JSC Kazyna Capital Management

Consolidated Financial Statements

for the year ended 31 December 2009

Contents

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Independent Auditors' Report

To the Management Board of JSC Kazyna Capital Management

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

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

Nigay A. N.
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate No.536
of 10 January 2003

Alun Bowen
Managing Partner

KPMG Audit LLC

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

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

31 March 2010

	Note	2009 '000 KZT	2008 '000 KZT
Interest income	4	3,940,531	4,282,591
Interest expense	4	(570)	(6,989)
Net interest income		**3,939,961**	**4,275,602**
Net gain on securities held for trading		87,812	14,863
Net loss on other financial instruments at fair value through profit or loss		(878,354)	(982)
Net foreign exchange income	5	3,407,552	9,732
Discount on inception of loan issued to related party	10	-	(732,394)
Other operating income		3,175	-
Operating income		**6,560,146**	**3,566,821**
General administrative expenses	6	(404,170)	(321,360)
Share of losses of associate		(142,204)	-
Profit before taxes		**6,013,772**	**3,245,461**
Income tax expense	7	(1,150,867)	(956,692)
Profit for the year		**4,862,905**	**2,288,769**
Other comprehensive income			
Revaluation reserve for assets available-for-sale:			
- Net change in fair value of available-for-sale assets		6,632	-
- Net change in fair value of available-for-sale assets transferred to profit or loss		203	-
Currency translation differences		1,239	-
Other comprehensive income for the year		**8,074**	**-**
Total comprehensive income for the year		**4,870,979**	**2,288,769**
Profit attributable to:			
Equity holders of the Group		4,862,940	2,288,769
Minority interest		(35)	-
Profit for the year		**4,862,905**	**2,288,769**
Total comprehensive income attributable to:			
Equity holders of the Group		4,871,014	2,288,769
Minority interest		(35)	-
Total comprehensive income for the year		**4,870,979**	**2,288,769**

The consolidated financial statements as set out on pages 5 to 39 were approved by the Management Board on 31 March 2010 and signed on its behalf by:

Mr. A. Alpamysov
Chairman of the Management Board

Ms. I. Kim
Chief Accountant

The consolidated statement of comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 39.

	Note	2009 '000 KZT	2008 '000 KZT
ASSETS			
Cash and cash equivalents	21	15,152,514	14,802,768
Placements with banks	8	29,778,090	-
Financial instruments at fair value through profit or loss	9	157,676	331,111
Loan to related party	10	6,000,000	11,545,077
Available-for-sale assets	11	8,654,673	351,949
Amounts receivable under reverse repurchase agreements	12	-	10,404,578
Held-to-maturity investments	13	-	17,312,567
Current tax asset		60,120	36,850
Property, equipment and intangible assets	14	51,154	53,005
Investment in associate		7,748	-
Deferred tax asset	7	1,886	-
Other assets		20,207	16,535
Total assets		**59,884,068**	**54,854,440**
LIABILITIES			
Trade and other payables		53,182	27,904
Financial instruments at fair value through profit or loss	9	237,354	982
Deferred tax liability	7	-	243
Total liabilities		**290,536**	**29,129**
EQUITY	15		
Share capital		52,040,000	52,040,000
Revaluation reserve for available-for-sale assets		6,835	-
Cumulative translation reserve		1,239	
Retained earnings		7,533,813	2,785,311
Total equity attributable to equity holders of the Group		**59,581,887**	**54,825,311**
Minority interest		11,645	-
Total equity		**59,593,532**	**54,825,311**
Total liabilities and equity		**59,884,068**	**54,854,440**

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The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 39.

	2009 '000 KZT	2008 '000 KZT
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	3,002,415	3,446,755
Interest payments	(570)	(6,989)
Net receipts from securities held for trading	91,397	-
Net (payments)/receipts from other financial instruments at fair value through profit or loss	(641,982)	5,954
Net receipts from foreign exchange	13,267	4,308
Other income	1,847	-
General administrative expenses	(393,573)	(317,524)
Purchases of associates, net of cash received	(149,952)	-
(Increase)/decrease in operating assets		
Placements with banks	(26,726,245)	-
Financial instruments at fair value through profit or loss	169,850	(307,253)
Loan to related party	6,000,000	(12,000,000)
Available-for-sale assets	(8,293,921)	(336,104)
Amounts receivable under reverse repurchase agreements	10,384,013	(10,384,013)
Held-to-maturity investments	17,278,839	(16,789,716)
Other assets	(2,344)	(15,687)
Increase/(decrease) in operating liabilities		
Trade and other payables	24,751	15,279
Net cash provided from/(used in) operating activities before income tax paid	**757,792**	**(36,684,990)**
Income tax paid	(1,176,266)	(997,878)
Cash flows used in operating activities	**(418,474)**	**(37,682,868)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, equipment and intangible assets	(8,568)	(49,659)
Cash flows used in investing activities	**(8,568)**	**(49,659)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	-	12,000,000
Dividends paid	(114,438)	-
Cash flows (used in)/from financing activities	**(114,438)**	**12,000,000**
Net decrease in cash and cash equivalents	**(541,480)**	**(25,732,527)**
Effect of changes in exchange rates on cash and cash equivalents	891,226	5,424
Cash and cash equivalents at the beginning of the year	14,802,768	40,529,871
Cash and cash equivalents at the end of the year (Note 21)	**15,152,514**	**14,802,768**

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 39.

