

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

Consolidated Financial Statements
for the year ended 31 December 2009

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

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NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report, is made with a view to distinguishing the respective responsibilities of the independent auditors and those of management in relation to the consolidated financial statements of the National Bank of the Republic of Kazakhstan (the "NBK") and its subsidiaries (the NBK and its subsidiaries together – the "National Bank").

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the National Bank as at 31 December 2009, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with the Principles of preparation of the consolidated financial statements disclosed in Note 2 (the "Principles of preparation of the financial statements") to the consolidated financial statement.

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

- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Following requirements of the Principles of preparation of the financial statements; and
- Preparing the consolidated financial statements on a going concern basis.

Management is also responsible for:

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

The consolidated financial statements for the year ended 31 December 2009 were authorized for issue on 11 March 2010 by the Management.

On behalf of the Management of the National Bank of the Republic of Kazakhstan:

Marchenko G.A.
Governor

11 March 2010
Almaty, Kazakhstan

Shalgimbaeva N.T.
Chief Accountant

11 March 2010
Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Management Board of the National Bank of the Republic of Kazakhstan

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the National Bank of the Republic of Kazakhstan and its subsidiaries (together - the "National Bank"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statements of comprehensive income, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Principles of preparation of the consolidated financial statements as described in Note 2 to the consolidated financial statements (the "Principles of preparation of the financial statements"). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the 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 audit opinion.

Opinion

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the financial position of the National Bank as at 31 December 2009 and its financial performance and its cash flows for the year then ended in accordance with the Principles of preparation of the financial statements.

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

Nurlan Bekenov
Engagement Partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate #0082
General Director
Deloitte, LLP

11 March 2010
Almaty, Kazakhstan

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

(in thousands of Kazakhstani tenge)

	Note	31 December 2009	31 December 2008	1 January 2008
ASSETS:				
Cash on hand in foreign currencies	5	34,787,626	11,206,351	20,435,781
Gold	6	371,258,998	241,751,221	215,923,786
Placements and balances with banks and other institutions	7	1,501,472,357	882,127,067	828,289,600
Financial assets at fair value through profit or loss	8	1,220,261	9,737,704	94,048
Amounts receivable under reverse repurchase agreements	9	586,451,722	396,002,190	171,937,337
Available-for-sale investments	10	1,799,391,017	1,177,628,144	973,283,773
Held-to-maturity investments	11	400,000	921,272	-
Investments in associates	12	542,201	1,332,448	1,330,318
Property and equipment	13	28,135,677	26,589,859	24,178,608
Intangible assets	14	1,349,867	1,551,418	964,905
Deferred tax assets	15	73,211	59,814	53,918
Other assets	16	7,654,408	6,152,049	4,957,225
TOTAL ASSETS		4,332,737,345	2,755,059,537	2,241,449,299
LIABILITIES AND EQUITY				
LIABILITIES:				
Currency in circulation	17	1,048,045,523	987,069,891	859,989,151
Deposits and balances from banks and other institutions	18	1,433,425,287	975,134,135	615,491,788
Financial liabilities at fair value through profit or loss	8	2,494,822	3,357,245	-
Due to the National Fund of the Republic of Kazakhstan	19	166,510,968	4,311,137	221,127,646
Due to the Ministry of Finance of the Republic of Kazakhstan	20	134,497,784	46,357,745	71,514,981
Reserves of guarantee funds	21	33,542,786	18,662,389	9,378,750
Customer accounts	22	322,173,670	162,186,309	1,500,776
Debt securities issued	23	463,183,949	295,964,826	221,263,582
Deferred tax liabilities	15	684,581	786,699	450,917
Other liabilities	24	5,219,014	2,122,435	2,600,954
TOTAL LIABILITIES		3,609,778,384	2,495,952,811	2,003,318,545
EQUITY:				
Share capital	25	20,000,000	20,000,000	20,000,000
Capital reserve	25	114,899,473	86,384,133	48,774,701
Reserve for general banking risks	25	9,091,502	6,320,981	6,318,703
Revaluation reserve for available-for-sale investments		8,566,809	25,538,712	8,149,461
Revaluation reserve for foreign currency and precious metals		520,921,191	84,985,327	115,310,340
Revaluation reserve for property and equipment		15,234,730	15,376,637	14,797,693
Retained earnings		29,824,682	17,044,639	21,646,815
TOTAL EQUITY BEFORE MINORITY INTEREST		718,538,387	255,650,429	234,997,713
Minority interest		4,420,574	3,456,297	3,133,041
TOTAL EQUITY		722,958,961	259,106,726	238,130,754
TOTAL LIABILITIES AND EQUITY		4,332,737,345	2,755,059,537	2,241,449,299

On behalf of the Management of the National Bank of the Republic of Kazakhstan:

Marchenko G.A.
Governor

11 March 2010
 Almaty, Kazakhstan

Shalgimbaeva N.T.
Chief Accountant

11 March 2010
 Almaty, Kazakhstan

The notes on pages 10-67 form an integral part of these consolidated financial statements

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009 (in thousands of Kazakhstani tenge)

	Note	Year ended 31 December 2009	Year ended 31 December 2008
Interest income	26	73,475,473	55,621,248
Interest expense	26	(19,641,630)	(26,322,326)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		53,833,843	29,298,922
Provision for impairment losses on interest bearing assets	10	(10,126,616)	-
NET INTEREST INCOME		43,707,227	29,298,922
Fee and commission income	27	9,254,335	5,078,890
Fee and commission expense	27	(729,761)	(628,488)
NET FEE AND COMMISSION INCOME		8,524,574	4,450,402
Net realized gain on available-for-sale investments	28	16,900,754	5,791,350
(Loss)/gain on operations with financial assets and liabilities at fair value through profit or loss	29	(3,685,768)	11,812,793
(Loss)/gain from associates		(790,247)	2,130
Other income	30	2,460,022	2,366,276
NET NON-INTEREST INCOME		14,884,761	19,972,549
OPERATING INCOME		67,116,562	53,721,873
Banknotes and coins production expenses	31	(3,336,740)	(3,484,146)
Funding of third parties	32	(2,631,327)	(2,792,844)
Payroll and related payments to employees	33	(9,120,245)	(8,229,984)
Administrative expenses	34	(3,237,919)	(3,140,581)
Depreciation and amortization		(1,955,247)	(1,889,787)
Impairment losses	35	(539,979)	(15,248)
Gain/(loss) from acquisition/disposal of subsidiary	36	180,000	(24,582)
OPERATING EXPENSES		(20,641,457)	(19,577,172)
NET INCOME BEFORE TAXATION AND MINORITY INTEREST		46,475,105	34,144,701
Income tax expense	37	(1,725,082)	(819,767)
NET INCOME BEFORE MINORITY INTEREST		44,750,023	33,324,934
Minority interest		(737,719)	(326,407)
NET INCOME		44,012,304	32,998,527

On behalf of the Management of the National Bank of the Republic of Kazakhstan:

Marchenko G.A.
Governor

11 March 2010
Almaty, Kazakhstan

Shalgimbaeva N.T.
Chief Accountant

11 March 2010
Almaty, Kazakhstan

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NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

(in thousands of Kazakhstani tenge)

	Notes	Year ended 31 December 2009	Year ended 31 December 2008
NET INCOME		<u>44,012,304</u>	<u>32,998,527</u>
OTHER COMPREHENSIVE INCOME/(LOSS):			
Net gain/(loss) on revaluation of foreign currency and precious metals		435,935,864	(30,325,013)
Net unrealized (loss)/gain on available-for-sale investments		(10,197,765)	23,180,601
Net realized gain on available-for-sale investments		(16,900,754)	(5,791,350)
Reclassification adjustments for losses included in income statement on impairment loss on available-for-sale investments	10	10,126,616	-
Revaluation of property and equipment		<u>(88,307)</u>	<u>589,951</u>
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS)		<u>418,875,654</u>	<u>(12,345,811)</u>
TOTAL COMPREHENSIVE INCOME BEFORE MINORITY INTEREST		<u>462,887,958</u>	<u>20,652,716</u>
Minority interest		<u>964,277</u>	<u>323,256</u>
TOTAL COMPREHENSIVE INCOME		<u><u>463,852,235</u></u>	<u><u>20,975,972</u></u>

