Mortgage Organisation
Kazakhstan Mortgage Company JSC

Consolidated Financial Statements

for the year ended 31 December 2010

Contents

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Independent Auditors' Report

To the Management of Mortgage Organisation Kazakhstan Mortgage Company JSC

We have audited the accompanying consolidated financial statements of Mortgage Organisation Kazakhstan Mortgage Company JSC and its subsidiary ("the Company"), which comprise the consolidated statement of financial position as at 31 December 2010, the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Basis for Qualified Opinion

As at 31 December 2010 and 31 December 2009, the Company has not separated and measured at fair value a foreign currency written option feature embedded in a loan payable, which is required by International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. The effect of this departure from International Financial Reporting Standards on derivative liability, other borrowed funds and accumulated loss as at 31 December 2010 and 31 December 2009, gain on financial instruments at fair value through profit or loss, interest expense, profit before taxes, taxation and profit for the years ended 31 December 2010 and 31 December 2009 has not been determined.

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the consolidated financial statements present fairly, in all material respects, the financial position of the Company 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.

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

KPMG Audit LLC

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

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

28 February 2011

	Note	2010 KZT'000	2009 KZT'000
Interest income	4	7,929,631	8,931,415
Interest expense	4	(7,680,399)	(7,504,084)
Net interest income		**249,232**	**1,427,331**
Fee and commission income	5	19,218	53,609
Fee and commission expense	5	(23,341)	(17,824)
Net fee and commission (expense)/income		**(4,123)**	**35,785**
Net (loss)/gain on financial instruments at fair value through profit or loss	6	(339)	2,203
Net foreign exchange income/(loss)		92,430	(2,759,000)
Other income		35,440	1,197
		372,640	**(1,292,484)**
Net impairment recoveries/(losses)	7	1,013,448	(4,398,121)
General administrative expenses	8	(1,222,961)	(1,182,578)
Profit/(loss) before income tax		**163,127**	**(6,873,183)**
Income tax benefit	9	13,187	-
Profit/(loss) for the year		**176,314**	**(6,873,183)**
Basic and diluted earnings per share, in KZT	22(e)	66	(2,462)

These consolidated financial statements as set out on pages 5 to 54 were approved by Management on 28 February 2011:

Ibadullayev A.A.
Chairman of the Management Board

Saginkulova B.D.
Chief Accountant

The consolidated income statement is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements set out on pages 11 to 54.

	2010 KZT'000	2009 KZT'000
Profit/(loss) for the year	**176,314**	**(6,873,183)**
Other comprehensive income		
Revaluation reserve for available-for-sale financial assets, net of income tax:		
- Net change in fair value of available-for-sale financial assets	(73,693)	(797,739)
- Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	496,018
Other comprehensive income for the year, net of income tax	**(73,693)**	**(301,721)**
Total comprehensive income for the year	**102,621**	**(7,174,904)**

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 11 to 54.

	Note	2010 KZT'000	2009 KZT'000
ASSETS			
Cash and cash equivalents	10	13,664,083	10,135,404
Placements with banks and other financial institutions	11	5,624,025	7,534,281
Financial instruments at fair value through profit or loss	12	8	20,424
Available-for-sale financial assets	13	6,878,845	5,606,256
Loans to customers	14	62,610,240	68,028,272
Held-to-maturity investments	15	14,733,129	8,632,036
Current tax asset		390,998	281,474
Property and equipment	16	2,481,524	2,625,274
Intangible assets	17	22,742	68,136
Deferred tax assets	9	21,827	8,640
Other assets	18	875,648	292,509
Total assets		**107,303,069**	**103,232,706**
LIABILITIES			
Debt securities issued	19	61,958,989	56,386,944
Other borrowed funds	20	23,723,295	23,762,793
Other liabilities	21	107,274	164,579
Total liabilities		**85,789,558**	**80,314,316**
EQUITY	22		
Share capital		28,920,000	28,920,000
Share premium		12,661	12,661
Treasury shares		(2,597,422)	(1,089,922)
Reserve capital		2,598,418	2,598,418
Revaluation reserve for available-for-sale assets		(695,573)	(621,880)
Accumulated losses		(6,724,573)	(6,900,887)
Total equity		**21,513,511**	**22,918,390**
Total equity and liabilities		**107,303,069**	**103,232,706**

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 11 to 54.

	2010 KZT'000	2009 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before income tax	163,127	(6,873,183)
Adjustments for non-cash items:		
Net loss/(gain) on financial instrument at fair value through profit or loss	339	(2,203)
Depreciation and amortisation	239,788	242,271
Net impairment (recoveries)/losses	(1,013,448)	4,398,121
Interest income	(7,929,631)	(8,931,415)
Interest expense	7,680,399	7,504,084
Net foreign exchange (income)/loss	(92,430)	2,759,000
Amortisation of discount and interest charge on debt securities issued	177,064	152,637
	(774,792)	**(750,688)**
(Increase)/decrease in operating assets		
Placements with banks and other financial institutions	1,944,142	(3,224,797)
Financial instruments at fair value through profit or loss	20,001	31,369
Amounts receivable under reverse repurchase agreements	-	4,760,925
Loans to customers	6,591,891	2,169,497
Other assets	(691,494)	49,753
Decrease in operating liabilities		
Other liabilities	(57,305)	(214,158)
Cash flows from operating activities before income taxes paid	**7,032,443**	**2,821,901**
Income tax paid	(1,702)	(240,116)
Interest received	7,860,999	8,275,491
Interest paid	(6,800,848)	(7,933,251)
Cash flows from operating activities	**8,090,892**	**2,924,025**

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 11 to 54.

	2010 KZT'000	2009 KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale assets	(1,142,438)	(5,366,206)
Acquisition of held-to maturity investments	(6,433,560)	-
Redemption of held-to-maturity investments	-	1,173,234
Purchase of property and equipment	(41,379)	(573,621)
Purchase of intangible assets	(9,267)	(19,732)
Cash flows used in investing activities	**(7,626,644)**	**(4,786,325)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Treasury shares acquired	(1,507,500)	-
Proceeds from debt securities issued	10,462,421	10,030,487
Repurchase/redemption of debt securities issued	(5,890,490)	(5,956,100)
Net repayments from other borrowed funds	-	(2,936,577)
Dividends paid	-	(108,940)
Cash flows from financing activities	**3,064,431**	**1,028,870**
Net increase/(decrease) in cash and cash equivalents	**3,528,679**	**(833,430)**
Cash and cash equivalents at beginning of year	10,135,404	10,968,834
Cash and cash equivalents at end of year (Note 10)	**13,664,083**	**10,135,404**

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 11 to 54.

KZT'000	Share capital	Share premium	Treasury shares	Reserve capital	Revaluation reserve for available-for-sale assets	Accumulated losses	Total
Balance at 1 January 2009	28,920,000	12,661	(1,089,922)	2,377,179	(320,159)	302,475	30,202,234
Total comprehensive income							
Loss for the year	-	-	-	-	-	(6,873,183)	(6,873,183)
Other comprehensive income							
Net change in fair value of available-for-sale financial assets	-	-	-	-	(797,739)	-	(797,739)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	496,018	-	496,018
Total other comprehensive income	-	-	-	-	**(301,721)**	-	**(301,721)**
Total comprehensive income	-	-	-	-	**(301,721)**	**(6,873,183)**	**(7,174,904)**
Dividends declared	-	-	-	-	-	(108,940)	(108,940)
Transfer to reserve capital	-	-	-	221,239	-	(221,239)	-
Balance at 31 December 2009	**28,920,000**	**12,661**	**(1,089,922)**	**2,598,418**	**(621,880)**	**(6,900,887)**	**22,918,390**
Total comprehensive income							
Profit for the year	-	-	-	-	-	176,314	176,314
Other comprehensive income							
Net change in fair value of available-for-sale financial assets	-	-	-	-	(73,693)	-	(73,693)
Total other comprehensive income	-	-	-	-	(73,693)	-	(73,693)
Total comprehensive income	-	-	-	-	**(73,693)**	**176,314**	**102,621**
Treasury shares acquired	-	-	(1,507,500)	-	-	-	(1,507,500)
Balance at 31 December 2010	**28,920,000**	**12,661**	**(2,597,422)**	**2,598,418**	**(695,573)**	**(6,724,573)**	**21,513,511**

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 11 to 54.