	Attributable to equity holders						
	Share capital '000 KZT	**Revaluation reserve for available-for-sale assets '000 KZT**	**Cumulative translation reserve '000 KZT**	**Retained earnings '000 KZT**	**Total '000 KZT**	**Minority interest '000 KZT**	**Total equity '000 KZT**
Balance as at 1 January 2008	40,040,000	-	-	496,542	40,536,542	-	40,536,542
Profit and other comprehensive income for the year	-	-	-	2,288,769	2,288,769	-	2,288,769
Shares issued	12,000,000	-	-	-	12,000,000	-	12,000,000
Balance as at 31 December 2008	**52,040,000**	-	-	**2,785,311**	**54,825,311**	-	**54,825,311**
Total comprehensive income							
Profit for the year	-	-	-	4,862,940	4,862,940	(35)	4,862,905
Other comprehensive income							
Net change in fair value of available-for-sale assets	-	6,632		-	6,632	-	6,632
Net change in fair value of available-for-sale assets transferred to profit or loss	-	203		-	203	-	203
Currency translation differences	-	-	1,239	-	1,239	-	1,239
Total other comprehensive income		6,835	1,239	-	8,074	-	8,074
Total comprehensive income for the year	-	**6,835**	**1,239**	**4,862,940**	**4,871,014**	**(35)**	**4,870,979**
Dividends declared	-	-	-	(114,438)	(114,438)	-	(114,438)
Sale of minority interest	-	-	-	-	-	11,680	11,680
Balance as at 31 December 2009	**52,040,000**	**6,835**	**1,239**	**7,533,813**	**59,581,887**	**11,645**	**59,593,532**

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 9 to 39.

1 Background

(a) Principal activities

JSC Kazyna Capital Management ("the Company") and its subsidiaries (together referred to as "the Group") comprise Kazakhstan joint-stock companies and limited liability partnerships. The Company was established in the Republic of Kazakhstan as a joint-stock company on 7 March 2007.

The principal activities of the Group are the establishment of and participation in investment funds and investments in financial instruments.

The initial founder of the Group was JSC Foundation for Sustainable Development Kazyna, whose founder is the Government of the Republic of Kazakhstan represented by the Ministry of Industry and Trade of the Republic of Kazakhstan. In 2008, 100% of the Group's share capital was transferred to JSC National Wellbeing Fund Samruk-Kazyna due to the merger of JSC Foundation for Sustainable Development Kazyna and JSC Kazakhstan Holding for Management of State Assets Samruk based on Order #669 of the President of the Republic of Kazakhstan, dated 13 October 2008.

The registered address of the Company is: 291/3a, Dostyk ave., Almaty, Republic of Kazakhstan.

As at 31 December 2009 the Group had the following 4 subsidiaries (2008: 4):

			Ownership, %	
Name	**Country of incorporation**	**Principal activities**	**2009**	**2008**
JSC Kazakhstan-Tajikistan fund of direct investments	Republic of Kazakhstan	Participation in investment projects	80.0%	80.0%
Kazyna Seriktes B.V.	The Netherlands	Investments in Falah Growth Fund	99.9%	99.9%
Kazyna Investment Holding Coooperatief U.A.	The Netherlands	Investments in Falah Growth Fund	100.0%	100.0%
Nurzhol Energy LLC	Republic of Kazakhstan	Participation in investment projects	100.0%	100.0%

All of the above subsidiaries were established by the Company in 2008.

(b) Kazakhstan business environment

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

2 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and Presentation Currency

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

Financial information presented in KZT is rounded to the nearest thousand if not stated otherwise.

(d) Use of estimates and judgments

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the Note 11 – Available-for-sale assets in respect of valuation of investment funds.

3 Significant accounting policies

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

(a) Basis of consolidation

Subsidiaries

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest (including long-term loans) in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

3 Significant accounting policies, continued

(a) Basis of consolidation, continued

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Minority interest

Minority interest is that part of profit or loss, other comprehensive income and net assets, of a subsidiary attributable to interests which are not owned, directly or indirectly through subsidiaries, by the Group.

Minority interest is presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the Group. Minority interest in profit or loss and other comprehensive income is separately disclosed in the consolidated statement of comprehensive income.

