations	(1,582)	(1,031)
Cash operations	(576)	(1,168)
Correspondent banks services	(32)	(28)
Total fee and commission expense	(2,190)	(2,227)

8. OPERATING EXPENSES

	Year ended 31 December 2010	Year ended 31 December 2009
Staff costs and other payments	74,303	61,737
Operating lease expenses	39,561	39,367
Professional services	15,576	12,600
Administrative expenses	9,609	8,636
Taxes, other than income tax	7,846	6,437
Depreciation and amortization	6,185	5,074
Communication expenses	5,580	5,144
Security expenses	5,563	5,555
Other expenses on non-banking activity	5,064	4,375
Business trip expenses	3,276	1,831
Cash collection expenses	950	962
Advertising and marketing costs	868	640
Other	5,121	5,477
	179,502	157,835

9. INCOME TAXES

The Bank provides for income taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of the Republic of Kazakhstan, which may differ from IFRS.

The Bank 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 and 2009 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

The tax rate used for the 2010 and 2009 reconciliations above is the corporate tax rate of 20%, payable in the Republic of Kazakhstan on taxable profits under tax law. Temporary differences as at 31 December 2010 and 2009 comprise:

	31 December 2010	31 December 2009
Deductible temporary differences:		
Accrued audit and consulting expense	12,376	12,600
Commission on guarantees	7,575	93,226
Unused vacation reserve	3,245	4,395
Due from banks and loans to customers	2,166	630
Property, equipment and intangible assets	1,486	769
Other assets	61	248
Total deductible temporary differences	26,909	111,868
Taxable temporary differences:		
Loans to customers	(136,328)	(108,141)
Provisions under guarantees	(127,123)	(250,620)
Total taxable temporary differences	(263,451)	(358,761)
Net deferred taxable temporary differences	(236,542)	(246,893)
Net deferred income tax liabilities	(47,308)	(49,379)

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

	Year ended 31 December 2010	Year ended 31 December 2009
Profit before income tax	224,609	409,576
Tax at the statutory tax rate	44,922	81,915
Tax effect of permanent differences:		
Tax exempt interest income and other related income on state and quoted securities listed with "A" and "B" ratings	-	(37)
Representative expenses	66	53
Other permanent differences	1,119	(687)
Income tax expense	46,107	81,244
Current income tax expense	48,178	25,948
Changes in deferred income tax balances	(2,071)	55,296
Income tax expense	46,107	81,244

Deferred income tax (liabilities)/assets	**2010**	**2009**
Beginning of the year	(49,379)	5,917
Change in deferred income tax	2,071	(55,296)
End of the year	(47,308)	(49,379)

10. CASH AND BALANCES WITH THE NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2010	31 December 2009	31 December 2008
Cash on hand	21,962	9,118	67,907
Balances with the National Bank of the Republic of Kazakhstan	553,249	730,783	84,563
	575,211	739,901	152,470

Cash and balances with the National Bank of the Republic of Kazakhstan as at 31 December 2010, 2009 and 2008 include KZT 10,369 thousand, KZT 5,166 thousand and KZT 1,295 thousand, respectively, which represent the obligatory minimum reserve deposits with the National Bank of the Republic of Kazakhstan. The Bank is required to maintain the reserve balance at the National Bank of Kazakhstan of the Republic of Kazakhstan at all times. However, the Bank has the right to use those reserves in case of meeting certain requirements.

Cash and cash equivalents for the purposes of the statement of cash flows comprise the following:

	31 December 2010	31 December 2009 (restated)*	31 December 2008 (restated)*
Cash and balances with the National Bank of the Republic of Kazakhstan	575,211	739,901	152,470
Due from banks	542,463	89,777	5,880
Total cash and cash equivalents	1,117,674	829,678	158,350

* Restated as described in Note 3.

11. DUE FROM BANKS

	31 December 2010	31 December 2009	31 December 2008
Recorded as loans and receivables:			
Correspondent accounts with other banks	542,463	89,777	5,880
Loans under reverse repurchase agreements	-	-	70,046
	542,463	89,777	75,926

As at 31 December 2010, 2009 and 2008, included in due from banks is accrued interest income in the amount of KZT 44 thousand, KZT 11 thousand, and KZT 46 thousand, respectively.