1 Background

(a) Principal activities

These consolidated financial statements include the financial statements of Mortgage organisation Kazakhstan Mortgage Company JSC ("the Parent") and its subsidiary up to the time of their merger into one entity, which was registered by state authorities on 21 January 2010. The Parent and its subsidiary are hereinafter, collectively, referred to as also "the Company".

The Parent was established on 29 December 2000 in accordance with resolution number 469 of the National Bank of the Republic of Kazakhstan (the "NBRK") dated 20 December 2000. The principal activities of the Company are the issuance of mortgage loans in accordance with the license of regulatory authorities. The Company may additionally perform trust, factoring, forfeiting and leasing operations.

During the year ended 31 December 2008 the Parent acquired a subsidiary United Mortgage Company JSC, later re-registered as Mortgage organisation Kazipoteka JSC ("Kazipoteka").

Kazipoteka was a joint stock company incorporated in the Republic of Kazakhstan and specialised in the provision of mortgage loans to individuals. The Parent acquired Kazipoteka in order to fulfil its responsibilities under the State program for the development and construction of residential premises in the Republic of Kazakhstan. On 4 December 2009 the shareholders of the Company made a decision to merge Kazipoteka and its parent into one company Mortgage Organisation Kazakhstan Mortgage Company JSC.

On 12 April 2010 the Company obtained a banking license #5.1.69 on banking lending transactions.

The Company's official address is 98, Karasay Batyr st., 050012, Almaty, Kazakhstan. The Company has a representative office in Astana.

On 4 May 2010 Moody's Investors Service downgraded the Company's long-term local currency issuer rating to B1 (31 December 2009: Ba2). On 9 June 2010 Rating Agency Regional Financial Centre of Almaty City JSC assigned to debt securities of the Company issued on Kazakhstan Stock Exchange credit ratings between BBB1 and BBB2, and to the Company itself credit rating A3.

(b) Shareholders

As at 31 December 2010 the Committee of the State Property and Privatisation of the Ministry of Finance of the Republic of Kazakhstan owned 99.99% (31 December 2009: 94.63%) of the Company's voting shares. As at 31 December 2009 JSC Halyk Bank owned 5.37% of the Company's voting shares.

(c) Kazakhstan business environment

The Company's operations are primarily located in the Republic of Kazakhstan. Consequently, the Company is exposed to the economic and financial markets of the Republic of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Republic of Kazakhstan. The consolidated financial statements reflect management's assessment of the impact of the Republic of Kazakhstan business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment.

2 Basis of preparation

(a) Statement of compliance

The accompanying 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 investments classified as available-for-sale and financial instruments at fair value through profit or loss are stated at fair value.

(c) Functional and presentation currency

The functional currency of the Company and its subsidiary is the Kazakhstan Tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The KZT is also the presentation currency for the purposes of these consolidated financial statements.

Except as indicated, financial information presented in KZT is rounded to the nearest thousand.

(d) Use of estimates and judgments

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

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

3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, and are applied consistently by the Company.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power to govern the financial and operating policies of an entity 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 commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intra-Company balances and transactions, and any unrealised income and expenses arising from intra-Company transactions, are eliminated in preparing the consolidated financial statements. 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.

(iii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

3 Significant accounting policies, continued

(b) Foreign currency transactions

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

(c) Cash and cash equivalents

Cash and cash equivalents include cash, the Company's current accounts in the commercial banks and the National Bank of the Republic of Kazakhstan and short-term deposits with an original maturity of less than 3 months. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

(d) Financial instruments

(i) Classification

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

- acquired or incurred principally for the purpose of selling or repurchasing in the near term;

- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;

- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments); or,

- upon initial recognition, designated as at fair value through profit or loss.

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

- the assets or liabilities are managed and evaluated on a fair value basis;

- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or

- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Management determines the appropriate classification of financial instruments at the time of initial recognition. Financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of the at fair value through profit or loss category. A financial asset that would have met the definition of loans and receivables may be reclassified out of the at fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeble future or until maturity. Other financial instruments may be reclassified out of the 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.

3 Significant accounting policies, continued

(d) 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 Company:

- intends to sell immediately or in the near term;

- upon initial recognition designates as at fair value through profit or loss;

- upon initial recognition designates as available-for-sale; or

- may not recover substantially all of its initial investment, other than because of credit deterioration.

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

- the Company upon initial recognition designates as at fair value through profit or loss;

- the Company 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.

(ii) Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Company 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.

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.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(iii) Measurement, continued

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the Company establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analyses. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Company has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company believes a third-party market participant would take them into account in pricing a transaction.

3 Significant accounting policies, continued

(d) Financial instruments, continued

(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.

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

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability in the consolidated statement of financial position. The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Company enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Company neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Company continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Company purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Company writes off assets deemed to be uncollectible.

(vii) Repurchase and reverse repurchase agreements

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

3 Significant accounting policies, continued

(d) Financial instruments, continued

(vii) Repurchase and reverse repurchase agreements, continued

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest rate method.

(viii) Offseting

Financial assets and liabilities are offset and the net amount reported in the consolidated 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.

(e) Property and equipment

(i) Owned assets

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

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 on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Building	40 years
Office equipment	7 years
Vehicles	7 years
Computer equipment	3 years
Other assets	5-10 years

(f) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

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

Amortisation is charged to profit or loss on a straight-line basis over a period of 3 years, being the estimated useful lives of intangible assets.

(g) Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally, the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

3 Significant accounting policies, continued

(h) Impairment

(i) Financial assets carried at amortised cost

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

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

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

3 Significant accounting policies, continued

(h) Impairment, continued

(ii) Financial assets carried at cost

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

All impairment losses in respect of these investments are recognized 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.

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) Provisions

A provision is recognised in the consolidated statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3 Significant accounting policies, continued

(j) Share capital

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

(i) Treasury shares

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to / from retained earnings.

(ii) Dividends

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

Dividends are reflected 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 recognised directly in other comprehensive income, in which case it is recognised in other comprehensive income or directly within equity.

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

Deferred tax is provided using the balance sheet method, providing 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.

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

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

3 Significant accounting policies, continued

(l) Income and expense recognition, continued

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

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(m) Foreclosed assets

Foreclosed assets are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(n) Segment reporting

The Company's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 "Segment Reporting". The Company's assets are concentrated in the Republic of Kazakhstan, and the Company's revenues are derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Company, the Executive Chairman, only receives and reviews the information on the Company as a whole.

(o) New Standards and Interpretations not yet adopted

A number of new Standards and amendments to Standards and Interpretations are not yet effective as at 31 December 2010, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the Company's operations. The Company plans to adopt these pronouncements when they become effective. The Company has not yet analysed the likely impact of these new standards on its consolidated financial statements.

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2013. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement:*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during the first half of 2011. The Company recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on Company'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. The Company does not intend to adopt this standard early.
- Revised IAS 24 Related Party Disclosures (2010) 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 for annual periods beginning on or after 1 January 2011. The Company has not yet determined the potential effect of the amendment.
- Improvements to IFRSs 2010 resulting from the International Accounting Standards Board's third annual improvements project are to be dealt with on a standard-by-standard basis. The effective date of each amendment is included in the IFRSs affected.

4 Net interest income

	2010 KZT'000	2009 KZT'000
Interest income		
Loans to customers	5,830,632	6,346,505
Available-for-sale financial assets	732,072	473,703
Held-to-maturity investments	713,892	720,876
Placements with banks and other financial institutions	651,891	1,334,716
Financial instruments at fair value through profit or loss	1,144	2,312
Amounts receivable under reverse repurchase agreements	-	53,303
	7,929,631	**8,931,415**
Interest expense		
Debt securities issued	(6,026,950)	(6,183,248)
Other borrowed funds	(1,653,449)	(1,320,836)
	(7,680,399)	**(7,504,084)**
Net interest income	**249,232**	**1,427,331**

5 Fee and commission income and expense

	2010 KZT'000	2009 KZT'000
Fee and commission income		
Loan prepayments	19,017	52,488
Commission income	201	1,121
	19,218	**53,609**
Fee and commission expense		
Brokerage fees	(17,653)	(5,429)
Transfer operations	(792)	(3,172)
Trust operations	(304)	(8,024)
Other fee and commission expense	(4,592)	(1,199)
	(23,341)	**(17,824)**
Net fee and commission (expense)/income	**(4,123)**	**35,785**

6 Net (loss)/gain on financial instruments at fair value through profit or loss

	2010 KZT'000	2009 KZT'000
Net unrealised (loss)/gain on revaluation of financial instruments at fair value through profit or loss	(339)	2,203