On behalf of the Management of the National Bank of the Republic of Kazakhstan:

Marchenko G.A.
Governor

11 March 2010
Almaty, Kazakhstan

Shalgimbaeva N.T.
Chief Accountant

11 March 2010
Almaty, Kazakhstan

The notes on pages 10-67 form an integral part of these consolidated financial statements

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2009

(in thousands of Kazakhstani tenge)

	Share Capital	Capital reserve	Reserve for general banking risks	Revaluation reserve for available-for- sale investments	Revaluation reserve for foreign currency and precious metals	Revaluation reserve for property and equipment	Retained earnings	Total equity before minority interest	Minority interest	Total equity
1 January 2008	20,000,000	48,774,701	6,318,703	8,149,461	91,704,290	14,797,693	45,252,865	234,997,713	3,133,041	238,130,754
Changes in accounting policy (Note 3)	-	-	-	-	23,606,050	-	(23,606,050)	-	-	-
1 January 2008 (restated)	20,000,000	48,774,701	6,318,703	8,149,461	115,310,340	14,797,693	21,646,815	234,997,713	3,133,041	238,130,754
Total comprehensive income	-	-	-	17,389,251	(30,325,013)	589,951	32,998,527	20,652,716	323,256	20,975,972
Depreciation of revaluation reserve of property and equipment	-	-	-	-	-	(11,007)	11,007	-	-	-
Addition to reserve capital	-	37,609,432	2,278	-	-	-	(37,611,710)	-	-	-
31 December 2008	20,000,000	86,384,133	6,320,981	25,538,712	84,985,327	15,376,637	17,044,639	255,650,429	3,456,297	259,106,726
Total comprehensive income	-	-	-	(16,971,903)	435,935,864	(88,307)	44,012,304	462,887,958	964,277	463,852,235
Depreciation of revaluation reserve of property and equipment	-	-	-	-	-	(53,600)	53,600	-	-	-
Addition to reserve capital	-	28,515,340	2,770,521	-	-	-	(31,285,861)	-	-	-
31 December 2009	20,000,000	114,899,473	9,091,502	8,566,809	520,921,191	15,234,730	29,824,682	718,538,387	4,420,574	722,958,961

On behalf of the Management of the National Bank of the Republic of Kazakhstan:

Marchenko G.A.
Governor

11 March 2010
Almaty, Kazakhstan

Shalgimbaeva N.T.
Chief Accountant

11 March 2010
Almaty, Kazakhstan

The notes on pages 10-67 form an integral part of these consolidated financial statements

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009 (in thousands of Kazakhstani tenge)

	Note	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income before taxation and minority interest		46,475,105	34,144,701
Adjustments for:			
Depreciation and amortization		2,489,438	2,513,305
Provision for impairment losses on interest bearing assets	10	10,126,616	-
Impairment losses	35	539,979	15,248
Loss on disposal of property and equipment		77,014	1,489
Amortization of discount on debt securities issued		8,992,968	18,242,705
Amortization of discount on available-for-sale investments		1,716,154	(1,761,712)
Loss/(gain) from associates		790,247	(2,130)
Gain/(loss) from acquisition/disposal of subsidiary	36	(180,000)	24,582
Cash inflow from operating activities before changes in operating assets and liabilities		71,027,521	53,178,188
(Increase)/decrease in operating assets			
Gold		8,980,989	(15,399,460)
Placements and balances with banks and other institutions		(7,459,689)	20,409,441
Financial assets at fair value through profit and loss		8,517,443	(9,643,656)
Amounts receivable under reverse repurchase agreements		(190,449,532)	(224,064,853)
Available-for-sale investments		(650,350,988)	(185,930,212)
Held-to-maturity investments		521,272	(921,272)
Other assets		(2,261,938)	(1,325,746)
Increase/(decrease) in operating liabilities			
Currency in circulation		60,975,632	127,080,740
Deposits and balances from banks and other institutions		458,291,152	359,642,348
Financial liabilities at fair value through profit and loss		(862,423)	3,357,245
Due to the National Fund of the Republic of Kazakhstan		162,199,830	(216,816,509)
Due to the Ministry of Finance of the Republic of Kazakhstan		88,140,039	(25,157,237)
Reserves of guarantee funds		14,880,397	9,995,907
Customer accounts		159,987,360	160,685,534
Other liabilities		3,096,579	(469,236)
Net cash inflow from operating activities before taxation		185,233,644	54,621,222
Income taxes paid		(1,840,597)	(489,881)
Net cash inflow from operating activities		183,393,047	54,131,341

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2009 (CONTINUED) *(in thousands of Kazakhstani tenge)*

	Note	Year ended 31 December 2009	Year ended 31 December 2008
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(4,277,097)	(5,054,134)
Proceeds from sale of property and equipment		278,071	129,889
Proceeds on disposal of subsidiary		-	104,833
Net cash outflow from investing activities		<u>(3,999,026)</u>	<u>(4,819,412)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:			
Debt securities issued		1,446,647,459	2,937,053,514
Debt securities repaid		(1,288,421,304)	(2,880,594,976)
Investments in capital of subsidiaries		399,601	-
Net cash inflow from financing activities		<u>158,625,756</u>	<u>56,458,538</u>
Net increase in cash and cash equivalents		338,019,777	105,770,467
Effect of changes in foreign currency exchange rates on cash and cash equivalents		297,447,098	(40,752,988)
CASH AND CASH EQUIVALENTS at the beginning of the year	5	<u>811,786,890</u>	<u>746,769,411</u>
CASH AND CASH EQUIVALENTS at the end of the year	5	<u><u>1,447,253,765</u></u>	<u><u>811,786,890</u></u>

Interest paid and received during the year ended 31 December 2009 amounted to KZT 19,590,435 thousand and KZT 64,735,986 thousand, respectively.

Interest paid and received during the year ended 31 December 2008 amounted to KZT 28,934,389 thousand and KZT 60,860,023 thousand, respectively.

On behalf of the Management of the National Bank of the Republic of Kazakhstan:

Marchenko G.A.
Chairman

11 March 2010
Almaty, Kazakhstan

Shalgimbaeva N.T.
Chief Accountant

11 March 2010
Almaty, Kazakhstan

The notes on pages 10-67 form an integral part of these consolidated financial statements

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

(in thousands of Kazakhstani tenge unless otherwise indicated)

1 ORGANIZATION

The National Bank of the Republic of Kazakhstan (the “NBK”) was established in accordance with the Resolution of the Supreme Council of the Republic of Kazakhstan № 2134-XII dated 13 April 1993. Pursuant to this Resolution the State Bank of Kazakh SSR was renamed as the National Bank of the Republic of Kazakhstan

The primary role of the NBK is ensuring of the price stability in the Republic of Kazakhstan. To accomplish the main goals, functions of the NBK are the following: determine and carry out monetary policy of the country; carry out the functioning of payment system; exercise foreign currency regulations and supervision; secure financial system stability. NBK implements monetary and credit policies by management of the monetary base and reserves and performs its functions as a bank, financial consultant and agent of the Government of the Republic of Kazakhstan and other state governance bodies.

The address of the NBK’s registered office was 21, Micro District Koktem-3, Almaty 050090. The NBK has 17 branches and 7 subsidiaries located in the Republic of Kazakhstan and 2 representative offices in other countries as at 31 December 2009 and 2008.