As at 31 December 2010, 2009 and 2008, the maximum credit risk exposure amounted to KZT 542,463 thousand, KZT 89,777 thousand, and KZT 75,926 thousand, respectively.

12. LOANS TO CUSTOMERS

	31 December 2010	31 December 2009	31 December 2008
Recorded as loans and receivables:			
Loans to customers	3,885,833	3,431,610	2,164,865
Less allowance for impairment losses	(242,069)	(84,247)	(149,136)
	3,643,764	3,347,363	2,015,729

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2010, 2009 and 2008 are disclosed in Note 5.

As at 31 December 2010, 2009 and 2008, accrued interest income included in loans to customers amounted to KZT 21,674 thousand, KZT 20,892 thousand and KZT 15,640 thousand, respectively.

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

	31 December 2010	**31 December 2009**	**31 December 2008**
Analysis by type of collateral:			
Loans collateralized by inventories	2,581,137	1,942,413	1,382,010
Loans collateralized by real estate	389,235	1,123,548	478,726
Loans collateralized by mixed collateral	354,664	29,634	11,147
Loans collateralized by equipment	315,925	257,924	256,361
Unsecured loans	184,091	14,848	30,376
Loans collateralized by vehicles	60,454	62,108	5,768
Loans collateralized by guarantees of financial institutions	327	1,135	477
	3,885,833	3,431,610	2,164,865
Less allowance for impairment losses	(242,069)	(84,247)	(149,136)
	3,643,764	3,347,363	2,015,729

The table below summarizes the amount of loans by sectors, where the customers operate:

	31 December 2010	**31 December 2009**	**31 December 2008**
Analysis by sector:			
Trade	2,795,262	2,694,399	1,615,021
Individuals	448,210	84,033	35,269
Coal mining	300,925	222,530	97,751
Metal products manufacturing	147,496	-	-
Wooden goods manufacturing	79,068	29,634	91,098
Agriculture	15,000	133,409	16,535
Construction and maintenance	9,138	85,861	135,116
Legal and consulting	-	149,709	75,024
Transport	-	31,127	80,754
Other	90,734	908	18,297
	3,885,833	3,431,610	2,164,865
Less allowance for impairment losses	(242,069)	(84,247)	(149,136)
	3,643,764	3,347,363	2,015,729

As at 31 December 2010, 2009 and 2008, the Bank provided loan to customer totalling KZT 849,632 thousand, KZT 394,817 thousand, and KZT 215,215 thousand, respectively, which individually exceeded 10% of the Bank's equity.

As at 31 December 2010, interest accrual on loans to customers amounting to KZT 137,499 thousand was suspended. During 2010, the Bank has recognized impairment for the whole outstanding amount of this loan. As at 31 December 2009, interest accrual on loans to customers amounting to KZT 25,100 thousand was suspended. During 2009, the Bank has recognized impairment for the whole outstanding amount of this loan. As at 31 December 2008, interest accrual on loans to customers amounting to KZT 53,978 thousand was suspended. During 2008, the Bank has recognized impairment of KZT 40,334 thousand.

Loans to individuals comprise the following products:

	31 December 2010	31 December 2009	31 December 2008
Individual entrepreneurs	417,760	60,729	10,670
Car loans	19,029	1,721	3,148
Mortgage loans	10,921	12,537	12,915
Consumer loans	500	9,046	8,536
	448,210	84,033	35,269
Less allowance for impairment losses	(66,725)	(16,132)	(8,873)
	381,485	67,901	26,396

As at 31 December 2010, 2009 and 2008, maximum credit risk exposure on loans to customers amounted to KZT 3,643,764 thousand, KZT 3,347,363 thousand, and KZT 2,015,729 thousand, respectively.

As at 31 December 2010, 2009 and 2008, maximum credit risk exposure on loan commitments and overdrafts extended by the Bank to its customers amounted to KZT 94,462 thousand, KZT 335,026 thousand, and KZT 133,906 thousand, respectively.

As at 31 December 2010, 2009 and 2008, loans to customers included loans in amount of KZT 379,648 thousand, KZT 66,086 thousand, and KZT 64,429 thousand, respectively, whose terms have been renegotiated. Otherwise, these loans would be past due or impaired.

As at 31 December 2010, 2009 and 2008, the loan portfolio is granted to companies operating on the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

13. CUSTOMER ACCOUNTS

	31 December 2010	31 December 2009	31 December 2008
Recorded at amortized cost:			
Demand deposits	690,943	484,041	64,545
	690,943	484,041	64,545

As at 31 December 2010, 2009 and 2008, there were no customer accounts, which were held as collateral against the guarantees issued by the Bank.