(c) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign exchange differences arising on translation are recognised in profit or loss.

(d) Cash and cash equivalents

The Group considers cash and placements with banks with an original maturity up to three months to be cash and cash equivalents.

(e) Financial instruments

(i) Classification

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

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

The Group designates financial assets and liabilities at fair value through profit or loss where either:

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

3 Significant accounting policies, continued

(e) Financial instruments, continued

(i) Classification, continued

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

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

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

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

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

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

(ii) Recognition

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

(iii) Measurement

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

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

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

3 Significant accounting policies, continued

(e) Financial instruments, continued

(iii) Measurement, continued

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

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

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

(iv) Fair value measurement principles

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

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

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

(v) Gains and losses on subsequent measurement

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

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

3 Significant accounting policies, continued

(e) Financial instruments, continued

(v) Gains and losses on subsequent measurement, continued

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

(vi) Derecognition

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

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

(vii) Repurchase and reverse repurchase agreements

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

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the reverse repo agreement using the effective interest method.

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

(viii) Derivative financial instruments

Derivative financial instruments include forward transactions.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

(ix) Offsetting

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

3 Significant accounting policies, continued

(f) Property and equipment

(i) Owned assets

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

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences from the month, following the month an acquisition is made or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

Equipment	3 to 6 years
Fixture and fittings	5 to 15 years
Motor vehicles	2 to 10 years

(g) Intangible assets

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

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful live is 5 years.

(h) Impairment

(i) Financial assets carried at amortised cost

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

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

3 Significant accounting policies, continued

(h) Impairment, continued

(i) Financial assets carried at amortised cost, continued

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

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

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

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

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

(ii) Financial assets carried at cost

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

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

(iii) Available-for-sale assets

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

3 Significant accounting policies, continued

(h) Impairment, continued

(iii) Available-for-sale assets, continued

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

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

(iv) Non financial assets

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

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

(i) Share capital

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

(j) Dividends

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

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

(k) Taxation

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

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

3 Significant accounting policies, continued

(k) Taxation, continued

Deferred tax is provided using the balance sheet liability method for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries and associates where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

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

(l) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method. Interest income on financial assets held for trading and on other financial instruments at fair value through profit or loss comprises coupon interest only.

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

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

Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided.

Dividend income is recognised in profit or loss on the date that the dividend is declared.

(m) Comparative information

Prior period reclassification

During the preparation of the Group's 2009 consolidated financial statements, management made certain reclassifications affecting the 2008 corresponding figures to conform to the presentation of the 2009 consolidated financial statements. Management believes that this presentation is a more appropriate presentation in accordance with IFRS.

In the consolidated statement of comprehensive income for the year ended 31 December 2008 net loss from other financial instruments at fair value through profit or loss in the amount of KZT 982 thousand was presented separately from net foreign exchange income.

In the consolidated statement of cash flows the effect of changes in exchange rates on cash and cash equivalents of KZT 5,424 thousand was reclassified from net receipts from foreign exchange.

3 Significant accounting policies, continued

(n) New Standards and Interpretations not yet adopted

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

- IAS 27 *Consolidated and Separate Financial Statements* (effective for annual periods beginning on or after 1 July 2009). The revised IAS 27 requires an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously minority interests) even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will be measured at its fair value.
- IFRS 3 Business Combinations (effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The revised IFRS 3 allows entities to choose to measure minority interest using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer must remeasure its previously held equity interest in the acquiree at its acquisition date fair value and recognise the resulting gain or loss, if any, in profit or loss. Acquisition-related costs are accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer must recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date are recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.
- Revised IAS 24 *Related Party Disclosures* (2009) (effective for annual periods periods beginning on or after 1 January 2011) introduces an exemption from the basic disclosure requirements in relation to related party disclosures and outstanding balances, including commitments, for government-related entities. Additionally, the standard has been revised to simplify some of the presentation guidance that was previously non-reciprocal. The revised standard is to be applied retrospectively.
- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in several phases and is intended to replace IAS 39 *Financial Instruments: Recognition and Measurement* once the project is completed by the end of 2010. The first phase of IFRS 9 was issued in November 2009 and relates to the recognition and measurement of financial assets. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Group's consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued.