7 Net impairment recoveries/(losses)

	2010 KZT'000	2009 KZT'000
Loans to customers	1,116,053	(2,302,330)
Securities	(102,071)	(1,888,788)
Goodwill	-	(149,877)
Other assets	(534)	(57,126)
	1,013,448	**(4,398,121)**

8 General administrative expenses

	2010 KZT'000	2009 KZT'000
Employee compensation	561,572	552,348
Payroll related taxes	55,113	52,915
Personnel expenses	**616,685**	**605,263**
Depreciation and amortisation	239,789	242,271
Professional services	71,034	47,529
Advertising and marketing	50,000	56,644
Taxes other than on income	37,743	23,198
Technical services for software	34,708	26,009
Communications and information services	21,971	27,136
Security	18,720	5,106
Occupancy	11,642	29,051
Travel	5,132	4,571
Maintenance	2,950	1,427
Insurance	1,371	23,985
Other	111,216	90,388
	1,222,961	**1,182,578**

9 Income tax benefit

	2010 KZT'000	2009 KZT'000
Current tax expense		
Current year	-	-
	-	-
Deferred tax benefit		
Origination and reversal of temporary differences	13,187	-
Total income tax benefit	**13,187**	**-**

The Company's applicable tax rate in 2010 is the income tax rate of 20% for Kazakhstan companies (2009:20%). In 2009 the Government announced that the income tax rates for Kazakhstan companies were 20% in 2009-2012, 17.5% in 2013 and 15% in later years. These rates were used in the calculation of deferred tax assets and liabilities as at 31 December 2009. In November 2010 the Government cancelled the reduction and announced that the income tax rate will remain at 20%. The 20% tax rate has been used in the calculation of deferred tax assets and liabilities as at 31 December 2010.

9 Income tax benefit, continued

Reconciliation of effective tax rate:

	2010 KZT'000	%	2009 KZT'000	%
Profit/(loss) before income tax	**163,127**	**100**	**(6,873,183)**	**100**
Income tax at the applicable tax rate	(32,625)	(20)	1,374,637	(20)
Non-taxable income/(non-deductible expenses)	138,044	85	(355,996)	5
Change in unrecognised deferred tax assets	(95,030)	(58)	(1,021,511)	15
Tax effect of changes in tax rates	2,798	2	2,870	-
Total income tax benefit	**13,187**	**9**	-	-

Deferred tax asset

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets as at 31 December 2010 and 2009. These deferred tax assets have been recognised in these consolidated financial statements apart from the deferred tax assets in respect of loans to customers and tax loss carry-forwards. The future tax benefits will only be realised if profits will be available against which the unused tax losses can be utilised and there are no changes to the law and regulations that adversely affect the Company's ability to claim the deductions in future periods.

Deferred tax assets of KZT 140,594 thousand relating to loans to customers (2009: KZT 533,154 thousand), KZT 784,945 thousand relating to tax loss carry-forwards (2009: KZT 488,357 thousand) and KZT 942 thousand related to other liabilities (2009: nil) have not been recognised due to uncertainties concerning their realisation. The tax loss carry-forwards expire in 2012-2020.

Movement in recognised temporary differences during the years ended 31 December 2010 and 2009 are presented as follows:

KZT'000	Balance 1 January 2010	Recognised in income	Balance 31 December 2010
Property and equipment	8,394	13,433	21,827
Other liabilities	246	(246)	-
	8,640	**13,187**	**21,827**

KZT'000	Balance 1 January 2009	Recognised in income	Balance 31 December 2009
Property and equipment	10,437	(2,043)	8,394
Other liabilities	(1,797)	2,043	246
	8,640	-	**8,640**

10 Cash and cash equivalents

	2010 KZT'000	2009 KZT'000
Current account with the National Bank of the Republic of Kazakhstan	**11,576,870**	**1,694,318**
Current accounts with other banks		
- rated B+	-	1,108,167
- rated B	14	530,926
- rated B-	2,087,199	-
Total current accounts with other banks	**2,087,213**	**1,639,093**
Short-term deposits with other banks		
- rated B	-	6,801,993
	13,664,083	**10,135,404**

Ratings of the following agencies were used: Moody's, S&P and Fitch.

None of cash and cash equivalents are impaired or past due.

As at 31 December 2010 the Company has one bank (2009: two banks) whose balances exceed 10% of the equity. The gross value of these balances as at December 2010 is KZT 11,576,870 thousand (2009: 7,155,845 thousand).

11 Placement with banks and other financial institutions

	2010 KZT'000	2009 KZT'000
- rated BB	-	1,069,167
- rated B+	-	6,465,114
- rated B-	5,624,025	-
	5,624,025	**7,534,281**

As at 31 December 2010 the Company placed term deposits with interest rates ranging from 8.2% to 10% per annum (2009: from 8% to 11%) and which have maturities from April 2011 to January 2012 (2009: April to November 2010).

12 Financial instruments at fair value through profit or loss

As at 31 December 2010 and 2009 financial instruments at fair value through profit or loss include securities that are upon initial recognition, designated by the Company as financial assets at fair value trough profit or loss and consist of Treasury bills of the Ministry of Finance of the Republic of Kazakhstan.

13 Available-for-sale financial assets

	2010 '000 KZT	2009 '000 KZT
Corporate bonds		
- rated below B+	3,633,523	4,604,509
- not rated	4,257,051	2,257,535
Total corporate bonds	**7,890,574**	**6,862,044**
Impairment allowance	(1,011,729)	(1,255,788)
	6,878,845	**5,606,256**

13 Available-for-sale financial assets, continued

Corporate bonds are interest-bearing securities, issued by local companies. These securities are freely tradable in the Kazakhstan Stock Exchange, except for the bonds of Rosa JSC ("Rosa"). The bonds of DTZ are currently referred to as being in the "buffer category" according to the KASE, due to non-conformance with the listing requirements of other categories of the Kazakhstan Stock Exchange official list. Rosa bonds were excluded from trading on KASE from 2 October 2009.

In August 2008 DTZ defaulted on payment of the coupon on its debt securities in issue and the Company reclassified debt securities with a fair value on the date of reclassification of KZT 450,920 thousand from held-to-maturity to available-for-sale securities. On reclassifying these debt securities, the Company recognised a loss of KZT 329,314 thousand, calculated as the difference between the carrying amount before reclassification and the fair value on reclassification, directly in equity. The Company reclassified these bonds due to an unanticipated, significant deterioration in the issuer's creditworthiness that was evidenced by a temporary substantial drop in them market value of these bonds and a significant growth in the yield in comparison with corporate bonds of other issuers.

As at 31 December 2009, the Company made a 100% impairment provision for the bonds of DTZ in the amount of KZT 804,849 thousand and Rosa in the amount of KZT 450,939 thousand due to the facts explained above.

On 14 May 2010 DTZ repaid all outstanding coupon interest at that date, however again defaulted on payment of the coupon on its debt securities in issue in the end of 2010. On 10 November 2010 the shareholders of DTZ (being National Company Kazakhstan Temir Zholy JSC and Kazakhstan Investment Fund JSC, - which are in turn subsidiaries of the National Welfare Fund Samruk-Kazyna JSC (NWF Samruk-Kazyna)), approved the conclusion of a loan agreement in of the amount of KZT 3.64 billion from NWF Samruk-Kazyna to DTZ. In accordance with this loan agreement part of the funding will be directed to the redemption of current liabilities of DTZ, including the coupon payments on issued bonds. Therefore as at 31 December 2010, the Company decreased the impairment allowance for DTZ bonds to 76% or to the amount of KZT 562,406 thousand based on the management's estimate of future cash flows under this revised situation.

There is no significant change in the situation with Rosa bonds during 2010.

Analysis of movements in the impairment allowance

	2010 KZT'000	2009 KZT'000
Balance at the beginning of the year	1,255,788	-
Net recovery for the year	(244,059)	1,255,788
Balance at the end of the year	**1,011,729**	**1,255,788**

14 Loans to customers

Loans to customers comprise mortgage loans purchased from commercial banks and credit institutions of the Republic of Kazakhstan and mortgage loans issued to individuals. The loans comprise only KZT denominated mortgage loans due from individuals located in the Republic of Kazakhstan.

All loans are secured by the underlying housing real estate.