	31 December 2010	31 December 2009	31 December 2008
Analysis by industry:			
Coal mining industry	568,656	80,925	39,573
Trade	49,907	34,938	10,515
Machinery and equipment production	41,653	163,937	14
Construction	14,804	27,886	5,427
Individuals	11,684	142,770	4,149
Furniture and other production	1,202	28,509	1,298
Medicine	1,131	839	1,511
Agriculture	1,008	1,481	87
Computer engineering	383	388	325
Transportation and communication	216	2,218	367
Services	183	77	222
Culture and art	41	38	-
Other	75	35	1,057
	690,943	484,041	64,545

14. OTHER LIABILITIES

	31 December 2010	31 December 2009	31 December 2008
Other financial liabilities:			
Accrued audit and consulting expenses	6,188	6,300	10,080
Settlements with employees	3,245	5,218	4,984
Accrued operating expenses	2,569	140	130
Other expenses	241	223	809
	12,243	11,881	16,003
Other non-financial liabilities:			
Unamortized commission on guarantees	7,575	93,226	15,498
Taxes payable, other than income tax	1,274	221	2,355
Other	234	349	302
	9,083	93,796	18,155
Total other liabilities	21,326	105,677	34,158

15. SUBORDINATED LOAN

	CCY	Issue date dd/mm/yy	Maturity date dd/mm/yy	Annual coupon rate %	31 December 2010	31 December 2009	31 December 2008
Subordinated loan	KZT	23/04/2010 - 30/12/2010	23/04/2017 - 30/12/2017	1%	251,250	-	-
Accrued interest					47	-	-
Total subordinated loan					251,297	-	-

During 2010, the Bank obtained a subordinated loan from its shareholder amounting to KZT 251,250 thousand. Interest on the subordinated loan is repayable monthly, and principal is repayable at the end of the term. The subordinated loan is convertible into common shares of the Bank according to the decision of the shareholders.

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

16. SHARE CAPITAL

As at 31 December 2010, 2009 and 2008, authorized share capital comprised 3,000,000 ordinary shares with par value KZT 1,005 each. As at 31 December 2010 and 2009, issued and fully paid share capital comprised 3,000,000 ordinary shares amounting to KZT 3,015,000 thousand. As at 31 December 2008, issued and fully paid share capital comprised 1,907,546 ordinary shares amounting to KZT 1,917,084 thousand. All ordinary shares are ranked equally and carry one vote.

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

	2010	2009	2008
Beginning of the year	3,000,000	1,907,546	1,329,396
Issue of shares	-	1,092,454	578,150
End of the year	3,000,000	3,000,000	1,907,546

During 2010, 2009 and 2008, the shareholders of the Bank approved increase in the share capital of KZT Nil, KZT 1,097,916 thousand and KZT 581,041 thousand, respectively.

During 2010, 2009 and 2008, dividends declared and paid amounted to KZT Nil, KZT 46,895 thousand and KZT 45,993 thousand, respectively.

17. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank 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 statement of financial position.

The Bank'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 Bank 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 and 2009 provision for losses on contingent liabilities amounted to KZT 112,470 thousand and KZT 65,752 thousand, respectively.

As at 31 December 2010 and 2009, contingent liabilities comprise:

	31 December 2010 Nominal amount	31 December 2009 Nominal amount
Contingent liabilities and credit commitments		
Guarantees issued	1,079,502	4,996,547
Commitments on loans and unused credit lines	94,462	335,026
	1,173,964	5,331,573

As at 31 December 2010 and 2009, guarantees with nominal amount of KZT 778,503 thousand and KZT 4,649,357 thousand, respectively, have maturities within one year, guarantee with nominal amount of KZT 300,999 thousand and KZT 300,000 thousand, respectively, has maturity till 2012.

Extension of loans to customers within credit line limits is approved by the Bank on a case-by-case basis and depends on borrowers' financial performance, debt servicing, credit history and other factors.

Capital commitments

The Bank had no material capital commitments as at 31 December 2010 and 2009.