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

4 Net interest income

	2009 '000 KZT	2008 '000 KZT
Interest income		
Placements with banks and cash and cash equivalents	1,735,818	3,259,221
Available-for-sale assets	857,510	-
Amortization of discount on loan issued to a related party	454,923	277,471
Loan issued to related party	409,152	-
Held-to-maturity investments	320,953	497,363
Amounts receivable under reverse repurchase agreements	162,175	248,536
	3,940,531	**4,282,591**
Interest expense		
Amounts payable under repurchase agreements	570	6,989
	570	**6,989**

5 Net foreign exchange income

	2009 '000 KZT	2008 '000 KZT
Gain from revaluation of financial assets and liabilities	3,394,285	11,660
Gain/(loss) on spot transactions	13,267	(1,928)
	3,407,552	**9,732**

6 General administrative expenses

	2009 '000 KZT	2008 '000 KZT
Employee compensation	204,240	170,889
Payroll related taxes	20,317	11,711
Vacation reserve	7,119	5,467
Total employee compensation	**231,676**	**188,067**
Occupancy	46,587	42,482
Professional services	24,037	1,526
Travel expenses	21,583	33,090
Communications and information services	14,984	9,407
Legal and notarial services	12,243	7,626
Bank and other charges	11,393	4,573
Depreciation and amortisation	10,419	3,836
Brokers' fees	6,774	4,530
Taxes other than on income	4,680	229
Office supplies	1,915	1,664
Insurance	2,210	1,551
Training	2,266	4,862
Advertising and marketing	1,725	1,238
Utilities	617	647
Other	11,061	16,032
	404,170	**321,360**

7 Income tax expense

	2009 '000 KZT	2008 '000 KZT
Current tax expense		
Current year	1,152,996	956,449
Deferred tax expense		
Origination and reversal of temporary differences	(49,600)	570
Change in unrecognised deferred tax assets	47,471	(327)
Total income tax expense	**1,150,867**	**956,692**

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

Reconciliation of effective tax rate:

	2009 '000 KZT	%	2008 '000 KZT	%
Profit before tax	**6,013,772**	**100.0**	**3,245,461**	**100.0**
Income tax at the applicable tax rate	1,202,754	20.0	973,638	30.0
Non-taxable income	(99,831)	(1.7)	(15,669)	(0.5)
Change in tax rate	473	-	(950)	-
Change in unrecognised deferred tax assets	47,471	-	(327)	-
	1,150,867	**19.1**	**956,692**	**29.5**

Deferred tax liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to a net deferred tax assets and liabilities as at 31 December 2009 and 2008. The future tax benefits will only be realised if profits will be available against which temporary differences can be utilised and there are no changes to the law and regulations adversely affect the Group's ability to claim the deduction in future periods.

7 Income tax expense, continued

Recognised deferred tax assets and liabilities

These deductible temporary differences, which have no expiry dates, are listed below at their tax effected accumulated values:

	Assets		Liabilities		Net	
'000 KZT	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
Property, equipment and intangible assets	-	-	(1,894)	(1,656)	(1,894)	(1,656)
Trade and other payables	51,251	1,413	-	-	51,251	1,413
Allowance	(47,471)	-	-	-	(47,471)	-
Total deferred tax assets/(liabilities)	**3,780**	**1,413**	**(1,894)**	**(1,656)**	**1,886**	**(243)**

Except in relation to property and equipment, the tax rate applicable for deferred taxes was 20% (2008: 20%). The tax rate applicable for deferred taxes in relation to property and equipment was calculated based on the timing of the expected realisation of temporary differences, applying the rates that will be in the effect at that time.

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2009 '000 KZT	**2008 '000 KZT**
Tax losses	47,471	-

The tax losses relate to derivative financial instruments and expire in 2019. Deferred tax assets have not been recognised in respect of these losses because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Movements in temporary differences during the year

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

'000 KZT	**Balance 1 January 2009**	**Recognised in income**	**Balance 31 December 2009**
Property, equipment and intangible assets	(1,656)	(238)	(1,894)
Trade and other payables	1,413	49,838	51,251
	(243)	**49,600**	**49,357**
Unrecognised deferred tax assets	-	(47,471)	(47,471)
	(243)	**2,129**	**1,886**

'000 KZT	**Balance 1 January 2008**	**Recognised in income**	**Balance 31 December 2008**
Property, equipment and intangible assets	(692)	(964)	(1,656)
Other assets	(12)	12	-
Trade and other payables	1,031	382	1,413
	327	**(570)**	**(243)**
Unrecognised deferred tax assets	(327)	327	-
	-	**(243)**	**(243)**

8 Placements with banks

	2009 '000 KZT	2008 '000 KZT
Term deposits		
Rated BBB	2,993,930	-
Rated below B+	26,784,160	-
	29,778,090	-

(a) Concentration of placements with banks

As at 31 December 2009 the Group had 4 banks (2008: nil), whose balances exceeded 10% of total placements with banks. The gross value of these balances as at 31 December 2009 was KZT 29,778,090 thousand.