The subsidiaries as at 31 December 2009 and 2008 (hereinafter the NBK and its subsidiaries jointly referred to as the “National Bank”) comprised of the following enterprises, which are included into NBK’s consolidated financial statements:

Name	Year of establishment	Main operations	Ownership interest	
			31 December 2009 %	31 December 2008 %
RSE “Kazakhstan Mint of the National Bank of the Republic of Kazakhstan”	1994	Coin manufacture	100.00	100.00
RSE “Kazakhstan Centre of Inter-banking Settlements of the National Bank of the Republic of Kazakhstan”	1996	Electronic cash transfers	100.00	100.00
RSE “Banking Service Bureau of the National Bank of the Republic of Kazakhstan”	1996	Software maintenance and development	100.00	100.00
JSC “Kazakhstan Fund of Deposits Guarantee”	1999	Individual deposit guarantee	100.00	100.00
RSE “Banknote Factory of National Bank of the Republic of Kazakhstan”	2004	Banknote manufacture	100.00	100.00
JSC “Reserve Centre of the National Bank of the Republic of Kazakhstan “Q-BRO”	2007	Ensuring the smooth functions of IT of the NBK	100.00	100.00
JSC “Accumulation Pension Fund “State Accumulated Pension Fund”	1997	Management of pension assets of depositors of the fund	90.01	71.86

In accordance with the Act of the Republic of Kazakhstan dated 7 May 2009 № 668 “On certain issues of State ownership” shares of the JSC “Accumulation Pension Fund “State Accumulated Pension Fund” (“GNPF”) owned by Government of the Republic of Kazakhstan in quantity of 1,800,000 ordinary shares were transferred to the National Bank of the Republic of Kazakhstan.

In accordance with purchase-sale agreement #35060 dated 29 December 2008 312,188 ordinary shares of GNPF in amount of KZT 399,601 thousand were transferred to the European Bank of Reconstruction and Development (the “EBRD”), which has increased its share of ownership of GNPF up to 9.99%.

In October 2008 GNPF increased its share capital by KZT 3,125 thousand and all shares for the amount of KZT 3,600,399 thousand were purchased by the National Bank of the Republic of Kazakhstan.

Average number of employees of the National Bank for the years ended 31 December 2009 and 2008 was 2,432 people and 2,489 people, respectively, and the total number of employees as at 31 December 2009 and 2008 was 2,489 people and 2,542 people, respectively.

Kazakhstan economic environment

In May 2009 rating agency Moody’s Investors Service published sovereign rating of Kazakhstan as Baa2, which reflects average level of the country in respects to economic flexibility factor. The forecast of rating stays stable.

In December 2009 Fitch Rating’s Ltd rating agency changed long-term ratings of Kazakhstan in foreign currency and national currencies from “BBB-”/“BBB” negative to “BBB-”/“BBB” stable.

Rating agency Standard & Poor’s reconsidered the forecast on rating of the Republic of Kazakhstan from “Negative” to “Stable” in view of decrease in contingent liabilities’ risks, related to banking sector. Also long-term sovereign credit ratings of the Republic of Kazakhstan on liabilities in foreign currency – “BBB-”, rating on liabilities in national currency - “BBB” were confirmed. At the same time, short-term sovereign credit ratings of the Republic of Kazakhstan on liabilities in foreign and national currencies were confirmed on the level “A-3” and “kzAAA” on national scale. Risk rating on transfer and conversion of currency for Kazakhstan non-sovereign borrowers is “BBB”. According to the opinion of Standard & Poor’s the revision of forecast reflects the new strategy of the Government of the Republic Kazakhstan directed at limitation of volume of potential contingent liabilities related to banking sector problems, and provision of resources, which are sufficient to support investors’ confidence and allow banking sector to operate, supporting economics despite the difficulties, which can appear in the nearest future.

Standard & Poor’s believes that the forecast “Stable” reflects the ability of the Government of the Republic of Kazakhstan to cope with current economic difficulties, avoiding budget worsening and substantial deterioration of payment balance.

Operating environment

The activity of National Bank is subject to economic, political and social risks, inherent in running operations in Kazakhstan. Such risks includes the matters arising from government policies, economic conditions, changes in tax and legal spheres, exchange rates fluctuations and contract rights feasibility.

Although in recent years there has been a general improvement in economic conditions in Kazakhstan, the country continues to display certain characteristics of an emerging market. These include, but are not limited to, currency controls and convertibility restrictions, relatively high level of inflation and continuing efforts by the government to implement structural reforms.

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

Ongoing global liquidity crisis

The financial markets, both globally and in the Republic of Kazakhstan, have faced significant volatility and liquidity constraints since the onset of the global financial crisis, which began to unfold in the autumn of 2007 and worsened since August 2008. A side effect of those events was an increased concern about the stability of the financial markets and the strength of counterparties. As such, many lenders and institutional investors have reduced funding to borrowers, which has significantly reduced the liquidity in the global financial system.

While many countries, including Kazakhstan, have recently reported an improvement of the situation in the financial markets, a further downturn can still occur, and further state support measures might be required. Adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or from a decline in the oil and gas prices could slow or disrupt the Kazakhstan economy, and adversely affect the Company's results of operations, financial conditions and prospects.

While the Kazakhstan government has introduced a range of stabilization measures aimed at providing liquidity to Kazakhstani banks and companies, the potential exists for economic uncertainties to continue in the foreseeable future, and a consequence, the potential that assets of the National Bank may not be recovered at their carrying amount in the regular course of business, and corresponding impact on the consolidated financial statements of the National Bank.

The accompanying consolidated financial statements reflect management's assessment of the impact of the economic environment in the Republic of Kazakhstan on the operations and the financial position of the National Bank. The future economic environment could differ from management's assessment.

Recoverability of financial assets

As a result of recent economic turmoil in capital and credit markets globally, and the consequential economic uncertainties existing as at reporting date, there exists the potential that assets of the National Bank may not be recovered at their carrying amount in the regular course of business.

As at 31 December 2009 and as at 31 December and 1 January 2008, the National Bank has financial assets consist of cash on hand in foreign currencies, gold, placements and balances with banks and other institutions, financial assets at fair value through profit or loss, amounts receivable under reverse repurchase agreements, available-for-sale investments, held-to-maturity investments, investments in associates, and other financial assets are amounted to KZT 4,299,659,797 thousand, KZT 2,723,325,139 thousand, and KZT 2,213,711,883 thousand, respectively. The recoverability of these financial assets depends to a large extent on the efficacy of the fiscal measures and other measures and other actions, beyond the National Bank's control, undertaken within various countries to achieve economic stability and recovery. The recoverability of the National Bank's financial assets is determined based on conditions prevailing and information available as at the reporting date. The management believes that no additional provision for losses on financial assets is needed at present, based on prevailing conditions and available information.

2 BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Accounting basis

In accordance with the Law of the Republic of Kazakhstan #2155 dated 30 March 1995 “On National Bank of the Republic of Kazakhstan” the NBK determines policies and methods of accounting for itself for the National Bank which should be based on International Financial Reporting Standards (“IFRS”).

These consolidated financial statements have been prepared in accordance with accounting policy of the National Bank which was approved by the Board of Directors of the National bank on 26 December 2006. The accounting policy of the National Bank is based on IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) with some modifications described below:

Gold is carried at market value. Gain resulting from the mark to market of gold and foreign currency assets and liabilities are recognized directly on accounts of other comprehensive income. Losses resulting from revaluation are recognized in the consolidated income statement in the amount exceeding previously accumulated gains on accounts of other comprehensive income.

(b) Basis of presentation

These consolidated financial statements are prepared on an accrual basis under the historical cost convention except for gold, available-for-sale investments, financial assets and liabilities at fair value through profit or loss, and property and equipment which are measured at revalued amount.

(c) Functional and presentation currency

The national currency of the Republic of Kazakhstan is the Kazakhstani Tenge (“KZT”). Management has determined the National Bank’s functional currency to be the KZT as it in the best way reflects the economic substance of the underlying events and circumstances of the National Bank, which influence on its activities. The KZT is also the National Bank’s presentation currency for the purposes of these consolidated financial statements.

These consolidated financial statements are presented in thousands of KZT (“KZT thousand”) unless otherwise indicated.

3 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) Subsidiaries

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

Financial statements of subsidiaries were corrected in case of necessity for the purpose of conformation of principles of its accounting policies to principles of accounting policy of NBK.

(ii) Associates

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

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

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

When a National Bank transacts with its associate, profits and losses are eliminated to the extent of the National Bank interest in the relevant associate. Losses may provide evidence of an impairment of the asset transferred in which case appropriate provision is made for impairment.