Operating lease commitments

The Bank's future minimum operating lease payments under non cancellable operating leases of buildings as at 31 December 2010 and 2009 are as follows:

	31 December 2010	31 December 2009
During the year	34,147	34,147
	34,147	34,147

Legal proceedings

The Bank did not receive any claims from customers and counterparties in the normal course of business.

Taxation

Commercial legislation of Kazakhstan where the Bank 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 Bank's business activities, was to be challenged by the tax authorities, the Bank 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 Bank believes that it has accrued all tax amounts due and therefore no allowance has been made in the financial statements.

Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans

Employees receive state pension benefits in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2010 and 2009, the Bank was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Operating environment

Emerging markets such as Republic of 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 the Republic of Kazakhstan and the its economy in general.

Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly. Tax, currency and customs legislation within the Republic of Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Republic of Kazakhstan. The future economic direction of the Republic 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 country'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 or from decline in the oil and gas prices could slow or disrupt the Republic of Kazakhstan's economy, adversely affect the Bank's access to capital and cost of capital for the Bank and, more generally, its business, results of operations, financial condition and prospects.

The Republic of 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 and 2009, was 7.8% and 6.2%, respectively).

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

18. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Bank had the following transactions outstanding as at 31 December 2010 and 2009 with related parties:

	31 December 2010		31 December 2009	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers	483,073	3,885,833	601,038	3,431,610
Allowance for impairment losses on loans to customers	1,203	(242,069)	-	(84,247)
Customer accounts	607,750	690,943	248,849	484,041
Subordinated loan	251,297	251,297	-	-

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

	Year ended 31 December 2010		Year ended 31 December 2009	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income				
-related companies	70,197	462,675	49,544	412,447
Interest expense				
-related companies	1,646	2,015	-	-
Fee and commission income				
-related companies	17,008	156,937	14,435	74,830
Operating expenses				
-related companies	23,151	179,502	22,589	157,835
Staff costs and other payments				
-key management personnel	37,160	74,303	31,040	61,737

19. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the instrument could be exchanged in a current market 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 Bank could realize in a market exchange from the sale of its full holdings of a particular instrument.

The carrying amounts of cash and balances with the National Bank of the Republic of Kazakhstan, due from banks, customer accounts and other financial liabilities approximates fair value due to the short-term nature of such financial instruments. The fair value of loans to customers can not be measured reliably as it is not practicable to obtain market information or apply any other valuation techniques on such instruments. In case of disposal of such instruments the Bank intends to apply selling prices to be determined between contractual parties.

Except as detailed below, management of the Bank considers that the fair value of financial assets and liabilities approximates their carrying value:

	31 December 2010		31 December 2009	
	Carrying Amount	**Fair Value**	**Carrying amount**	**Fair Value**
Cash and balances with the National Bank of the Republic of Kazakhstan	575,211	575,211	739,901	739,901
Due from banks	542,463	542,463	89,777	89,777
Customer accounts	690,943	690,943	484,041	484,041
Other financial liabilities	12,243	12,243	11,881	11,881
Subordinated loan	251,297	251,297	-	-

20. CAPITAL RISK MANAGEMENT

The Bank manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the FMSA in supervising the Bank.

During the years ended at 31 December 2010 and 2009, the Bank had complied in full with all its externally imposed capital requirements.

The capital structure of the Bank consists of consists of debt, which includes subordinated debt disclosed in Note 15 and equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in statement of changes in equity.

The following table analyzes the Bank's regulatory capital resources for capital adequacy purposes in accordance with the principles employed by the Basle Committee 1988:

Composition of regulatory capital	**31 December 2010**	**31 December 2009**
Tier 1		
Share capital	3,015,000	3,015,000
Retained earnings*	657,585	479,083
Total tier 1 capital	3,672,585	3,494,083
Tier 2		
General loan-loss reserves**	60,829	103,726
Subordinated loan	251,250	-
Total tier 2 capital	312,079	103,726
Total regulatory capital	3,984,664	3,597,809
Risk weighted assets	4,866,285	8,298,048
Tier 1 capital ratio	75.47%	42.10%
Total capital adequacy ratio	81.88%	43.36%

*Retained earnings are determined in accordance with FMSA requirements.
**The line "General loan-loss reserves" is the minimum amount of allowance for impairment losses or 1.25% of Risk weighted assets (in accordance with the Basle requirements).

Quantitative measures established by regulation to ensure capital adequacy, require the Bank to maintain minimum amounts and ratios of total (8%) and tier 1 capital (4%) to risk weighted assets.