9 Financial instruments at fair value through profit or loss

	2009 '000 KZT	2008 '000 KZT
ASSETS		
Debt and other fixed-income instruments		
- Corporate bonds		
JSC Eurasian Bank of Development	157,676	-
JSC Bank Center Credit	-	218,513
JSC Temir Bank	-	112,598
	157,676	**331,111**
LIABILITIES		
Derivative financial instruments		
Foreign currency contracts	237,354	982
	237,354	**982**

(a) Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of forward exchange contracts outstanding at 31 December 2009 and 2008 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

9 Financial instruments at fair value through profit or loss, continued

(a) Foreign currency contracts , continued

	Notional amount		Weighted average contractual exchange rate	
	2009 '000 KZT	**2008 '000 KZT**	**2009 '000 KZT**	**2008 '000 KZT**
Buy KZT sell USD				
Less than three months	-	2,415,400	-	126.85
Buy USD sell KZT				
Between three months and one year	4,453,800	-	154.00	-

10 Loan to related party

	2009 '000 KZT	**2008 '000 KZT**
Loan to JSC Entrepreneurship Development Fund "Damu"	6,000,000	11,545,077

The Group provided a KZT denominated, non-secured interest-free loan to JSC Entrepreneurship Development Fund "Damu", a fellow subsidiary, of KZT 12,000,000 thousand in August 2008. The loan was to be repaid in August 2009. Upon maturity the loan was refinanced in the amount of KZT 7,200,000 thousand, which is to be repaid in 12 equal instalments until 30 June 2012 according to the amended agreement dated 28 September 2010. In accordance with the amended agreement the borrower pays an interest rate of 6.5% per annum.

As at 31 December 2008 the loan receivable has been recognised at amortised cost in the balance sheet, reflecting the fair value of the loan upon initial issuance at an estimated interest rate of 6.5%. During the year then ended, a discount amounting to KZT 732,394 thousand was charged to profit or loss.

11 Available-for-sale assets

	2009 '000 KZT	2008 '000 KZT
ASSETS		
Debt and other fixed-income instruments		
- Government and municipal bonds		
Notes of the National Bank of the Republic of Kazakhstan	3,328,233	-
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	1,186,320	-
	4,514,553	**-**
- Corporate bonds		
United States Government Treasury bonds	716,255	-
JSC Eurasian Bank of Development	473,028	-
JSC Halyk Saving Bank of Kazakhstan	384,820	-
JSC ATF Bank	355,881	-
JSC Bank Center Credit	351,333	-
JSC Development Bank of Kazakhstan	285,431	-
Kazkommerts International B.V.	261,372	-
	2,828,120	**-**
Equity investments		
Corporate shares	1,312,000	351,949
	1,312,000	**351,949**
	8,654,673	**351,949**

Unquoted equity securities

Included in available-for-sale assets are non-quoted equity securities as follows:

	2009 '000 KZT	2008 '000 KZT
Equity investments		
Corporate shares	1,312,000	351,949
	1,312,000	**351,949**

Unquoted equity securities comprise securities in five direct investment funds. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. However, significantly, all of these funds have not started their operation and investments with a carrying amount of KZT 1,110,003 thousand were acquired during the current year (2008: KZT 334,429 thousand). Thus management believes that it is unlikely that the fair value of these investments at the year end would differ significantly from their carrying amount.

12 Amounts receivable under reverse repurchase agreements

	2009 '000 KZT	2008 '000 KZT
Amounts receivable from other financial institutions	-	10,404,578

13 Held-to-maturity investments

	2009 '000 KZT	2008 '000 KZT
ASSETS		
Debt and other fixed-income instruments		
- Government and municipal bonds		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	-	4,438,031
Notes of the National Bank of the Republic of Kazakhstan	-	2,988,420
	-	**7,426,451**
- Corporate bonds		
JSC Halyk Bank of Kazakhstan	-	9,886,116
	-	**9,886,116**
	-	**17,312,567**

14 Property, equipment and intangible assets

'000 KZT	Equipment	Motor vehicles	Fixtures and fittings	Computer software	Total
Cost					
At 1 January 2009	19,839	6,927	24,758	5,507	57,031
Additions	1,219	-	865	6,484	8,568
At 31 December 2009	**21,058**	**6,927**	**25,623**	**11,991**	**65,599**
Depreciation and amortisation					
At 1 January 2009	1,959	289	908	870	4,026
Depreciation and amortisation charge	1,847	721	6,299	1,552	10,419
At 31 December 2009	**3,806**	**1,010**	**7,207**	**2,422**	**14,445**
Carrying value					
At 31 December 2009	**17,252**	**5,917**	**18,416**	**9,569**	**51,154**

14 Property, equipment and intangible assets, continued

'000 KZT	Equipment	Motor vehicles	Fixtures and fittings	Computer software	Total
Cost					
At 1 January 2008	6,441	-	320	611	7,372
Additions	13,398	6,927	24,438	4,896	49,659
At 31 December 2008	**19,839**	**6,927**	**24,758**	**5,507**	**57,031**
Depreciation and amortisation					
At 1 January 2008	141	-	-	49	190
Depreciation and amortisation charge	1,818	289	908	821	3,836
At 31 December 2008	**1,959**	**289**	**908**	**870**	**4,026**
Carrying value					
At 31 December 2008	**17,880**	**6,638**	**23,850**	**4,637**	**53,005**

15 Share capital

(a) Issued capital

The authorised, issued and outstanding share capital comprises 52,040,000 thousand ordinary shares (2008: 52,040,000 thousand). All shares have a nominal value of KZT 1,000.