(iii) Transactions eliminated on consolidation

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

(iv) Minority interest

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

Minority interest is presented in the consolidated statement of financial position within equity, separately from the equity before minority interest. Minority interest in the profit or loss of the National Bank is separately disclosed in the consolidated income statement, consolidated statement of comprehensive income, as well as in the consolidated statement of changes in equity.

(b) Gold and foreign currency

(i) Gold

Refined gold in the consolidated financial statements is recorded at market price at the reporting date. Market price is determined by reference to the London Bullion Market Association AM fixings.

(ii) Foreign currency

In preparing the financial statements of the separate entities, monetary assets and liabilities denominated in foreign currencies are translated at the appropriate spot rates of exchange rates prevailing at the reporting date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are recognized on accounts of other comprehensive income.

(iii) Gains and losses on gold and foreign currency

Gains on revaluation of gold and monetary assets and liabilities denominated in foreign currencies are recorded directly on accounts of other comprehensive income. Losses resulting from revaluation are recognized in the consolidated income statement in the amount exceeding previously accumulated gains on accounts of other comprehensive income.

The exchange rates and prices for gold at year-end used by the National Bank in the preparation of the consolidated financial statements are presented below:

	31 December 2009	31 December 2008	1 January 2008
KZT/1 USD	148.46	120.79	120.30
KZT/1 Euro	213.95	170.24	177.17
KZT/1 GBP	239.60	174.64	240.14
KZT/1 Japanese Yen	1.61	1.34	1.07
USD/Gold (1 troy ounce)	1,104.00	865.00	828.50
KZT/1 Special Drawing Rights (“SDR”)	231.89	186.96	189.89

(c) Financial assets and liabilities

(i) Classification of financial instruments

Financial assets and liabilities at fair value through profit or loss represent financial assets and liabilities which are derivative financial instruments.

All derivative financial instruments are carried in the consolidated financial statements as assets when their fair value is positive and as liabilities when they are negative. Net (loss)/gain from financial assets and liabilities at fair value through profit or loss is included in the consolidated income statement.

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

- the National Bank intends to sell such instruments immediately or in the near term;
- the National Bank upon initial recognition designates such instruments as available-for-sale; or
- the National Bank may not recover substantially all of its initial investment, other than because of impairment, which should be classified as assets held for sale.

Held to maturity investments are debt securities with determinable or fixed payments under condition that the National Bank has the positive intent and ability to hold them to maturity. Such securities are carried at amortized cost using the effective interest method, less any allowance for losses. Amortized discounts are recognized in interest income over the period to maturity using the effective interest method.

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

(ii) Recognition of financial instruments in the consolidated financial statements

Financial assets and liabilities are recognized in the consolidated statement of financial position when the National Bank 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 of financial instruments

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability is 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 instruments, including derivatives, 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, and investments held to maturity, which are measured at amortized 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. Such instruments are carried in the consolidated financial statements at cost.

All financial liabilities, other than those 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 amortized cost. Amortized cost is calculated using the effective interest rate method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized using effective interest rate method.

Where a valuation based on observable market data indicates a fair value gain or loss on initial recognition of an asset or liability, the gain or loss is recognized immediately in the consolidated income statement.

(iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the reporting date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

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

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

(v) Gains and losses on subsequent measurement

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

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in the consolidated income statement;
- a gain or loss on an available-for-sale investment is recognized directly on accounts of other comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized, at which time the cumulative gain or loss previously recognized directly on accounts of other comprehensive income is recognized in the consolidated income statement. Interest in relation to an available-for-sale financial asset is recognized as earned in the consolidated income statement calculated using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in the consolidated income statement when the financial asset or liability is derecognized or impaired, and through the process of accrual of income and expenses.

(vi) Derecognition

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

The National Bank also derecognizes certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

(vii) Offsetting of financial assets and liabilities

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 recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the National Bank does not offset the transferred asset and the associated liability.

(viii) Reverse repurchase agreements

In the normal course of business, National Bank enters into purchase and sale back agreements (“reverse repos”). Reverse repos are utilized by the National Bank as an element of liquidity management for trading purposes.

Securities purchased under reverse repo agreements are recorded as amounts receivable under reverse repurchase agreements. The difference between the purchase and resale prices represents interest income and is recognized in the consolidated income statement over the term of the reverse repo using the effective interest rate method.

(ix) Currency in circulation

Currency in circulation are recorded in the consolidated statement of financial position at their nominal value.

Currency in circulation are recorded as a liability when cash is issued by the NBK to second tier banks. Banknote and coins in national currency held in the vaults and cash offices is not included in currency in circulation.

Banknotes and coins production expense include expenses for security, transportation, insurance and other expenses. Banknotes and coins production expense are recognized upon delivery to the vaults and recorded as a separate item in the consolidated income statement.

(x) Reserves of guarantee funds

Reserves of guarantee funds represent the mandatory deposits by second tier banks, which are members of the guarantee systems.

(d) Property and equipment

Property and equipment are carried at revalued cost less accumulated depreciation and any impairment losses.

(i) Revaluation

Property and equipment of the National Bank are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the property and equipment being revalued. A revaluation increase on an item of property and equipment is recognized directly on accounts of other comprehensive income except to the extent that it reverses a previous revaluation decrease recognized in the consolidated income statement, in which case it is recognized in the consolidated income statement. A revaluation decrease on an item of property and equipment is recognized in the consolidated income statement except to the extent that it reverses a previous revaluation increase recognized directly on accounts of other comprehensive income, in which case it is recognized directly on accounts of other comprehensive income.

(ii) Depreciation

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation of property and equipment used in the production of banknotes and coins are included in [banknotes and coins production expense](#). 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 of property and equipment and intangible assets are as follows:

Buildings and constructions	7 to 40 years;
Furniture and equipment	3 to 10 years;
Computer equipment	3 to 5 years;
Vehicles	5 to 25 years;
Intangible assets	1 to 3 years.

(e) Impairment of assets

(i) Available-for-sale investments

When there is objective evidence that available-for-sale investments have impaired, the cumulative loss previously recognized on accounts of other comprehensive income is removed from and recognized in the consolidated income statement under provision for impairment losses on interest bearing assets for the year. These financial assets are recognized net of impairment losses.

(ii) Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of placements and balances with banks and other institutions, amounts receivable under reverse repurchase agreements, held-to-maturity investments and other assets. The National Bank reviews its financial assets at amortized cost, to assess impairment on a regular basis. Financial assets at amortized cost are 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 financial assets at amortized cost and that event (or events) has had an impact on the estimated future cash flows of the financial assets at amortized cost 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 by the National Bank on terms that the National Bank 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 National Bank first assesses whether objective evidence of impairment exists individually for financial assets at amortized cost that are individually significant, and individually or collectively for financial assets at amortized cost that are not individually significant. If the National Bank determines that no objective evidence of impairment exists for an individually assessed financial assets at amortized cost, whether significant or not, it includes to the group of financial assets at amortized cost with similar credit risk characteristics and collectively assesses them for impairment. Financial assets at amortized cost that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets at amortized cost has been incurred, the amount of the loss is measured as the difference between the carrying amount of the financial assets at amortized cost and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the financial assets at amortized cost 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 financial assets at amortized cost 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 National Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect financial assets at amortized cost are recognized in the consolidated income statement and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a financial asset at amortized cost is uncollectable, it is written off against the related allowance for impairment. The National Bank writes off financial assets at amortized cost balance (and any related allowances for losses) when the National Bank's management determines that those financial assets are uncollectible and when all necessary steps to collect the financial assets at amortized cost are completed.

(iii) Financial assets carried at cost

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

All impairment losses in respect of these investments are recognized in the consolidated income statement and cannot be reversed.

(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 as at assessment date 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 recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in the consolidated income statement and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss 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 amortization, if no impairment loss had been recognized in consolidated financial statement.

(f) Taxation

In accordance with legislation of the Republic of Kazakhstan, the NBK is exempt from income tax and value-added tax.