As at December 31, 2010, the Bank included in the computation of Total capital for Capital adequacy purposes the subordinated debt received, limited to 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

21. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the Bank's banking business and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are those related to:

- Credit risk;
- Liquidity risk; and
- Market risk.

The Bank recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Bank has established a risk management framework, whose main purpose is to protect the Bank from risk and allow it to achieve its performance objectives. Through the risk management framework, the Bank manages following risks:

Credit risk

The Bank is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Risk management and monitoring is performed within set limits of authority by the Board of Directors, the Management Board, the Credit Committee and the Risk Management Department. Before any application is made by the Management Board, all recommendations on credit processes are reviewed and approved by the specialist of the Risk Management Department. Daily risk management is performed by the Head of the Risk Management Department.

The Bank structures the level of credit risk it undertakes by placing limits on the maximum amount of risk accepted in relation to one borrower, Banks of similar borrowers and total loan portfolio. Limits on the level of credit risk are set by types of loans, by borrowers or Bank of related borrowers, by industry sectors, by credit areas with the highest risks, such as granting long-term loans, granting loans denominated in foreign currencies, etc. Limits are also used to set the approval limits for various levels of credit employees in relation to the amounts of granted loans. Limits on the level of credit risk by borrowers, products, sectors and regions are approved by the Board of Directors and the Management Board of the Bank on regular basis.

Monitoring of the level of credit risk is performed in relation to one borrower, as well as the Banks of similar borrowers and the total loan portfolio.

Monitoring of the level of credit risk in relation to one borrower is performed by the specialists of the Credit division of the Bank on permanent basis in accordance with Bank's internal instructions approved by the Board of Directors.

Monitoring of the level of credit risk in relation to the Bank of similar borrowers and total loan portfolio of the Bank is performed by the risk manager of the Risk Management Department on permanent basis.

The Bank uses credit risk level detection system in order to monitor the level of credit risk in relation to the loan portfolio, as well as the Bank of similar loans; the system's indicators, theoretically or empirically, relate to the level of the credit risk accepted by the Bank. The Bank uses such indicators as the quality of the loans, quality of assets, portion of overdue loans in total loan portfolio and amount of allowance for impairment losses to determine the level of credit risk. Monitoring of the level of credit risk is performed on regular basis by daily analysis of the credit risk indicators. When any of the indicators changes, the heads of the related departments of the Bank immediately inform the Risk Management Department.

Based on the information received from the related departments of the Bank, the risk manager of the Risk Management Department generates the reports with regard to total loan portfolio and presents it to the Management Board of the Bank on monthly basis, generates the reports with regard to the Bank of similar loans and presents it to the Credit Committee. In case when any of the indicators exceeds the limit set, the risk manager of the Risk Management Department informs the Management Board immediately.

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 Bank 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 Bank applies the same credit policy to contingent liabilities as it does to the on-balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Bank monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum exposure

The Bank's maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. The Bank's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments. The information in relation to financial guarantees and other contingent liabilities is disclosed in Note 17.

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged *	31 December 2010 Net exposure after offset and collateral
Due from banks	542,463	-	542,463	-	542,463
Loans to customers	3,643,764	-	3,643,764	3,643,764	-

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged *	31 December 2009 Net exposure after offset and collateral
Due from banks	89,777	-	89,777	-	89,777
Loans to customers	3,347,363	-	3,347,363	3,347,363	-

* A description of the collateral presented on loans to customers is included in Note 12.

In instances where one party to a financial instrument fails to fully or partially discharge a credit obligation, the Bank has the right to ensure fulfilment of these obligations through the joint sale of the pledged assets, transfer of ownership rights on pledged assets in accordance with the established law, disposal of pledged assets through extrajudicial procedures through a tendering process and exercising of the charge on pledged assets through judicial procedures.

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 Bank:

	A	BBB	Not Rated	31 December 2010 Total
Due from banks	5,237	537,226	-	542,463
Loans to customers	-	-	3,643,764	3,643,764

	A	BBB	Not Rated	31 December 2009 Total
Due from banks	699	89,078	-	89,777
Loans to customers	-	-	3,347,363	3,347,363

Classification of loans to customers by types is performed in accordance with the Rules of "Classification of assets, contingent liabilities and creation of loan loss allowance" approved by the Order # 296 of the Board of Management of the FMSA, dated 25 December 2006 and internal rules of assets classification.