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

(b) Dividends

Dividends payable are restricted to the maximum retained earnings of the Group, which are determined according to the legislation of the Republic of Kazakhstan.

At the reporting date the following dividends were declared and are therefore accrued:

	2009	2008
Per ordinary share, in KZT	2.19	-

16 Risk management

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

(a) Risk management policies and procedures

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

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

The Management Board of the Group is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters.

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

(b) Market risk

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

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

Overall authority for market risk is vested in the Management Board, chaired by the Chairman of the Company.

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

16 Risk management, continued

(b) Market risk, continued

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

Interest rate risk is also managed by monitoring the interest rate gap and is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

(i) Interest rate risk

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

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

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

Cash flow sensitivity analysis

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

	2009		2008	
'000 KZT	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel increase	227,321	227,321	235,869	235,869
100 bp parallel decrease	(227,321)	(227,321)	(235,869)	(235,869)

Fair value sensitivity analysis

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

	2009		2008	
'000 KZT	**Profit or loss**	**Equity**	**Profit or loss**	**Equity**
100 bp parallel increase	(6,372)	(162,765)	(10,531)	(10,531)
100 bp parallel decrease	6,689	176,168	(3,115)	(3,115)

16 Risk management, continued

(b) Market risk, continued

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. For further information on the Group's exposure to currency risk at year end refer to Note 25.

An analysis of sensitivity of profit or loss and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2009 and 2008 and a simplified scenario of a 10% change in USD and other currencies to KZT exchange rates is as follows:

'000 KZT	2009		2008	
	Profit or loss	Equity	Profit or loss	Equity
10% appreciation of USD against KZT	2,976,659	2,976,659	39,933	39,933
10% depreciation of USD against KZT	(2,976,659)	(2,976,659)	(39,933)	(39,933)
10% appreciation of other foreign currencies against KZT	3,234	3,234	-	-
10% depreciation of other foreign currencies against KZT	(3,234)	(3,234)	-	-

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on its obligation to the Group. The Group has developed policies and procedures for the management of credit exposures (both for on balance sheet and off balance sheet exposures), including guidelines to limit portfolio concentration.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group.

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

(d) Liquidity risk

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

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

16 Financial risk management, continued

(d) Liquidity risk, continued

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

The liquidity management policy requires:

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

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

The daily liquidity position is monitored by the Treasury Department. Under normal market conditions, liquidity reports covering the liquidity position of the Group are presented to senior management on a weekly basis. Decisions on the Group's liquidity management are made by the Investment Committee and implemented by the Treasury Department.

The following tables show the undiscounted cash flows on financial assets and liabilities on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset and liability. The expected cash flows on these financial assets and liabilities can vary significantly from this analysis.

16 Risk management, continued

(d) Liquidity risk, continued

The liquidity position as at 31 December 2009 is as follows:

'000 KZT	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount inflow/ outflow	Carrying amount
Non-derivative assets							
Cash and cash equivalents	6,199,864	9,876,949	-	-	-	16,076,813	15,152,514
Placements with banks	-	-	18,549,594	12,018,062	-	30,567,656	29,778,090
Financial instruments at fair value through profit or loss	-	2,798	-	5,474	199,312	207,584	157,676
Loan to related party	-	697,500	687,750	1,346,250	3,804,750	6,536,250	6,000,000
Available-for-sale assets	37,866	3,350,658	18,725	133,976	5,029,680	8,570,905	7,342,673
Total assets	**6,237,730**	**13,927,905**	**19,256,069**	**13,503,762**	**9,033,742**	**61,959,208**	**58,430,239**
Derivative liabilities							
- Outflow	-	-	237,354	-	-	237,354	237,354
Total liabilities	-	-	**237,354**	-	-	**237,354**	**237,354**
Net position	**6,237,730**	**13,927,905**	**19,018,715**	**13,503,762**	**9,033,742**	**61,721,854**	**58,192,885**

The liquidity position as at 31 December 2008 is as follows:

'000 KZT	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to12 months	More than 1 year	Total gross amount outflow	Carrying amount
Derivative liabilities							
- Outflow	-	982	-	-	-	982	982
Total liabilities	-	**982**	-	-	-	**982**	**982**

For further information on the Group's exposure to liquidity risk at year end refer to Note 24.

17 Commitments

As at 31 December 2009, the Company had a contractual commitment to make investments in several investment funds. The purchase of these investments is to be made upon demand over a period of between 2 and 3 years. The contractual amounts of commitments are set out in the following table by category.