Subsidiaries and associate organizations of the NBK are subject to all taxes.

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income,

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

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

Kazakhstan where the National Bank operates has various other taxes, which are assessed on the National Bank's activities. These taxes are included as a component of operating expenses in the consolidated income statement.

(g) Recognition of income and expense

Interest income and expense are recognized on an accrual basis using the effective interest rate method. Interest income and expenses include amortization of discount or premium, or other differences between initially recognized value of financial instrument and its value on maturity date calculated using the effective interest rate method. Commissions and other income/expenses are recognized in the consolidated income statement when the related transactions are completed.

(h) Retirement and other benefit obligations

The National Bank does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan. The National Bank transfers employees' pension contributions to pension funds in time in accordance with legislation. Once the contributions have been paid, the National Bank has no further payment obligation. Upon retirement, all pension payments are administered by the pension funds directly.

(i) Cash and cash equivalents

For the purposes of the preparation of the consolidated statement of cash flows, cash and cash equivalents include Nostro accounts, term deposits maturing within three months, and cash on hand in foreign currency.

(j) Fiduciary activities

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

(k) Areas of significant management judgment and sources of estimation uncertainty

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

Valuation of financial instruments

Financial instruments that are classified as at fair value through profit or loss including derivatives or as available for sale are stated at fair value. The fair value of such financial instruments is the estimated amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are not directly observable, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument. In exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated statement of comprehensive income on initial recognition. Subsequent gains or losses are only recognized to the extent that it arises from a change in a factor that market participants would consider in setting a price.

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

Had management used different assumptions regarding the interest rates, volatility, exchange rates, the credit rating of the counterparty and valuation adjustments, a larger or smaller change in the valuation of financial instruments where quoted market prices are not available would have resulted that could have had a material impact on the National Bank's reported net income.

Property and equipment

Property and equipment are recognized on revalued cost. The details of the accounting policies used for property and equipment are disclosed in the respective accounting policies set out above and in Note 13.

(l) Changes in principles of preparation of consolidated financial statements

National Bank changed certain principles of preparation of consolidated financial statements during the year ended 31 December 2009. During 2008 and prior reporting periods realized gain and loss from market revaluation of gold and foreign currency denominated assets and liabilities was recognized on the profit and loss account.

In 2009 in accordance with certain amendments to the Law of the Republic of Kazakhstan dated 30 March 1995 “On the National Bank of the Republic of Kazakhstan”, and for optimization and improvement of accounting for operations with foreign currencies and refined precious metals, National Bank reconsidered certain articles of its accounting policy. Namely starting from 2009 gains, both realized and unrealized, from revaluation of gold at market value and foreign currency denominated assets and liabilities are recognized on accounts of other comprehensive income. Losses, both realized and unrealized, resulting from the revaluation are recognized in the consolidated income statement in the amount exceeding previously accumulated gains on account of other comprehensive income.

In accordance with International accounting standards (the “IAS”) 8 “Accounting policy, changes in accounting estimates and errors”, the National Bank corrected the beginning balance of each capital component affected by this change for the earliest reporting period as if the new accounting policy was always applied. The following changes were made to the comparative data in the consolidated financial statements as at 31 December 2009 and for the year then ended:

Changes in the consolidated statement of financial position and consolidated statement of changes in equity:

	As per previous report 31 December 2008	As per current report 31 December 2008	As per previous report 1 January 2008	As per current report 1 January 2008
Revaluation reserve for foreign currency and precious metals	60,619,605	84,985,327	91,704,290	115,310,340
Retained earnings	41,411,118	17,044,639	45,252,865	21,646,815

Changes in consolidated income statement:

	As per previous report 31 December 2008	As per current report 31 December 2008
Net realized gain on available-for-sale investments, foreign currency and precious metals	6,551,022	5,791,350

In 2009, the National Bank has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods ending on 31 December 2009. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the National Bank’s accounting policies that have affected the amounts reported for the current or prior years, except changes in IAS 1 “Presentation of financial statements” (“IAS 1”).

IAS 1 (revised 2007) requires the presentation of a statement of changes in equity as a primary statement and disclosure of other comprehensive income either as part of the statement of comprehensive income or as a separate statement immediately following statement of profit and loss. As a result, the statement of comprehensive income disclosing other comprehensive income for the year has been included as the primary financial statement, directly after the income statement.

On 12 March 2009, the IASB issued an amendment to IAS 39 “Financial Instruments: Recognition and Measurement” and interpretation 9 “Reassessment of Embedded Derivatives” effective for annual periods ending on or after 30 June 2009. These amendments clarify that on reclassification of a financial asset out of the “at fair value through profit or loss” category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. The National Bank applied this amendment for the annual period beginning on 1 January 2009 and believes that it did not have a significant impact on its annual financial statements.

On 5 March 2009, the IASB issued amendments to IFRS 7 “Financial Instruments: Disclosures” named “Improving Disclosures about Financial Instruments”. The amendments introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. The National Bank applied this amendment for the annual period beginning on 1 January 2009.

Amendments to IAS 39, “Financial Instruments: Recognition and Measurement”, and IFRS 7, “Financial Instruments: Disclosures”, titled “Reclassification of Financial Assets” – On 13 October 2008 IASB issued amendments to IAS 39 and IFRS 7 which permits certain reclassifications of non-derivative financial assets (other than those designated as at fair value through profit or loss at initial recognition under the fair value option) out of the fair value through profit or loss category and also allow reclassification of financial assets from the available for sale category to the loans and receivables category in particular circumstances. The amendments to IFRS 7 introduce additional disclosure requirements if an entity has reclassified financial assets in accordance with the amendments to IAS 39. The amendments are effective as of 13 October 2008 and in certain circumstances can be applied retrospectively from 1 July 2008. The National Bank has elected not to apply the amendments to IAS 39 and IFRS 7 retrospectively.

(m) New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective as at 31 December 2009, and have not been applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the National Bank’s operations. The National Bank plans to adopt these pronouncements when they become effective.

National Bank did not adopt the following Standards and Interpretations, which were issued:

IFRS 3 “Business Combinations” – IASB published IFRS 3 and related revisions to IAS 27 “Consolidated and Separate Financial Statements” following the completion in January 2008 of its project on the acquisition and disposal of subsidiaries. They are effective for accounting periods beginning on or after 1 July 2009 but may be adopted together for accounting periods beginning on or after 1 January 2007. Management of the National Bank did not finish the evaluation of possible impacts from changes on preparation of financial statements, when they become applicable.

Financial instruments: Classification and Measurement - On 12 November 2009, the IASB issued IFRS 9 “Financial instruments” as the first step in its project to replace IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 introduces new requirements for classifying and measuring financial assets. Those requirements must be applied starting 1 January 2013, with earlier adoption permitted including for 2009. The IASB intends to expand IFRS 9 during 2010 to add new requirements for classifying and measuring financial liabilities, derecognition of financial instruments, impairment, and hedge accounting. By the end of 2010, IFRS 9 will be a complete replacement for IAS 39 – mandatory for 2013 and optional in earlier years. Management of the National Bank decided not to adopt early this standard. The Management of the National Bank has not yet completed the assessment of the effect of the standard on the financial statements once it will be adopted.

The IASB has revised IAS 24 “Related Party Disclosures” on 4 November 2009 to provide a partial exemption from the disclosure requirements for government-related entities and to clarify the definition of a related party. The revised standard also clarifies that disclosure is required of any commitments of a related party to do something if a particular event occurs or does not occur in the future, including executor contracts (recognized and unrecognized). The revised standard is effective for annual periods beginning on or after 1 January 2011, with earlier application permitted. The Management of the National Bank currently assesses possible impacts of changes.

In October 2009, the IASB issued an amendment to IAS 32 on the classification of rights issues. For rights issues offered for a fixed amount of foreign currency current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to an entity's all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for annual periods beginning on or after 1 February 2010. The Management of the National Bank currently assesses possible impacts of changes.