	2010 KZT'000	2009 KZT'000
Mortgage loans with recourse	24,757,157	28,711,414
Mortgage loans without recourse		
- with guarantee	34,217,610	37,845,182
- without guarantee	3,774,462	3,233,802
Accrued interest	563,982	506,175
	63,313,211	**70,296,573**
Impairment allowance	(702,971)	(2,268,301)
	62,610,240	**68,028,272**

Loans to customers carry interest at rates ranging from 6.7% to 16% per annum (2009: 7.8% to 16% per annum).

(a) Credit quality of mortgage loans

The following table provides information on credit quality of mortgage loans as at 31 December 2010:

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans %
Mortgage loans with recourse to the seller				
- Current	24,417,989	-	24,417,989	0
- Overdue less than 30 days	387,095	-	387,095	0
- Overdue 30-89 days	116,392	-	116,392	0
Mortgage loans without recourse to the seller guaranteed by the JSC Kazakhstan Fund of Guaranteeing Mortgage Loans				
- Current	28,985,823	333,546	28,652,277	1
- Overdue less than 30 days	933,930	11,307	922,623	1
- Overdue 30-89 days	635,266	11,645	623,621	2
- Overdue 90-179 days	296,584	15,970	280,614	5
- Overdue 180-360 days	2,789,891	201,813	2,588,078	7
- Overdue more than 360 days	931,351	74,086	857,265	8
Mortgage loans without recourse to the seller and without guarantee of JSC Kazakhstan Fund of Guaranteeing Mortgage				
- Current	3,302,679	36,962	3,265,717	1
- Overdue less than 30 days	67,959	762	67,197	1
- Overdue 30-89 days	57,832	1,335	56,497	2
- Overdue 90-179 days	56,797	1,872	54,925	3
- Overdue 180-360 days	48,293	1,962	46,331	4
- Overdue more than 360 days	285,330	11,711	273,619	4
	63,313,211	**702,971**	**62,610,240**	**1**

14 Loans to customers, continued

(a) Credit quality of mortgage loans, continued

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

	Gross loans KZT'000	Impairment KZT'000	Net loans KZT'000	Impairment to gross loans %
Mortgage loans with recourse to the seller				
- Current	27,765,286	2,137	27,763,149	0
- Overdue less than 30 days	537,782	2,201	535,581	0
- Overdue 30-89 days	294,220	7,285	286,935	2
- Overdue 90-179 days	98,567	75,018	23,549	76
- Overdue 180-360 days	56,994	56,994	-	100
- Overdue more than 360 days	119,357	119,357	-	100
Mortgage loans without recourse to the seller guaranteed by the JSC Kazakhstan Fund of Guaranteeing Mortgage Loans				
- Current	33,520,199	701,722	32,818,477	2
- Overdue less than 30 days	1,194,043	52,209	1,141,834	4
- Overdue 30-89 days	642,909	34,125	608,784	5
- Overdue 90-179 days	1,048,695	156,429	892,266	15
- Overdue 180-360 days	841,089	324,737	516,352	39
- Overdue more than 360 days	938,084	622,030	316,054	66
Mortgage loans without recourse to the seller and without guarantee of JSC Kazakhstan Fund of Guaranteeing Mortgage				
- Current	2,236,905	47,037	2,189,868	2
- Overdue less than 30 days	553,369	24,760	528,609	4
- Overdue 30-89 days	127,026	4,896	122,130	4
- Overdue 90-179 days	76,510	4,089	72,421	5
- Overdue 180-360 days	162,506	15,607	146,899	10
- Overdue more than 360 days	83,032	17,668	65,364	21
	70,296,573	**2,268,301**	**68,028,272**	**3**

(b) Analysis of impairment

As described in Note 2, the Company uses its experience and judgment to estimate the amount of impairment loss for loans to customers.

The significant assumption used in determining impairment losses for mortgage loans include:

- Mortgage loans with recourse overdue more than 60 days can be sold back by the Company at any time at their gross amount. Management believes that recourse counterparties are institutions of good reputation, with good credit standing, except for the following partners: JSC Mortgage Organisation "Kurylys Ipoteka", JSC Mortgage Organisation "Astana-Finance", which are currently under restructuring process (2009: BTA Bank JSC, JSC Subsidiary Mortgage Organisation of BTA Bank "BTA Ipoteka", JSC Subsidiary Organisation of BTA Bank "Temirbank", JSC Mortgage Organisation "Kurylys Ipoteka", Alliance Bank JSC, JSC Mortgage Organisation "Astana-Finance" were under restructuring process).

14 Loans to customers, continued

(b) Analysis of impairment, continued

- Mortgage loans guaranteed by the State Fund Kazakhstan Fund of Guaranteeing Mortgage Loans JSC ("KFGML") can be recovered from the guarantor if the sale of the collateral is not sufficient to repay the loan in full to the maximum of 40% of the outstanding amount. Management assumes that the Company can substantially recover mortgage loans guaranteed by KFGML through the sale of collateral.
- Other mortgage loans are subject to collective impairment assessment based on their past loss experience.

Movements in the loan impairment allowance for the year ended 31 December 2010 are as follows:

	2010 KZT'000	2009 KZT'000
Balance at the beginning of the year	2,268,301	173,459
Charge for the year	675,208	3,031,993
Recovery for the year	(1,791,261)	(729,663)
Write-offs	(449,277)	(207,488)
Balance at the end of the year	**702,971**	**2,268,301**

As at 31 December 2010 KZT 399,661 thousand of interest was accrued on impaired loans (2009: KZT 265,076 thousand).

As at 31 December 2010 included in the loan portfolio are loans that were issued with recourse or guarantee that would otherwise be past due or impaired of KZT 3,532,421 thousand (31 December 2009: KZT 4,820,760 thousand), for which the Company granted a privilege period of an average of four to six months with either capitalisation of interest for the whole privilege period to a principal amount of a respective loan or immediate repayment of the accrued interest after a privilege period. Such restructuring activity is aimed at managing customer relationships and maximising collection opportunities. Renegotiated loans are included in the category of assets without individual signs of impairment in the tables above, unless the borrower fails to comply with the renegotiated terms.

Changes in these estimates could effect the loan impairment provision. For example, to the extent that the net present value of estimated cash flows differs by plus minus three percent, the impairment allowance on loans to customers as at 31 December 2010 would be KZT 1,878,307 thousand lower/higher (2009: KZT 2,040,848 thousand).

(c) Asset securitisation

Loans to customers in the amount of KZT 62,882,687 thousand (2009: KZT 58,337,466 thousand) serve as collateral for debt securities issued by the Company. As at 31 December 2010, the carrying amount of these debt securities is KZT 61,958,989 thousand (31 December 2009: KZT 56,386,944 thousand). Refer to Note 19.

(d) Significant credit exposures

As at 31 December 2010 and 2009, there are five banks to whom the Company has recourse in respect of its purchased loans, whose loan exposures exceed 10% of equity. The gross value of these loans as at 31 December 2010 is KZT 17,160,162 thousand (2009: KZT 20,264,560 thousand).

15 Held-to-maturity investments

	2010 KZT'000	2009 KZT'000
Governments bonds		
Treasury bills of the Ministry of Finance of Republic of Kazakhstan	2,145,319	2,175,800
Corporate bonds		
- rated A	3,470,001	-
- rated from BBB	217,079	-
- rated from BB- to BB+	-	208,929
- rated below B+	8,089,486	5,236,595
- not rated	1,627,241	1,643,712
Total corporate bonds	**13,403,807**	**7,089,236**
Impairment allowance	(815,997)	(633,000)
Total net corporate bonds	**12,587,810**	**6,456,236**
	14,733,129	**8,632,036**

As at 31 December 2009, the Company made a 100% impairment provision for the bonds of BTA Bank JSC and Astana-Finance JSC in the amount of KZT 150,000 thousand and KZT 483,000 thousand, respectively, due to defaults of the issuers.

As at 31 December 2010, the Company has written-off the bonds of BTA Bank JSC as these securities did not fall into the restructuring program of BTA Bank JSC. During 2010 the Company reduced the impairment allowance up to 95% on Astana-Finance JSC bonds due to the restructuring proposal dated 7 October 2010. Also in 2010 Kazakhstan Kagazy JSC defaulted on payment of the coupon on its debt securities in issue and the Company provided 43% impairment allowance based on the amended payment schedule proposed by Kazakhstan Kagazy JSC.