	2009 '000 KZT	2008 '000 KZT
CITIC-Kazyna Investment Fund L.P.	14,846,000	-
Kazakhstan - Tajikistan Growth Fund of Direct Investments JSC	9,501,440	3,793,282
Falah Growth Fund L.P.	7,423,000	6,038,500
Macquarie Renaissance Infrastructure Fund L.P.	7,423,000	3,623,100
Kazakhstan Growth Fund L.P.	6,495,125	4,830,800
Wolfenson Capital Partners L.P.	3,711,500	3,019,250
Aueros Central Asia Fund LLC	1,484,600	855,750
	50,884,665	**22,160,682**

18 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2009 '000 KZT	2008 '000 KZT
Less than one year	36,763	12,959
	36,763	**12,959**

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

During the current year KZT 46,587 thousand was recognised as an expense in profit or loss in respect of operating leases (2008: KZT 42,482 thousand).

19 Contingencies

(a) Insurance

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

(b) Litigation

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

19 Contingencies, continued

(c) Taxation contingencies

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

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

20 Related party transactions

(a) Control relationships

The Company's Parent is the Sovereign Wealth Fund "Samruk-Kazyna" JSC. The party with ultimate control over the Company is the Government of the Republic of Kazakhstan.

The Company's Parent produces publicly available financial statements. No publicly available financial statements are produced by the ultimate controlling party.

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

Total remuneration included in employee compensation (refer Note 6):

	2009 '000 KZT	2008 '000 KZT
Members of the Board of Directors	2,596	1,760
Members of the Management Board	68,582	40,581
	71,178	**42,341**

(c) Transactions with other related parties

Other related parties include the State, national companies and organisations and fellow subsidiaries.

20 Related party transactions, continued

(c) Transactions with other related parties, continued

The outstanding balances as of 31 December 2009 and related profit or loss amounts of transactions for the year ended 31 December 2009 with other related parties are as follows:

	Fellow subsidiaries		State companies and organisations		Total
	'000 KZT	Average interest rate	'000 KZT	Average interest rate	'000 KZT
Consolidated statement of financial position					
Assets					
Cash and cash equivalents	3,002,018	3.6%	1,603,105	-	4,605,123
Placements with banks	8,265,190	5.1%	-	-	8,265,190
Loan to related party	6,000,000	6.5%	-	-	6,000,000
Available-for-sale assets	670,251	7.0%	4,514,553	3.9%	5,184,804
Current tax asset	-	-	60,120	-	60,120
Deferred tax asset	-	-	1,886	-	1,886
Consolidated statement of comprehensive income					
Interest income	1,147,680		386,711		1,534,391
General administrative expenses	6,921		38,093		45,014

The outstanding balances as of 31 December 2008 and related profit or loss amounts of transactions for the year ended 31 December 2008 with other related parties are as follows:

	Fellow subsidiaries		State companies and organisations		Total
	'000 KZT	Average interest rate	'000 KZT	Average interest rate	'000 KZT
Consolidated statement of financial position					
Assets					
Cash and cash equivalents	3,054,207	7.0%	2,345,310	-	5,399,517
Loan to related party	11,545,077	6.5%	-	-	11,545,077
Held-to-maturity investments	9,886,166	6.8%	7,426,451	3.4%	17,312,567
Current tax asset	-	-	36,850	-	36,850
Liabilities					
Deferred tax liability	-	-	243	-	243
Consolidated statement of comprehensive income					
Interest income	1,060,869		348,179		1,409,048
Discount on inception of loan to related party	(732,394)		-		(732,394)
General administrative expenses	-		(34,322)		(34,322)

21 Cash and cash equivalents

	2009 '000 KZT	2008 '000 KZT
Current accounts		
Rated from A- to A+	4,297	6,288
Rated from BB- to BB+	2,780	5,385,627
Rated below B+	10,963	-
Not rated	1,603,112	2,345,310
Total current accounts	**1,621,152**	**7,737,225**
Term deposits		
Rated BBB	5,213,793	4,038,302
Rated from BB- to BB+	-	3,027,241
Rated below B+	8,317,569	-
Total term deposits	**13,531,362**	**7,065,543**
Total cash and cash equivalents	**15,152,514**	**14,802,768**

(a) Concentration of cash and cash equivalents

As at 31 December 2009 and 2008 the Group had 4 banks, whose balances exceeded 10% of total cash and cash equivalents. The gross value of these balances as at 31 December 2009 was KZT 15,145,430 thousand and (2008: KZT 14,795,715 thousand).

22 Fair value of financial instruments

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

The estimated fair values of all other financial assets and liabilities are calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date.

The estimated fair values of all financial instruments approximates their carrying values.