Rating of customers is formed by using the number of points assigned to customers. The number of points is calculated based on the following factors: financial position of customers, overdue of payments, quality of collateral, number of prolongation, other overdue liabilities, share of funds used not for the stated purpose, write-off of liabilities against other creditors, availability of the rating of the customer.

Loans to customers are classified based on internal assessments and other information. Loans are classified according to their risk and the exposure that they potentially present to the Bank, and this classification is verified by the Risk Management function. At present, the Risk Management function uses classifications as follows:

Standard loans

The financial condition of the borrower is assessed as stable and there is no indication of any external or internal factors to suggest that the financial condition of the borrower has deteriorated. In case there are some minor negative indicators, the Bank has confidence that the borrower will be able to cope with such (temporary) difficulties. Interest and principal are repaid in full and in a timely fashion. The borrower is considered as having the ability to repay the loan in accordance with its terms and conditions. Security provided for the loan must cover at least 100 per cent of the outstanding amount, not less than 75 per cent in case of highly liquid collateral (which may include a Government guarantee, bank guarantee with an individual rating not lower than AA - from one of the rating agencies, corporate guarantee with an individual rating not lower than AA, cash collateral, Government securities or precious metals, the value of which covers 100 per cent of the exposure).

Doubtful 1st category

There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. The borrower repays the loan principal and the interest without delay and in full. The value of collateral covers at least 50 per cent of the Bank's exposure.

Doubtful 2nd category

There is evidence of a temporary deterioration in the financial condition of the borrower, including a decrease in income or a loss of market share. However, due to temporary difficulties the borrower repays the loan with delays and/or not in full. The value of collateral covers at least 50 per cent of the Bank's exposure.

Doubtful 3rd category

There is evidence of a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower can be considered unstable and raises concerns as to the ability of the borrower to improve its current financial performance, thus casting doubt on the borrower's ability to repay the loan and the interest in full. However, despite severe deterioration of financial health the borrower manages to repay the loan and interest in full and without delay. The value of collateral covers at least 50 per cent of the Bank's exposure.

Doubtful 4th category

There is evidence of a more severe deterioration in the financial condition of the borrower, including negative operating results and a declining liquidity position. The current financial condition of the borrower can be considered unstable and raises concerns as to the ability of the borrower to stabilize and improve its current financial performance and impairs the borrower's ability to repay the loan and the interest in full. The borrower repays the loan late and/or not in full. The value of collateral covers at least 50 per cent of the Bank's exposure.

Doubtful 5th category

The deterioration in the financial condition of the borrower has reached a critical level, including significant operating losses, a loss of market position, negative equity and it is probable that the borrower will be unable to repay the loan and the interest in full. The quality of collateral can be classified as satisfactory (normally not highly liquid but covering not less than 100 per cent of the borrower's outstanding debt) or unsatisfactory (the value of which covers nearly but not less than 50 per cent of the borrower's outstanding debt).

Loss

In the absence of any information to the contrary, the borrower's financial condition and operations have reached the point where it is evident that the borrower cannot repay the loan and the collateral value is negligible. The loan is uncollateralized or the value of the collateral covers less than 50 per cent of the borrowers' outstanding debt.

Classification of not rated financial assets	**31 December 2010**	**31 December 2009**
Loans to customers		
Standard	2,488,224	2,561,720
Doubtful of the 1st category	801,198	301,130
Doubtful of the 2nd category	130,348	-
Doubtful of the 3nd category	153,510	165,173
Doubtful of the 4nd category	14,091	200,808
Doubtful of the 5th category	40,343	118,532
Bad debt	16,050	-
Total	3,643,764	3,347,363

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Main credit risk exposure of the Bank 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 Bank's risk management policy are not breached.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

	Neither past due nor impaired	Financial assets past due but not impaired: 0-3 months	3-6 Months	6 months to 1 year	Greater than 1 year	Financial assets that have been impaired	Total at 31 December 2010
Due from banks	542,463	-	-	-	-	-	542,463
Loans to customers	2,364,143	124,081	-	-	-	1,155,540	3,643,764

	Neither past due nor impaired	Financial assets past due but not impaired: 0-3 months	3-6 months	6 months to 1 year	Greater than 1 year	Financial assets that have been impaired	Total at 31 December 2009
Due from banks	89,777	-	-	-	-	-	89,777
Loans to customers	2,861,106	320,247	-	-	-	166,010	3,347,363