Analysis of movements in the impairment allowance

	2010 KZT'000	2009 KZT'000
Balance at the beginning of the year	633,000	-
Net charge for the year	346,130	633,000
Write-offs	(163,133)	-
Balance at the end of the year	**815,997**	**633,000**

16 Property and equipment

KZT'000	Land	Building	Computer equipment	Vehicles	Other fixed assets	Construction in progress	Total
Cost							
At 1 January 2010	121,958	2,296,499	400,342	6,706	221,305	145,227	3,192,037
Additions	-	-	34,696	-	6,683	-	41,379
Disposals	-	-	(58,735)	-	(3,743)	(145,227)	(207,705)
At 31 December 2010	**121,958**	**2,296,499**	**376,303**	**6,706**	**224,245**	**-**	**3,025,711**
Depreciation and impairment losses							
At 1 January 2010	-	63,387	248,881	1,853	107,415	145,227	566,763
Depreciation charge	-	57,412	85,959	959	40,799	-	185,129
Impairment losses	-	-	-	-	-	(145,227)	(145,227)
Disposals	-	-	(58,735)	-	(3,743)	-	(62,478)
At 31 December 2010	-	120,799	276,105	2,812	144,471	-	544,187
Carrying value							
At 31 December 2009	121,958	2,233,112	151,461	4,853	113,890	-	2,625,274
At 31 December 2010	**121,958**	**2,175,700**	**100,198**	**3,894**	**79,774**	**-**	**2,481,524**

KZT'000	Land	Building	Computer equipment	Vehicles	Other fixed assets	Construction in progress	Total
Cost							
At 1 January 2009	121,958	550,060	397,647	6,706	204,486	1,339,988	2,620,845
Additions	-	-	4,222	-	17,721	551,678	573,621
Transfer	-	1,746,439	-	-	-	(1,746,439)	-
Disposals	-	-	(1,527)	-	(902)	-	(2,429)
At 31 December 2009	**121,958**	**2,296,499**	**400,342**	**6,706**	**221,305**	**145,227**	**3,192,037**
Depreciation and impairment losses							
At 1 January 2009	-	29,170	156,831	894	62,833	88,100	337,828
Depreciation charge	-	34,217	93,292	959	45,021	-	173,489
Impairment losses	-	-	-	-	-	57,127	57,127
Disposals	-	-	(1,242)	-	(439)	-	(1,681)
At 31 December 2009	**-**	**63,387**	**248,881**	**1,853**	**107,415**	**145,227**	**566,763**
Carrying value							
At 31 December 2008	121,958	520,890	240,816	5,812	141,653	1,251,888	2,283,017
At 31 December 2009	**121,958**	**2,233,112**	**151,461**	**4,853**	**113,890**	**-**	**2,625,274**

During the year ended 31 December 2010 the Company has written down the value of delivered but not yet installed equipment of KZT 145,227 thousand to its estimated recoverable value (2009: KZT 57,127 thousand).

17 Intangible assets

KZT'000	Software	Goodwill	Total
Cost			
At 1 January 2010	290,540	-	290,540
Additions	9,267	-	9,267
Disposals	(33,163)	-	(33,163)
At 31 December 2010	**266,644**	-	**266,644**
Amortisation			
At 1 January 2010	222,404	-	222,404
Amortisation charge	54,661	-	54,661
Write-off	(33,163)	-	(33,163)
At 31 December 2010	**243,902**	-	**243,902**
Carrying value			
At 31 December 2009	68,136	-	68,136
At 31 December 2010	**22,742**	-	**22,742**

	Software	Goodwill	Total
Cost			
At 1 January 2009	274,822	149,877	424,699
Additions	19,732	-	19,732
Impairment losses	(4,014)	(149,877)	(153,891)
At 31 December 2009	**290,540**	-	**290,540**
Amortisation			
At 1 January 2009	154,998	-	154,998
Amortisation charge	68,782	-	68,782
Write-off	(1,376)	-	(1,376)
At 31 December 2009	**222,404**	-	**222,404**
Carrying value			
At 31 December 2008	119,824	149,877	269,701
At 31 December 2009	**68,136**	-	**68,136**

18 Other assets

	2010 KZT'000	2009 KZT'000
Other non-financial assets		
Foreclosed property	633,789	-
Prepayments for insurance of mortgage loans to KFGML	202,824	249,871
Inventory	14,030	8,854
Other prepayments	1,930	8,465
Other	23,609	25,319
Impairment allowance	(534)	-
	875,648	**292,509**

Foreclosed property comprises real estate collateral accepted by the Company in exchange for its rights and obligations under impaired mortgage loans.

18 Other assets, continued

In November 2008 the Company signed a five year insurance contract with KFGML on the insurance of mortgage loans issued under the market program that were purchased by the Company from Kazipoteka before it became the Company's subsidiary. The insurance agreement was signed in order to mitigate risks of loan losses.

Analysis of movements in the impairment allowance

	2010 KZT'000	2009 KZT'000
Balance at the beginning of the year	-	-
Net charge for the year	534	233,055
Write-offs	-	(233,055)
Balance at the end of the year	**534**	-

19 Debt securities issued

Debt securities issued as at 31 December 2010 and 2009 comprised KZT denominated bonds.

Emission	Maturity date	Coupon rate	Effective rate	2010 KZT'000	2009 KZT'000
KZP02Y09C495	10.06.2016	0.7%+floating inflation index (limited to 12.0%)	13.51%	7,447,660	7,181,036
KZ2C0Y07B307	01.10.2011	0.10%+floating inflation index	6.04%	5,093,146	5,095,561
KZPC2Y12B547	10.04.2017	0.01%+floating inflation index (limited to 7.5%)	6.08%	5,097,883	5,092,747
KZPC2Y05B145	01.03.2010	5.69%	7.98%	-	5,076,615
KZPC1Y10B543	10.04.2015	6.90%	7.25%	5,013,991	5,001,727
KZ2C0Y10B319	01.10.2014	0.1%+floating inflation	7.30%	4,914,664	4,870,304
KZP03Y05C491	01.12.2012	11.00%	13.08%	4,874,370	4,800,090
KZ2C0Y07B224	01.04.2011	0.39%+floating inflation index	6.56%	4,212,951	4,205,754
KZP04Y04C492	15.07.2013	10.20%	19.87%	4,341,499	4,091,496
KZPC4Y10B547	15.01.2017	0.01%+floating inflation index (limited to 7.5%)	6.08%	3,883,817	3,772,962
KZ2C0Y10B079	01.04.2014	0.50%+floating inflation index	12.44%	2,706,383	3,002,133
KZ2C0Y10A980	01.04.2014	1.00%+floating inflation index	13.17%	2,686,053	2,976,110
KZ2C0Y10A857	01.10.2013	0.80%+floating inflation index	7.87%	916,884	1,220,409
KZ2C0Y08D913	23.12.2018	1.00%+NBRK refinancing rate (limited to maximum 10%, minimum 6%)	13.11%	4,778,138	-
KZP05Y06C494	10.06.2015	3.7%+floating rate	20.06%	5,991,550	-
				61,958,989	56,386,944

These obligations are secured by loan agreements with customers and the related real estate supporting these loans (Note 14) in the amount of KZT 62,882,687 thousand (2009: KZT 59,732,028 thousand).

The floating inflation rate is based on the inflation index for the prior 12 months published by the Statistics Agency of the Republic of Kazakhstan and is revised semi-annually according to the date of issue.

The Company has not had any defaults of principal, interest or other breaches with respect to its debt securities during 2010 and 2009.

20 Other borrowed funds

	2010 KZT'000	2009 KZT'000
Loan from foreign financial institutions	14,703,349	14,742,847
Due to the Government of the Republic of Kazakhstan	9,019,946	9,019,946
	23,723,295	23,762,793

Due to the Government of the Republic of Kazakhstan consists of a loan received in December 2007 from the Ministry of Finance of the Republic of Kazakhstan for the purchase of mortgage loans from second tier banks. The loan carries an interest rate of 0.1% per annum, repayable on demand but not later than in December 2027. On 4 December 2009 the Company has repaid principal of this loan in the amount of KZT 2,980,179 thousand.

In December 2007 the Company received a USD denominated loan from Credit Suisse International in the amount of USD 85 million at an interest rate of 7.4% per annum that was arranged by Credit Suisse London branch. In February 2008 the Company received an additional USD 15 million under the same loan agreement. The loan matures in December 2014.