The following table shows an analysis of financial instruments recorded at fair value, between those whose fair value is based on quoted market prices or calculated using valuation techniques where all the model inputs are observable in the market as at 31 December 2009:

	Quoted market prices '000 KZT	Valuation techniques based on market observable inputs '000 KZT	Total '000 KZT
Financial assets			
Financial instruments at fair value through profit or loss	-	157,676	157,676
Available-for-sale assets	716,255	6,626,418	7,342,673
Financial liabilities			
Derivative financial instruments	-	237,354	237,354

22 Fair value of financial instruments, continued

Available-for-sale assets do not include unquoted equity securities, which comprise securities in five direct investment funds. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. However, significantly, all of these funds have not started active operation and investments with a carrying amount of KZT 1,110,003 thousand were acquired during the current year (2008: KZT 334,429 thousand). Thus management believes that it is unlikely that the fair value of these investments at the year end would differ significantly from their carrying amount.

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

23 Average effective interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2009 and 2008. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2009 Average effective interest rate		2008 Average effective interest rate	
	KZT	USD	KZT	USD
Interest bearing assets				
Cash and cash equivalents	-	-	11.0%	-
Placements with banks	9.8%	4.9%	9.2%	-
Loan to related party	6.5%	-	6.5%	-
Financial instruments at fair value through profit or loss	-	7.4%	-	8.4%
Available-for-sale assets	3.4%	6.6%	-	-
Amounts receivable under reverse repurchase agreements	-	-	4.6%	-
Held-to-maturity investments	-	-	7.2%	-

24 Maturity analysis

The following table shows assets and liabilities by remaining contractual maturity dates as at 31 December 2009:

Assets	**Less than 1 month '000 KZT**	**1 to 3 months '000 KZT**	**3 months to 1 year '000 KZT**	**1 to 5 years '000 KZT**	**More than 5 years '000 KZT**	**No maturity '000 KZT**	**Total '000 KZT**
Cash and cash equivalents	5,341,908	9,810,606	-	-	-	-	15,152,514
Placements with banks	-	-	29,778,090	-	-	-	29,778,090
Financial instruments at fair value through profit or loss	-	2,798	-	154,878	-	-	157,676
Loan to related party	-	600,000	1,800,000	3,600,000	-	-	6,000,000
Available-for-sale assets	37,866	3,350,658	18,725	2,280,553	1,654,871	1,312,000	8,654,673
Current tax asset	60,120	-	-	-	-	-	60,120
Property, equipment and intangible assets	-	-	-	-	-	51,154	51,154
Investment in associate	-	-	-	-	-	7,748	7,748
Deferred tax asset	-	-	-	-	-	1,886	1,886
Other assets	2,404	2,872	14,931	-	-	-	20,207
Total assets	**5,442,298**	**13,766,934**	**31,611,746**	**6,035,431**	**1,654,871**	**1,372,788**	**59,884,068**
Liabilities							
Trade and other payables	16,568	18,731	17,883	-	-	-	53,182
Financial instruments at fair value through profit or loss	-	-	237,354	-	-	-	237,354
Total liabilities	**16,568**	**18,731**	**255,237**	-	-	-	**290,536**
Net position as at 31 December 2009	**5,425,730**	**13,748,203**	**31,356,509**	**6,035,431**	**1,654,871**	**1,372,788**	**59,593,532**
Net position as at 31 December 2008	21,534,626	18,344,582	14,541,392	-	-	404,711	54,825,311

Due to the fact that substantially all the financial instruments are fixed rated contracts, these remaining contractual maturity dates also represent the contractual interest rate repricing dates.

The amounts in this table represent the carrying amounts of the assets and liabilities as at the reporting date and do not include future interest payments.

25 Currency analysis

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

	KZT '000 KZT	USD '000 KZT	Other currencies '000 KZT	Total '000 KZT
Assets				
Cash and cash equivalents	754,582	14,393,635	4,297	15,152,514
Placements with banks	15,656,543	14,121,547	-	29,778,090
Financial instruments at fair value through profit or loss	-	157,676	-	157,676
Loan to related party	6,000,000	-	-	6,000,000
Available-for-sale assets	5,826,553	2,828,120	-	8,654,673
Current tax asset	60,120	-	-	60,120
Property, equipment and intangible assets	51,154	-	-	51,154
Investment in associate	7,748	-	-	7,748
Deferred tax asset	1,886	-	-	1,886
Other assets	18,879	1,328	-	20,207
Total assets	**28,377,465**	**31,502,306**	**4,297**	**59,884,068**
Liabilities				
Trade and other payables	45,427	-	7,755	53,182
Financial instruments at fair value through profit or loss	237,354	-	-	237,354
Total liabilities	**282,781**	**-**	**7,755**	**290,536**
Net position as at 31 December 2009	**28,094,684**	**31,502,306**	**(3,458)**	**59,593,532**
Net position as at 31 December 2008	51,840,427	2,984,884	-	54,825,311

For foreign currency derivative refer to the Note 9.