4 RECLASSIFICATIONS

Changes in classification

Certain reclassifications have been made to the consolidated financial statements as at 31 December 2008 and for the year then ended to conform to the presentation as at 31 December 2009 and for the year then ended. Presentation of the current period provides better presentation of financial results of operations of the National Bank.

These reclassifications include reclassification of gain/loss on operations with financial assets at fair value through profit or loss. These reclassifications are not significant by their substance and do not have an impact on financial results of the National Bank.

	As per previous report 31 December 2008	As per current report 31 December 2008
Interest income	57,436,096	55,621,248
Interest expenses	(26,334,924)	(26,322,326)
(Loss)/gain on operations with financial assets and liabilities at fair value through profit or loss	10,010,543	11,812,793

5 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as at 31 December 2009 and as at 31 December and 1 January 2008 shown in the consolidated statement of cash flows are composed of the following items:

	31 December 2009	31 December 2008	1 January 2008
Nostro accounts in foreign banks	1,407,528,176	765,189,490	639,804,246
Cash on hand in foreign currency	34,787,626	11,206,351	20,435,781
Due to Kazakhstan banks with the maturity of less than three months	4,350,000	15,810,625	809,247
Nostro account in Kazakhstan banks	587,963	284,383	2,445,177
Due to foreign banks with the maturity of less than three months	-	19,296,041	83,274,960
	<u>1,447,253,765</u>	<u>811,786,890</u>	<u>746,769,411</u>

6 GOLD

	31 December 2009	31 December 2008	1 January 2008
Gold deposits with foreign banks	263,779,259	172,404,122	149,762,144
Gold bullion in NBK depository	<u>107,479,739</u>	<u>69,347,099</u>	<u>66,161,642</u>
	<u>371,258,998</u>	<u>241,751,221</u>	<u>215,923,786</u>

7 PLACEMENTS AND BALANCES WITH BANKS AND OTHER INSTITUTIONS

	31 December 2009	31 December 2008	1 January 2008
Financial assets accounted as loans or accounts receivable in accordance with IAS 39:			
Total placements and balances with foreign banks and other institutions			
Nostro accounts			
Organization for Economic Co-operation and Development (the "OECD") banks	1,407,204,714	764,628,208	639,293,563
Other foreign banks	323,462	561,282	510,683
Accounts with the International Monetary Fund	84,802,173	68,539,304	165,664
Receivables on operations in foreign currency			
Other foreign banks	485	-	-
OECD banks	129	960,934	1,893,059
Deposits			
OECD banks	-	19,296,041	83,274,960
Due from external asset management			
OECD banks	-	-	23,275,082
Total placements and balances with foreign banks and other institutions	<u>1,492,330,963</u>	<u>853,985,769</u>	<u>748,413,011</u>
Placements and balances with Kazakhstan banks and other institutions			
Deposits			
Largest 10 Kazakhstan banks	4,350,000	15,810,625	705,671
Other Kazakhstan banks	-	-	103,576
Receivables from the Ministry of Finance of the Republic of Kazakhstan	4,203,391	1,561,881	2,672,143
Nostro accounts			
Largest 10 Kazakhstan banks	513,974	98,877	2,349,160
Other Kazakhstan banks	73,989	185,506	96,017
Receivables from Kazakhstan banks and insurance organizations	40	889,738	1,162,484
Loans			
Largest 10 Kazakhstan banks	-	9,594,671	72,787,538
Total placements and balances with Kazakhstan banks and other institutions	<u>9,141,394</u>	<u>28,141,298</u>	<u>79,876,589</u>
	<u>1,501,472,357</u>	<u>882,127,067</u>	<u>828,289,600</u>

(a) Concentration of placements and balances with banks and other institutions

As at 31 December 2009 and as at 31 December and 1 January 2008, the National Bank had two, one and two banks and financial institutions, respectively, whose balances exceeded 10% of total placements and balances with banks and other institutions. The gross value of these balances as at 31 December 2009 and as at 31 December and 1 January 2008 were KZT 1,136,703,986 thousand; KZT 653,956,879 thousand and KZT 616,712,738 thousand, respectively.

8 FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

(a) Derivative financial instruments

The fair values of derivative instruments held as at 31 December 2009 and as at 31 December and 1 January 2008 are set out in the following table:

	31 December 2009			31 December 2008			1 January 2008		
	Contract/ notional amount	Fair values		Contract/ notional amount	Fair value		Contract/ notional amount	Fair value	
		Assets	Liabilities		Assets	Liabilities		Assets	Liabilities
<i>Derivative financial instruments</i>									
- swap operations	43,590,127	891,460	(2,435,680)	331,246,597	9,635,926	(3,180,152)	56,788,576	94,048	-
- forwards operations	60,047,710	328,801	(59,142)	156,544,286	548	(75,863)	-	-	-
- futures operations	-	-	-	183,175	101,230	(101,230)	-	-	-
	<u>103,637,837</u>	<u>1,220,261</u>	<u>(2,494,822)</u>	<u>487,974,058</u>	<u>9,737,704</u>	<u>(3,357,245)</u>	<u>56,788,576</u>	<u>94,048</u>	<u>-</u>

The tables below summarizes, by major currencies, the contractual amounts of the National Bank's outstanding balances from derivative transactions as at 31 December 2009 and as at 31 December and 1 January 2008 with details of the contracted weighted average exchange rates and remaining periods to maturity:

	Contract/ notional amount	31 December 2009 Weighted aver- age contracted exchange rates	Fair value	
			Assets	Liabilities
Swap operations				
Buy KZT sell South Korean wons				
For the period more than three months	<u>43,590,127</u>	7.85	<u>891,460</u>	<u>(2,435,680)</u>
	<u>43,590,127</u>		<u>891,460</u>	<u>(2,435,680)</u>
“Forward” operations				
Buy USD sell GBP				
For the period less than three months	6,910,161	1.605021	-	(37,565)
Sell Gold buy USD				
For the period less than three months	8,206,127	1,105.50	10,285	-
Sell Gold buy USD				
For the period less than three months	8,202,415	1,105.00	6,734	-
Buy Gold sell USD				
For the period less than three months	8,129,521	1,095.18	66,185	-
Buy Gold sell USD				
For the period less than three months	8,130,412	1,095.30	65,447	-
Buy JPY sell AUD				
For the period less than three months	2,378,374	82.0695	-	(21,577)
Buy GBP sell USD				
For the period less than three months	2,156,400	1.589234	32,759	-
Buy GBP sell USD				
For the period less than three months	6,948,400	1.588735	107,705	-
Buy Euro sell USD				
For the period less than three months	<u>8,985,900</u>	1.434705	<u>39,686</u>	<u>-</u>
	<u>60,047,710</u>		<u>328,801</u>	<u>(59,142)</u>
	<u>103,637,837</u>		<u>1,220,261</u>	<u>(2,494,822)</u>

	31 December 2008			
	Contract/ notional amount	Weighted average contracted exchange rates	Fair value	
			Assets	Liabilities
Swap operations				
Buy KZT sell Japanese yens				
For the period less than three months	17,004,889	1.344	-	-
Buy KZT sell USD				
For the period less than three months	110,761,050	121.023	-	(47,436)
Buy KZT sell Euro				
For the period less than three months	507,878	169.293	-	(4,080)
Buy Euro sell USD				
For the period less than three months	12,819,072	1.425	-	(142,289)
Buy USD sell Euro				
For the period less than three months	12,960,327	1.425	142,302	-
Buy USD sell Japanese yens				
For the period less than three months	97,291,851	90.386	-	(260,903)
Buy KZT sell South Korean wons				
For the period more than three months	76,234,090	10.211	9,215,340	(2,700,350)
Buy GBP sell Euro				
For the period less than three months	3,667,440	0.968	-	(24,639)
Accrued interest on swaps	-	-	278,284	(455)
	<u>331,246,597</u>		<u>9,635,926</u>	<u>(3,180,152)</u>
“Forward” operations				
Buy USD sell GBP				
For the period less than three months	2,095,803	1.446	548	-
Buy USD sell KZT				
For the period more than three months	57,712,000	144.280	-	-
Buy USD sell KZT				
For the period more than three months	48,316,000	144.280	-	-
Buy KZT sell USD				
For the period more than three months	48,316,000	167.110	-	(72,496)
Buy Gold sell USD				
For the period less than three months	104,483	837.500	-	(3,367)
	<u>156,544,286</u>		<u>548</u>	<u>(75,863)</u>
“Futures” operations				
Purchase of securities denominated in Euro				
For the period more than three months	183,175	107.120	101,230	(101,230)
	<u>183,175</u>		<u>101,230</u>	<u>(101,230)</u>
	<u>487,974,058</u>		<u>9,737,704</u>	<u>(3,357,245)</u>
1 January 2008				
	Contract/ notional amount	Weighted average contracted exchange rates	Assets	Liabilities
Swap operation				
Buy KZT sell USD				
For the period less than three months	56,788,576	120.910	94,048	-
	<u>56,788,576</u>		<u>94,048</u>	<u>-</u>