Geographical concentration

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

	Kazakhstan	OECD countries	CIS Countries	31 December 2010 Total
FINANCIAL ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	575,211	-	-	575,211
Due from banks	-	5,237	537,226	542,463
Loans to customers	3,643,764	-	-	3,643,764
TOTAL FINANCIAL ASSETS	4,218,975	5,237	537,226	4,761,438
FINANCIAL LIABILITIES				
Customer accounts	690,560	-	383	690,943
Other financial liabilities	12,110	128	5	12,243
Subordinated loan	251,297	-	-	251,297
TOTAL FINANCIAL LIABILITIES	953,967	128	388	954,483
NET POSITION	3,265,008	5,109	536,838	3,806,955

	Kazakhstan	OECD countries	CIS countries	31 December 2009 Total
FINANCIAL ASSETS:				
Cash and balances with the National Bank of the Republic of Kazakhstan	739,901	-	-	739,901
Due from banks	-	699	89,078	89,777
Loans to customers	3,347,363	-	-	3,347,363
TOTAL FINANCIAL ASSETS	4,087,264	699	89,078	4,177,041
FINANCIAL LIABILITIES				
Customer accounts	483,603	50	388	484,041
Other financial liabilities	11,749	127	5	11,881
TOTAL FINANCIAL LIABILITIES	495,352	177	393	495,922
NET POSITION	3,591,912	522	88,685	3,681,119

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The Treasury Department ("the Treasury") is responsible for management of the current open position of the Bank. The Treasury performs the monitoring of the Bank's balance sheet liquidity and any changes thereof. The Bank's liquidity analysis is performed by the Treasury on quarterly basis, and all members of the Assets and Liabilities Management Committee ("the ALMC") are informed appropriately.

The Bank uses internal methodologies to analyze the Bank's balance sheet liquidity.

The ALMC performs monthly monitoring of liquidity risk by future expected cash flows – gap liquidity analysis. When the liquidity indicators worsen, the ALMC identifies the reasons and determines the strategy to mitigate the risk. The Risk Management Department performs monthly monitoring of compliance with the liquidity requirements determined by the Liquidity Management Policy, such as immediate, current, short-term, common and expected liquidity ratios.
Management of the Bank, mainly the Board of Directors and Management Board of the Bank, receives the information on the Bank's current liquidity at least on monthly basis and, when the current or expected liquidity positions worsen, on immediate basis.

The following table shows how management monitors the liquidity and interest risks. The table is based on the time period to maturity or contractual reprising of the financial instruments.

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	31 December 2010 Total
FINANCIAL ASSETS					
Due from banks	542,463	-	-	-	542,463
Loans to customers	1,126,405	545,099	923,000	1,049,260	3,643,764
Total interest bearing assets	1,668,868	545,099	923,000	1,049,260	4,186,227
Cash and balances with National Bank of the Republic of Kazakhstan	575,211	-	-	-	575,211
TOTAL FINANCIAL ASSETS	2,244,079	545,099	923,000	1,049,260	4,761,438
FINANCIAL LIABILITIES					
Customer accounts	690,943	-	-	-	690,943
Other financial liabilities	2,810	-	9,433	-	12,243
Subordinated loan	-	251,297	-	-	251,297
TOTAL FINANCIAL LIABILITIES	693,753	251,297	9,433	-	954,483
Liquidity gap	1,550,326	293,802	913,567	1,049,260	
Interest sensitivity gap	1,668,868	545,099	923,000	1,049,260	
Cumulative interest sensitivity gap	1,668,868	2,213,967	3,136,967	4,186,227	
Cumulative interest sensitivity gap as a percentage of total financial assets	35.05%	46.50%	65.88%	87.92%	