In accordance with an amendment signed on 21 July 2008 the above USD denominated loan was transferred from USD to JPY currency at an initial exchange rate of JPY: USD 107.15:1 with a corresponding change in interest rate from 7.4% to 6.4% per annum. Interest expenses are calculated on the loan principal amount of JPY 10,715,000 thousand and are payable in USD at the current exchange rate between JPY and USD. Principal repayment should be made in 9 equal instalments every six months starting from 21 December 2010. The amendment specifies a Knockout exchange rate of JPY: USD 84.95:1. Loan repayments should be made in USD applying the initial exchange rate of JPY: USD 107.15:1 to the JPY repayment amounts if the exchange rate remains above the Knockout rate for the duration of the tenor of the loan. If the exchange rate falls below the Knockout rate at any point during the life of the loan, then loan repayments should be made in USD applying the current JPY: USD exchange rate to the JPY repayment amounts.

According to another amendment signed on 15 December 2009 the interest rate increased from 6.4% to 7.7% per annum and a knockout exchange rate of JPY: USD changed to 79.75:1.

According to last amendment signed on 21 October 2010 the interest rate increased from 7.7% to 8.3% per annum and a knockout exchange rate of JPY: USD changed to 69.75:1. The principal is paid by 9 equal semi-annual instalments, starting from 21 December 2012.

21 Other liabilities

	2010 KZT'000	2009 KZT'000
Dividends payable	85,684	85,684
Professional services	9,240	5,100
Payables to employees	34	801
Other liabilities	1,673	39
Total other financial liabilities	**96,631**	**91,624**
Other taxes payable	10,643	72,955
Total other non-financial liabilities	**10,643**	**72,955**
Total other liabilities	**107,274**	**164,579**

22 Share capital

(a) Issued capital and share premium

As at 31 December 2010 and 2009 authorised share capital comprised 2,906,200 ordinary shares, issued and outstanding share capital comprised 2,892,000 shares. All shares have a nominal value of KZT 10,000.

(b) Dividends

In accordance with the legislation of the Republic of Kazakhstan, the Company's distributable reserves are limited to the balance of retained earnings as recorded in the Company's statutory consolidated financial statements prepared in accordance with IFRSs or profit for the period if there is an accumulated loss brought forward. As at 31 December 2010 the Company had accumulated losses, including the profit for the current year, of KZT 6,724,573 thousand (31 December 2009: KZT 6,900,887 thousand).

Dividends payable are restricted to the maximum retained earnings of the Company, which are determined according to legislation of the Republic of Kazakhstan. During 2009 the dividends of KZT 108,940 thousand relating to 2008 results of the Company were additionally paid by the Company.

(c) Treasury shares

As at 31 December 2010 the Company held 249,990 of its own shares (31 December 2009: 99,990).

On 14 December 2009 JSC Halyk Bank made a proposal to the Company to buy back its 150,000 shares. On 19 March 2010 the Company repurchased 150,000 of its shares priced at 10,050 tenge per share, which increase the amount of treasury shares held by the Company as at 31 December 2010 to KZT 2,597,422 thousand (31 December 2009: KZT 1,089,922 thousand).

(d) Reserve capital

In accordance with the Law of the Republic of Kazakhstan "On Banks and Banking Activities in the Republic of Kazakhstan", the Company should establish a capital reserve. At 31 December 2010 and 2009, the capital reserve amounted to KZT 2,598,418 thousand. This reserve is non-distributable.

(e) Earnings per share

Basic earnings per share is calculated by dividing the profit or loss for the year attributable to common shareholders by the weighted average number of ordinary shares outstanding during the year.

	2010	2009
Profit (loss) for the year, in thousand of KZT	176,314	(6,873,183)
Weighted average number of ordinary shares	2,673,741	2,792,010
Basic and diluted earnings per share, in KZT	**66**	**(2,462)**

23 Risk management

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

(a) Risk management policies and procedures

The Company's risk management policies aim to identify, analyse and manage the risks faced by the Company, 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.

23 Risk management, continued

(a) Risk management policies and procedures, continued

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

The Risk Management Committee develops proposals on assets/liabilities and risk management based on strategies, policies and procedures approved by the Management Board.

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

(b) Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Company'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 optimizing the return on risk.

Overall authority for market risk is vested in the Risk Management Committee.

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company 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.

23 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position for major interest-bearing financial instruments is as follows:

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Carrying amount
31 December 2010						
ASSETS						
Cash and cash equivalents	2,087,199	-	-	-	-	2,087,199
Placements with banks and other financial institutions	7,500	2,591,570	1,024,500	2,000,455	-	5,624,025
Financial instruments at fair value through profit or loss	-	-	-	8	-	8
Available-for-sale financial assets	2,575,645	2,281,428	176,333	984,261	861,178	6,878,845
Loans to customers	564,957	15,970,000	11,734	738,696	45,324,853	62,610,240
Held-to-maturity investments	28,483	6,652,579	6,102	2,497,704	5,548,261	14,733,129
Total assets	**5,263,784**	**27,495,577**	**1,218,669**	**6,221,124**	**51,734,292**	**91,933,446**
LIABILITIES						
Debt securities issued	8,225,317	39,190,632	4,778,138	9,764,902	-	61,958,989
Other borrowed funds	9,019,946	61,562	125	11,464,446	3,177,216	23,723,295
Total liabilities	**17,245,263**	**39,252,194**	**4,778,263**	**21,229,348**	**3,177,216**	**85,682,284**
Net position	**(11,981,479)**	**(11,756,617)**	**(3,559,594)**	**(15,008,224)**	**48,557,076**	**6,251,162**

23 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rate gap analysis, continued

KZT'000	Less than 3 months	3-6 months	6-12 months	1-5 years	More than 5 years	Carrying amount
31 December 2009						
ASSETS						
Cash and cash equivalents	8,441,085	-	-	-	-	8,441,085
Placements with banks and other financial institutions	8,750	4,473,471	3,052,060	-	-	7,534,281
Financial instruments at fair value through profit or loss	-	-	20,417	7	-	20,424
Available-for-sale financial assets	1,591,960	2,127,089	-	895,362	991,845	5,606,256
Loans to customers	508,001	17,092,321	12,902	811,801	49,603,247	68,028,272
Held-to-maturity investments	28,483	4,479,977	-	804,757	3,318,819	8,632,036
Total assets	**10,578,279**	**28,172,858**	**3,085,379**	**2,511,927**	**53,913,911**	**98,262,354**
LIABILITIES						
Debt securities issued	26,446,886	10,996,514	9,265,185	4,800,090	4,878,269	56,386,944
Other borrowed funds	9,019,946	-	1,546,402	13,196,445	-	23,762,793
Total liabilities	**35,466,832**	**10,996,514**	**10,811,587**	**17,996,535**	**4,878,269**	**80,149,737**
Net position	**(24,888,553)**	**17,176,344**	**(7,726,208)**	**(15,484,608)**	**49,035,642**	**18,112,617**

23 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2010 and 2009. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2010 Average effective interest rate, %		2009 Average effective interest rate, %	
	KZT	USD	KZT	USD
Interest bearing assets				
Cash and cash equivalents				
Current accounts with other banks	9.00	-	-	-
Short-term deposits (less than 3 month)	-	-	11.48	-
Placement with banks and other financial institutions	9.6	-	11.12	-
Financial instruments at fair value through profit or loss	5.78	-	6.10	-
Available-for-sale financial assets	10.06	-	11.85	-
Loans to customers	10.77	-	11.08	-
Held-to-maturity investments	8.04	0.22	6.64	-
Interest bearing liabilities				
Debt securities issued	11.22	-	12.95	-
Other borrowed funds	0.13	14.38	0.13	13.58

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

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

Interest rates sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is suplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2010 and 2009 is as follows:

	2010 KZT'000		2009 KZT'000	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	(180,914)	(180,914)	(99,482)	(99,482)
100 bp parallel decrease	180,914	180,914	99,482	99,482

23 Risk management, continued

(b) Market risk, continued

(i) Interest rate risk, continued

Interest rates sensitivity analysis, continued

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value though profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2010 and 2009 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2010		2009	
	Profit or loss	Equity	Profit or loss	Equity
100 bp parallel increase	-	(440,957)	(179)	(360,232)
100 bp parallel decrease	-	459,767	181	396,239

(c) Currency risk

The Company has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company does not hedge its exposure to currency risk.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2010:

KZT'000	KZT	USD	JPY	Total
Assets				
Cash and cash equivalents	13,664,083	-	-	13,664,083
Placements with banks and other financial institutions	5,624,025	-	-	5,624,025
Financial instruments at fair value through profit or loss	8	-	-	8
Available-for-sale financial assets	6,878,845	-	-	6,878,845
Loans to customers	62,610,240	-	-	62,610,240
Held-to-maturity investments	11,263,128	3,470,001	-	14,733,129
Total assets	**100,040,329**	**3,470,001**	**-**	**103,510,330**
Liabilities				
Debt securities issued	(61,958,989)	-	-	(61,958,989)
Other borrowed funds	(9,019,946)	(14,641,787)	(61,562)	(23,723,295)
Other liabilities	(107,274)	-	-	(107,274)
Total liabilities	**(71,086,209)**	**(14,641,787)**	**(61,562)**	**(85,789,558)**
Net on and off balance sheet position as at 31 December 2010	**28,954,120**	**(11,171,786)**	**(61,562)**	**17,720,772**
Net on and off balance sheet position as at 31 December 2009	34,436,862	(14,742,847)	(51,658)	19,642,357

23 Risk management, continued

(c) Currency risk, continued

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

KZT'000	KZT	USD	JPY	Total
Assets				
Cash and cash equivalents	10,135,404	-	-	10,135,404
Placements with banks and other financial institutions	7,534,281	-	-	7,534,281
Financial instruments at fair value through profit or loss	20,424	-	-	20,424
Available-for-sale financial assets	5,606,256	-	-	5,606,256
Loans to customers	68,028,272	-	-	68,028,272
Held-to-maturity investments	8,632,036	-	-	8,632,036
Total assets	**99,956,673**	-	-	**99,956,673**
Liabilities				
Debt securities issued	(56,386,944)	-	-	(56,386,944)
Other borrowed funds	(9,019,946)	(14,742,847)	-	(23,762,793)
Other liabilities	(112,921)	-	(51,658)	(164,579)
Total liabilities	**(65,519,811)**	**(14,742,847)**	**(51,658)**	**(80,314,316)**
Net on and off balance sheet position as at 31 December 2009	**34,436,862**	**(14,742,847)**	**(51,658)**	**19,642,357**
Net on and off balance sheet position as at 31 December 2008	42,126,556	(11,888,586)	(35,736)	30,202,234

A strengthening of the KZT, as indicated below, against the following currencies at 31 December 2010 and 2009 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2010		**2009**	
	Profit or loss	**Equity**	**Profit or loss**	**Equity**
5% appreciation of USD against KZT	(446,871)	(446,871)	(589,714)	(589,714)
5% depreciation of USD against KZT	446,871	446,871	589,714	589,714
5% appreciation of JPY against KZT	(2,462)	(2,462)	(2,066)	(2,066)
5% depreciation of JPY against KZT	2,462	2,462	2,066	2,066

The Company also has a knockout rate option (refer to Note 20). Management has not determined the impact on the above sensitivity analysis to foreign exchange risk.

23 Risk management, continued

(d) Credit risk

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

The Company's credit policy establishes:

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

The main task of credit risk management is the application of a weighted credit policy, considering profitability with safety of asset allocation at purchase of mortgage loans and control over position of loan portfolio based on in-depth, objective, complete and qualified monitoring.

Susceptibility to credit risk is controlled by obtaining high quality collateral, the receipt of a guarantees and obtaining recourse to the seller of the loans.

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

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

	2010 KZT'000	2009 KZT'000
ASSETS		
Cash and cash equivalents	13,664,083	10,135,404
Placements with banks and other financial institutions	5,624,025	7,534,281
Financial instruments at fair value through profit or loss	8	20,424
Available-for-sale financial assets	6,878,845	5,606,256
Held-to-maturity investments	14,733,129	8,632,036
Loans to customers	62,610,240	68,028,272
Total maximum exposure to on balance sheet credit risk	**103,510,330**	**99,956,673**

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 14.

23 Risk management, continued

(e) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet its commitments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. 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 Company 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 Company's liquidity policy is reviewed and approved by the Management Board.

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

The liquidity management policy of the Company 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;
- development of reserve plans to maintain balance sheet liquidity and set level of financing.

The following tables show the undiscounted cash flows on the Company's financial liabilities on the basis of their earliest possible contractual maturity. The total gross amount outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability. The Company's expected cash flows on these financial liabilities and may vary significantly from this analysis.

23 Risk management, continued

(e) Liquidity risk, continued

The liquidity position of the Company as at 31 December 2010 was as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount inflow/ (outflow)	Carrying amount
Non-derivative liabilities								
Debt securities issued	(410,250)	-	(7,503,840)	(7,736,840)	(50,126,302)	(29,783,059)	(95,560,291)	(61,958,989)
Other borrowed funds	(9,019,946)	-	(885,343)	(885,343)	(16,489,166)	(3,572,892)	(30,852,690)	(23,723,295)
Other liabilities	(9,628)	(9,872)	(6,858)	(35)	(80,881)	-	(107,274)	(107,274)
Total	**(9,439,824)**	**(9,872)**	**(8,396,041)**	**(8,622,218)**	**(66,696,349)**	**(33,355,951)**	**(126,520,255)**	**(85,789,558)**

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount inflow/ (outflow)	Carrying amount
Non-derivative liabilities								
Debt securities issued	(23,708)	(5,023,708)	(2,426,600)	(2,426,600)	(70,314,133)	(2,970,863)	(83,185,612)	(56,386,944)
Other borrowed funds	(9,019,946)	-	-	(2,313,725)	(15,853,122)	-	(27,186,793)	(23,762,793)
Other liabilities	(156,794)	(6,800)	(640)	-	(345)	-	(164,579)	(164,579)
Total	**(9,200,448)**	**(5,030,508)**	**(2,427,240)**	**(4,740,325)**	**(86,167,600)**	**(2,970,863)**	**(110,536,984)**	**(80,314,316)**

23 Risk management, continued

(e) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2010:

Assets	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Total KZT'000
Cash and cash equivalents	13,664,083	-	-	-	-	-	13,664,083
Placements with banks and other financial institutions	7,500	-	3,615,614	2,000,911	-	-	5,624,025
Financial instruments at fair value through profit or loss	-	-	-	8	-	-	8
Available-for-sale financial assets	51,644	35,154	105,559	2,131,405	4,555,083	-	6,878,845
Loans to customers	564,537	1,342	36,359	1,474,373	60,533,629	-	62,610,240
Held-to-maturity investments	7,250	21,233	1,730,082	4,979,758	7,994,806	-	14,733,129
Current tax asset	-	-	4,106	8,511	378,381	-	390,998
Property and equipment	-	-	-	-	-	2,481,524	2,481,524
Intangible assets	-	-	-	-	-	22,742	22,742
Deferred tax assets	-	-	-	-	-	21,827	21,827
Other assets	7,331	12,356	63,772	153,177	5,223	633,789	875,648
Total assets	**14,302,345**	**70,085**	**5,555,492**	**10,748,143**	**73,467,122**	**3,159,882**	**107,303,069**
Liabilities							
Debt securities issued	406,008	-	9,818,660	30,820,746	20,913,575	-	61,958,989
Other borrowed funds	9,019,946	-	61,687	11,464,446	3,177,216	-	23,723,295
Other liabilities	9,628	9,872	6,893	274	80,607	-	107,274
Total liabilities	**9,435,582**	**9,872**	**9,887,240**	**42,285,466**	**24,171,398**	**-**	**85,789,558**
Net position as at 31 December 2010	**4,866,763**	**60,213**	**(4,331,748)**	**(31,537,323)**	**49,295,724**	**3,159,882**	**21,513,511**
Net position as at 31 December 2009	(2,284,653)	(688,999)	6,460,188	(24,543,635)	41,137,945	2,837,544	22,918,390

23 Risk management, continued

(e) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position as at 31 December 2009:

Assets	Less than 1 month KZT'000	1 to 3 months KZT'000	3 months to 1 year KZT'000	1 to 5 years KZT'000	More than 5 years KZT'000	No maturity KZT'000	Total KZT'000
Cash and cash equivalents	6,653,634	3,481,770	-	-	-	-	10,135,404
Placements with banks and other financial institutions	8,750	-	7,525,531	-	-	-	7,534,281
Financial instruments at fair value through profit or loss	-	-	20,417	7	-	-	20,424
Available-for-sale financial assets	-	-	87,480	895,362	4,623,414	-	5,606,256
Loans to customers	621,461	404,627	1,979,618	12,450,877	52,427,555	144,134	68,028,272
Held-to-maturity investments	7,250	21,233	174,060	3,646,111	4,783,382	-	8,632,036
Current tax asset	-	-	-	281,474	-	-	281,474
Property and equipment	-	-	-	-	-	2,625,274	2,625,274
Intangible assets	-	-	-	-	-	68,136	68,136
Deferred tax assets	-	-	-	-	8,640	-	8,640
Other assets	8,960	7,841	65,362	195,709	14,637	-	292,509
Total assets	**7,300,055**	**3,915,471**	**9,852,468**	**17,469,540**	**61,857,628**	**2,837,544**	**103,232,706**
Liabilities							
Debt securities issued	407,967	4,597,670	1,845,238	28,816,449	20,719,620	-	56,386,944
Other borrowed funds	9,019,946	-	1,546,402	13,196,445	-	-	23,762,793
Other liabilities	156,795	6,800	640	281	63	-	164,579
Total liabilities	**9,584,708**	**4,604,470**	**3,392,280**	**42,013,175**	**20,719,683**	**-**	**80,314,316**
Net position as at 31 December 2009	**(2,284,653)**	**(688,999)**	**6,460,188**	**(24,543,635)**	**41,137,945**	**2,837,544**	**22,918,390**
Net position as at 31 December 2008	1,802,049	3,739,690	(1,666,208)	(11,247,278)	34,983,946	2,590,035	30,202,234

24 Capital management

The Decree of the National Bank of the Republic of Kazakhstan #254 of 25 July 2003 establishes the Company status as a financial agency, for which the National Bank determines statutory capital ratio. As at 31 December 2010 the minimum level of this ratio is 10%.The Company was in compliance with the statutory capital ratio during the year ended 31 December 2010 and 2009.

The Company also monitors its capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

The following table shows the composition of the Company's capital position calculated in accordance with the requirement of the Basle Accord, as at 31 December 2010 and 2009:

	2010 KZT'000	2009 KZT'000
Tier 1 capital		
Share capital	26,335,239	27,842,739
General reserves	2,598,418	2,598,418
Retained earnings	(6,724,573)	(6,900,887)
Total tier 1 capital	**22,209,084**	**23,540,270**
Tier 2 capital		
Reserves on revaluation of available-for-sale assets	(695,573)	(621,880)
Total tier 2 capital	**(695,573)**	**(621,880)**
Total capital	**21,513,511**	**22,918,390**
Risk-weighted assets		
Banking book	38,244,077	40,485,252
Trading book	43,212,693	30,344,374
Total risk weighted assets	**81,456,770**	**70,829,626**
Total capital expressed as a percentage of risk-weighted assets ("total capital ratio")	**26%**	**32%**
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	**27%**	**33%**

The risk-weighted assets are measured by means of a hierarchy of risk weight classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The Company is subject to minimum capital adequacy requirements calculated in accordance with the Basle Accord established by covenants under liabilities incurred by the Company. As at 31 December 2010 and 2009, this minimum level is 8%. The Company has complied with these capital requirements during the years ended 31 December 2010 and 2009.

25 Contingencies

(a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Company 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 Company's property or relating to the Company's operations. Until the Company obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on the Company's operations and financial position.

(b) Litigation

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

(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 three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

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

26 Related party transactions

(a) Transactions with the members of the Management Board

Total remuneration included in employee compensation (refer Note 9):

	2010 KZT'000	2009 KZT'000
Members of the Board of Directors	6,838	11,868
Members of the Management Board	53,745	85,094
	60,583	**96,962**

The above amounts include non-cash benefits in respect of the members of the Management Board. The outstanding balances and average interest rates as of 31 December 2010 with the members of the Management Board are as follows:

	2010 KZT'000	Average interest rate	2009 KZT'000	Average interest rate
Consolidated statement of financial position				
Loans to customers	-	-	94,208	7.79%

Amounts included in profit or loss in relation to transactions with the members of the Management Board are as follows:

	2010 KZT'000	2009 KZT'000
Consolidated statement of comprehensive income		
Interest income	1,168	15,600

(b) Transaction with other related parties

Other related parties include the Ministry of Finance of the Republic of Kazakhstan and State organisations. The amounts below are included in the consolidated statement of financial position and consolidated statement of comprehensive income for transactions with related parties as of 31 December 2010 and 2009:

	2010 KZT'000	2010 KZT'000	2009 KZT'000	2009 KZT'000
	Ministry of Finance	State organisations	Ministry of Finance	State organisations
Interest income	105,644	-	77,362	-
Interest expense	(9,020)	-	(11,776)	-
Gain/loss from revaluation of securities	(339)	-	2,203	-

26 Related party transactions, continued

(b) Transaction with other related parties, continued

The balances with related parties as of 31 December 2010 include:

	Ministry of Finance		State organisations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Financial instruments at fair value through profit or loss	8	6,44	-	-
Held-to maturity investments	2,145,319	5,50	-	-
Deferred tax assets	-	-	21,827	-
Other assets	-	-	390,988	-
Other borrowed funds	9,019,946	0,10	-	-
Other liabilities	-	-	10,643	-

The balances with related parties as of 31 December 2009 include:

	Ministry of Finance		State organisations	
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %
Financial instruments at fair value through profit or loss	-	-	20,424	6.27
Held-to maturity investments	2,175,800	5.50	-	-
Deferred tax assets	-	-	8,640	-
Other assets	-	-	281,474	-
Other borrowed funds	9,019,946	0.10	-	-
Other liabilities	-	-	72,559	-

27 Financial assets and liabilities: fair values and accounting classification

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2010:

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	13,664,083	-	-	13,664,083	13,664,083
Financial instruments at fair value through profit or loss	8	-	-	-	-	8	8
Available-for-sale financial assets	-	-	-	6,878,845	-	6,878,845	6,878,845
Loans customers	-	-	62,610,240	-	-	62,610,240	64,070,283
Held-to-maturity investments:							
Government and municipal bonds	-	2,145,319	-	-	-	2,145,319	1,890,620
Corporate bonds	-	12,587,810	-	-	-	12,587,810	10,452,160
	8	**14,733,129**	**76,274,323**	**6,878,845**	**-**	**97,886,305**	**96,955,999**
Debt securities issued'	-	-	-	-	61,958,989	61,958,989	64,000,163
Other borrowed funds	-	-	-	-	23,723,295	23,723,295	23,852,746
	-	**-**	**-**	**-**	**85,682,284**	**85,682,284**	**87,852,909**

27 Financial assets and liabilities: fair values and accounting classification, continued

(a) Accounting classifications and fair values, continued

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2009:

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	10,135,404	-	-	10,135,404	10,135,404
Financial instruments at fair value through profit or loss	20,424	-	-	-	-	20,424	20,424
Available-for-sale financial assets	-	-	-	5,606,256	-	5,606,256	5,606,256
Loans customers	-	-	68,028,272	-	-	68,028,272	69,278,213
Held-to-maturity investments:							
Government and municipal bonds	-	2,175,800	-	-	-	2,175,800	1,773,990
Corporate bonds	-	6,456,236	-	-	-	6,456,236	5,200,537
	20,424	**8,632,036**	**78,163,676**	**5,606,256**	**-**	**92,422,392**	**92,014,824**
Debt securities issued	-	-	-	-	56,386,944	56,386,944	51,970,713
Other borrowed funds	-	-	-	-	23,762,793	23,762,793	23,925,743
	-	**-**	**-**	**-**	**80,149,737**	**80,149,737**	**75,896,456**

27 Financial assets and liabilities: fair values and accounting classification, continued

(a) Accounting classifications and fair values, continued

Valuation techniques include net present value and discounted cash flow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premium used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Company uses widely recognised valuation models for determining the fair value of common and more simple financial instruments, like interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities.

For more complex instruments, the Company uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs include certain loans and securities for which there is no active market.

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.

(b) Fair value hierarchy

The Company measures fair values for financial instruments recorded on the statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

27 Financial assets and liabilities: fair values and accounting classification, continued

(b) Fair value hierarchy, continued

The table below analyses financial instruments measured at fair value at 31 December 2010, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 2 KZT'000	Total KZT'000
Financial assets		
Financial instruments at fair value through profit or loss	8	8
Available-for-sale assets	6,878,845	6,878,845
	6,878,853	**6,878,853**

As at 31 December 2010 and 31 December 2009, the Company does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market observable inputs.

The table below analyses financial instruments measured at fair value at 31 December 2009, by the level in the fair value hierarchy into which the fair value measurement is categorised:

	Level 2 KZT'000	Total KZT'000
Financial assets		
Financial instruments at fair value through profit or loss	20,424	20,424
Available-for-sale assets	5,606,256	5,606,256
	5,626,680	**5,626,680**