9 AMOUNTS RECEIVABLE UNDER REVERSE REPURCHASE AGREEMENTS

	31 December 2009	31 December 2008	1 January 2008
Kazakhstani banks	586,451,722	119,702,645	4,003,617
OECD banks	-	276,299,545	167,933,720
	<u>586,451,722</u>	<u>396,002,190</u>	<u>171,937,337</u>

(a) Collateral

As at 31 December 2009 and as at 31 December and 1 January 2008, amounts receivable under reverse repurchase agreements were collateralized by the following securities:

	31 December 2009 Fair value	31 December 2008 Fair value	1 January 2008 Fair value
Kazakhstani banks and other institutions			
Bonds of JSC “Fund of national welfare Samruk-Kazyna”	417,627,858	-	-
Notes of NBK	-	44,056,472	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	-	41,823,599	4,206,037
Corporate securities of other banks	-	13,483,758	-
	<u>417,627,858</u>	<u>99,363,829</u>	<u>4,206,037</u>
OECD banks			
US Government Treasury bills	-	272,059,191	168,165,084
Japanese Government Treasury bills	-	4,099,240	-
	<u>-</u>	<u>276,158,431</u>	<u>168,165,084</u>
	<u>417,627,858</u>	<u>375,522,260</u>	<u>172,371,121</u>

10 AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2009	31 December 2008	1 January 2008
<i>Debt instruments – Quoted</i>			
Foreign investments			
US Government Treasury bills	700,031,462	431,935,140	347,969,052
British Government Treasury bills	137,390,598	60,619,761	58,798,608
Japanese Government Treasury bills	134,081,105	80,694,473	66,076,051
Italian Government Treasury bills	114,583,183	32,393,067	33,673,808
German Government Treasury bills	108,108,245	59,517,700	40,652,239
French Government bonds	78,707,049	159,392,052	20,731,400
Australian Government Treasury bills	70,959,290	30,306,422	22,927,892
Debt securities of international governmental and non-governmental financial institutions	60,114,083	90,162,687	223,865,276
Korean Government Treasury bills	50,165,623	51,399,163	-
Spanish Government Treasury bills	41,809,327	10,361,956	13,792,942
Netherlands Government Treasury bills	26,686,978	13,648,175	16,236,162
Greek Government Treasury bills	24,213,976	8,649,745	25,545,458
Belgian Government Treasury bills	22,584,327	9,308,844	9,386,600
Portuguese Government Treasury bills	8,591,556	2,794,135	8,997,836
Finnish Government bonds	5,535,701	-	-
Austrian Government bonds	4,949,558	-	-
Irish Government Bonds	2,732,575	-	-
Other	85,301,913	39,621,459	60,330,530
Total foreign investments	<u>1,676,546,549</u>	<u>1,080,804,779</u>	<u>948,983,854</u>
Kazakhstan investments			
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	121,524,762	95,354,352	22,692,375
Debts securities of JSC “Kazakhstan Mortgage Company”	1,317,011	966,813	1,085,541
Total Kazakhstan investments	<u>122,841,773</u>	<u>96,321,165</u>	<u>23,777,916</u>
<i>Equity instruments – Unquoted</i>			
JSC “Kazakhstan Stock Exchange”	2,695	2,200	22,003
JSC “Kazakhstan Guarantee Fund of Mortgage Loans”	-	500,000	500,000
Total unquoted equity instruments	<u>2,695</u>	<u>502,200</u>	<u>522,003</u>
	<u>1,799,391,017</u>	<u>1,177,628,144</u>	<u>973,283,773</u>

As at 31 December 2009 debt securities of international governmental and non-governmental financial institutions included securities issued by state agencies of France, Germany, Luxemburg and Federal Home Loan Bank (31 December and 1 January 2008: Credit organization of Development, European Investment Bank, International Bank of Reconstruction and Development, Federal Home Mortgage Corporations, Federal National Mortgage Association, and also State Agencies of France, Australia and Italy).

As at 31 December 2009 other foreign investments included corporate securities issued by companies resident in France, Ireland, Netherlands and Germany (31 December and 1 January 2008: Germany, Netherlands, Australia, Japan and Ireland).

In July 2009 ordinary shares of JSC “Kazakhstan Guarantee Fund of Mortgage Loans” were gratuitously transferred to the Government of the Republic of Kazakhstan in accordance with mandate of the Prime Minister of the Republic of Kazakhstan dated 9 December 2008 # 20-44/6647 and Regulation of Management of the National Bank of the Republic of Kazakhstan dated 27 February 2009 #19. As at 31 December 2009 and as at 31 December and 1 January 2008 ordinary shares of JSC “Kazakhstan Guarantee Fund of Mortgage Loans” and JSC “Kazakhstan Stock Exchange” are unquoted and carried at cost. In June 2008 ordinary shares of “Kazakhstan Stock Exchange” were sold by NBK for the amount of KZT 19,803 thousand.

As at 31 December 2009 as the result of objective evidence of impairment of corporate bonds of JSC “BTA Bank” and “TuranAlem Finance BV”, Management of National Bank recognized accumulated loss, recognized directly on the accounts of other comprehensive income in amount KZT 10,126,616 thousand in consolidated income statement for current period.

11 HELD-TO-MATURITY INVESTMENTS

	31 December 2009	31 December 2008	1 January 2008
Investments of Kazakhstan issuers			
Bonds of the Ministry of Finance of the Republic of Kazakhstan	400,000	921,272	-
	<u>400,000</u>	<u>921,272</u>	<u>-</u>

GNPF, subsidiary of NBK, had held-to-maturity investments, which are: as at 31 December 2009 MEOKAM-48 for the amount of KZT 400,000 thousand with maturity in 2010; as at 31 December 2008 MEKKAM-12 for the amount of KZT 291,811 thousand, MEOKAM-24 for the amount of KZT 229,461 thousand and MEOKAM-48 for the amount of KZT 400,000 thousand with maturity dates in 2009 and 2010.

12 INVESTMENTS IN ASSOCIATES

Company	Country of incorporation	Main activity	Share controlled %			Carrying value		
			31 December 2009	31 December 2008	1 January 2008	31 December 2009	31 December 2008	1 January 2008
JSC “Central securities depository”	Republic of Kazakhstan	Operations with securities	49.79%	49.79%	49.79%	542,201	402,024	341,231
JSC “National Analytical centre under the Government and the National Bank of the Republic of Kazakhstan”	Republic of Kazakhstan	Scientific research and consulting services	-	37.74%	50.00%	-	930,424	989,087
						<u>542,201</u>	<u>1,332,448</u>	<u>1,330,318</u>

In accordance with Law of the Republic of Kazakhstan dated 30 March 1995 “On the National Bank of the Republic of Kazakhstan” and on the basis of a letter from the Deputy Prime Minister of the Republic of Kazakhstan dated 29 October 2009 # 20-19/5758 and a Decision of the Management of the National Bank of Republic of Kazakhstan dated 30 November 2009 № 112 “About gratuitous transfer of shares of JSC “National Analytical Center under the Government and the National Bank of the Republic of Kazakhstan”, the National Bank gratuitously transferred to the Government of the Republic of Kazakhstan, in accordance with related legislative acts and regulations, 100,000 ordinary shares of JSC “National Analytical Center under the Government and the National Bank of the Republic of Kazakhstan” that compose 37.74% of that entity’s total issued shares.