	Up to 1 month	1 month to 3 months	3 month to 1 year	1 year to 5 years	31 December 2009 Total
FINANCIAL ASSETS					
Due from banks	89,777	-	-	-	89,777
Loans to customers	462,126	137,006	1,406,919	1,341,312	3,347,363
Total interest bearing assets	551,903	137,006	1,406,919	1,341,312	3,437,140
Cash and balances with National Bank of the Republic of Kazakhstan	739,901	-	-	-	739,901
TOTAL FINANCIAL ASSETS	1,291,804	137,006	1,406,919	1,341,312	4,177,041
FINANCIAL LIABILITIES					
Customer accounts	484,041	-	-	-	484,041
Other financial liabilities	1,186	-	10,695	-	11,881
TOTAL FINANCIAL LIABILITIES	485,227	-	10,695	-	495,922
Liquidity gap	806,577	137,006	1,396,224	1,341,312	
Interest sensitivity gap	551,903	137,006	1,406,919	1,341,312	
Cumulative interest sensitivity gap	551,903	688,909	2,095,828	3,437,140	
Cumulative interest sensitivity gap as a percentage of total financial assets	13.21%	16.49%	50.17%	82.29%	

Information on maturity of guarantees issued and other similar commitments is presented in Note 17.

Market risk

Market risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Bank is exposed to market risks of its products which are subject to general and specific market fluctuations. The Bank manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Bank is potentially exposed to loss in an amount equal to the total amount of such commitments. However, the likely amount of loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Interest rate risk

The Bank's exposure to interest rate risk is not significant as the Bank borrows and places its funds with fixed rates.

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Bank is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

	KZT	USD USD 1 = 147.50 KZT	EUR EUR 1 = 196.88 KZT	RUR RUR 1 = 4.83 KZT	31 December 2010 Total
FINANCIAL ASSETS:					
Cash and balances with National Bank of the Republic of Kazakhstan	573,680	173	444	914	575,211
Due from banks	-	4,910	327	537,226	542,463
Loans to customers	3,643,764	-	-	-	3,643,764
TOTAL FINANCIAL ASSETS	4,217,444	5,083	771	538,140	4,761,438
FINANCIAL LIABILITIES:					
Customer accounts	130,255	15,975	-	544,713	690,943
Other financial liabilities	12,110	39	89	5	12,243
Subordinated loan	251,297	-	-	-	251,297
TOTAL FINANCIAL LIABILITIES	393,662	16,014	89	544,718	954,483
NET POSITION	3,823,782	(10,931)	682	(6,578)	3,806,955

	KZT	USD USD 1 = 148.46 KZT	EUR EUR 1 = 213.95 KZT	RUR RUR 1 = 4.90 KZT	31 December 2009 Total
FINANCIAL ASSETS:					
Cash and balances with National Bank of the Republic of Kazakhstan	739,111	596	94	100	739,901
Due from banks	-	632	67	89,078	89,777
Loans to customers	3,347,363	-	-	-	3,347,363
TOTAL FINANCIAL ASSETS	4,086,474	1,228	161	89,178	4,177,041
FINANCIAL LIABILITIES:					
Customer accounts	395,897	219	-	87,925	484,041
Other financial liabilities	11,749	30	97	5	11,881
TOTAL FINANCIAL LIABILITIES	407,646	249	97	87,930	495,922
NET POSITION	3,678,828	979	64	1,248	3,681,119

Currency risk sensitivity

The following table details the Bank's sensitivity to a 11.14% increase and 14.12% decrease in the USD against the KZT, 11.14% increase and 14.12% decrease are the sensitivity rates used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates based on National Bank corridor for exchange rate of USD to KZT for 2010 of KZT 165 and KZT 127.5. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation as at 31 December 2010 and 2009 for change in foreign currency rates.

	31 December 2010		31 December 2009	
	KZT/USD +11.14%	KZT/USD -14.12%	KZT/USD +11.14%	KZT/USD -14.12%
Impact on profit or loss	(1,218)	1,543	109	(138)

	31 December 2010		31 December 2009	
	KZT/EUR +11.14%	KZT/EUR -14.12%	KZT/EUR +11.14%	KZT/EUR -14.12%
Impact on profit or loss	76	(96)	7	(9)

	31 December 2010		31 December 2009	
	KZT/RUR +11.14%	KZT/RUR -14.12%	KZT/RUR +11.14%	KZT/RUR -14.12%

Impact on profit or loss	(733)	929	139	(176)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. 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 or smaller impacts should not be interpolated or extrapolated from these results.

The financial position of the Bank may vary at the time that any actual market movement occurs. For example, the Bank's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

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

22. SUBSEQUENT EVENTS

In February 2011 previously issued subordinated loan amounting to KZT 251,250 thousand was converted into 250,000 common shares of the Bank with par value of KZT 1,005.