The following is the summarized financial information in respect of the associates:

	31 December 2009 and for the year then ended	
	JSC “Central securities depository”	Total
Assets	<u>1,105,523</u>	<u>1,105,523</u>
Liabilities	<u>16,638</u>	<u>16,638</u>
Total equity	<u>1,088,885</u>	<u>1,088,885</u>
Revenue	<u>446,377</u>	<u>446,377</u>
Retained earnings at 1 January	762,917	762,917
Net profit for the year	<u>277,368</u>	<u>277,368</u>
Retained earnings at 31 December	<u>1,040,285</u>	<u>1,040,285</u>

31 December 2008 and for the year then ended

	JSC “Central securities depository”	JSC “National Analytical centre under the Government and the National Bank of the Republic of Kazakhstan”	Total
Assets	<u>828,376</u>	<u>2,526,014</u>	<u>3,354,390</u>
Liabilities	<u>21,004</u>	<u>60,390</u>	<u>81,394</u>
Total equity	<u>807,372</u>	<u>2,465,624</u>	<u>3,272,996</u>
Revenue	<u>299,507</u>	<u>143,350</u>	<u>442,857</u>
Retained earnings at 1 January	604,053	(21,890)	582,163
Net profit for the year	<u>124,719</u>	<u>(116,153)</u>	<u>8,566</u>
Retained earnings at 31 December	<u>728,772</u>	<u>(138,043)</u>	<u>590,729</u>
		1 January 2008	
	JSC “Central securities depository”	JSC “National Analytical centre under the Government and the National Bank of the Republic of Kazakhstan”	Total
Assets	<u>698,450</u>	<u>979,932</u>	<u>1,678,382</u>
Liabilities	<u>13,167</u>	<u>1,758</u>	<u>14,925</u>
Total equity	<u>685,283</u>	<u>978,174</u>	<u>1,663,457</u>

13 PROPERTY AND EQUIPMENT

	Land, buildings and constructions	Furniture and equipment	Computer equipment	Vehicles	Construction in progress/equipment not yet installed	Total
Cost/revalued amount						
1 January 2008	19,171,501	7,720,472	2,120,044	736,027	312,505	30,060,549
Additions	199,389	2,316,855	696,863	12,964	724,480	3,950,551
Revaluation	746,053	77,651	755	7,167	-	831,626
Disposals	(156,638)	(378,066)	(268,251)	(177)	(20,832)	(823,964)
Transfers	2,651	178,780	53,207	254,616	(489,254)	-
31 December 2008	19,962,956	9,915,692	2,602,618	1,010,597	526,899	34,018,762
Additions	339,555	2,589,304	354,417	121	914,182	4,197,579
Revaluation	(246,936)	-	-	-	-	(246,936)
Disposals	(113,925)	(655,095)	(432,477)	(100,472)	-	(1,301,969)
Transfers	-	499,217	42,140	305	(541,662)	-
31 December 2009	19,941,650	12,349,118	2,566,698	910,551	899,419	36,667,436
Depreciation						
1 January 2008	401,345	3,529,489	1,480,688	470,419	-	5,881,941
Charge	1,042,633	770,590	219,704	98,121	-	2,131,048
Revaluation	115,794	(6,630)	(556)	1,661	-	110,269
Disposals	(150,470)	(278,477)	(265,231)	(177)	-	(694,355)
31 December 2008	1,409,302	4,014,972	1,434,605	570,024	-	7,428,903
Charge	1,049,671	724,329	296,532	63,868	-	2,134,400
Disposals	(28,665)	(530,639)	(378,562)	(93,678)	-	(1,031,544)
31 December 2009	2,430,308	4,208,662	1,352,575	540,214	-	8,531,759
Net carrying value						
31 December 2009	17,511,342	8,140,456	1,214,123	370,337	899,419	28,135,677
31 December 2008	18,553,654	5,900,720	1,168,013	440,573	526,899	26,589,859
1 January 2008	18,770,156	4,190,983	639,356	265,608	312,505	24,178,608

Revalued assets

As at 31 December 2009 buildings and construction were revalued based on the results of an independent appraisal performed by LLP “Valuation legal company “Business Partner”.

The carrying value of buildings and constructions as at 31 December 2009, if the buildings and constructions had not been revalued, would be KZT 17,758,278 thousand.

As at 31 December 2008 cost of buildings and constructions, furniture and equipment, computer equipment, vehicles were revalued based on the results of an independent appraisal performed by LLP “Ust – Kamenogorsk - Consulting” and LLP “Finaudit - Otsenka”.

The carrying value of buildings and construction as at 31 December 2008, if the buildings had not been revalued, would be: buildings and construction - KZT 17,923,396 thousand, furniture and equipment – KZT 5,829,698 thousand, computer equipment – KZT 1,167,812 thousand and transport vehicle – KZT 526,901 thousand.

As at 1 January 2008 buildings and constructions were revalued based on the results of an independent appraisal performed by LLP “Company KBS Advisory”.

The carrying value of buildings and constructions as of 1 January 2008, if the buildings had not been revalued, would be KZT 4,621,000 thousand.

As at 31 December 2009 and as at 31 December and 1 January 2008 the basis used for the appraisal was the market approach. The cost approach was used to assess the reasonableness of the results of the market approach. The market approach was based upon an analysis of the results of comparable sales of similar property and equipment.

14 INTANGIBLE ASSETS

	2009	2008
Cost		
Beginning of the year	3,008,736	2,247,964
Additions	161,133	972,178
Disposals	(91,520)	(211,406)
End of the year	<u>3,078,349</u>	<u>3,008,736</u>
Amortization		
Beginning of the year	1,457,318	1,283,059
Amortization charge	355,038	382,257
Disposals	(83,874)	(207,998)
End of the year	<u>1,728,482</u>	<u>1,457,318</u>
Book value at the end of the year	<u>1,349,867</u>	<u>1,551,418</u>
Book value at the beginning of the year	<u>1,551,418</u>	<u>964,905</u>

Intangible assets consist mainly of software.

15 DEFERRED TAX ASSETS AND LIABILITIES

In accordance with Kazakhstan legislation, the NBK is exempt from income tax; however NBK’s subsidiaries are subject to income tax.

Temporary differences between the carrying amounts of assets and liabilities of the subsidiaries for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as at 31 December 2009 and as at 31 December and 1 January 2008. The deferred tax assets and liabilities have been recognized in these consolidated financial statements. Certain future tax benefits have not been recognized due to uncertainties concerning their realization.

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

	31 December 2009	Assets 31 December 2008	1 January 2008	31 December 2009	Liabilities 31 December 2008	1 January 2008
Property and equipment	(1,333)	-	-	754,899	786,699	450,917
Intangible assets	-	(17,508)	(21,014)	(45,694)	-	-
Other liabilities	(71,878)	(42,306)	(32,904)	(24,624)	-	-
Total deferred tax (assets)/liabilities	<u>(73,211)</u>	<u>(59,814)</u>	<u>(53,918)</u>	<u>684,581</u>	<u>786,699</u>	<u>450,917</u>

The tax rates used for analysis of correlation between tax expenses and financial accounting profits are 20% for 2009 and 30% for 2008 payable by the legal entities in the Republic of Kazakhstan on taxable profits under tax law.

The above temporary differences do not expire under current tax legislation.

Movement in temporary differences

	31 December 2008	Recognized in expenses and in equity	31 December 2009
Property and equipment	786,699	(33,133)	753,566
Intangible assets	(17,508)	(28,186)	(45,694)
Other liabilities	(42,306)	(54,196)	(96,502)
	<u>726,885</u>	<u>(115,515)</u>	<u>611,370</u>
	1 January 2008	Recognized in expenses and in equity	31 December 2008
Property and equipment	450,917	335,782	786,699
Intangible assets	(21,014)	3,506	(17,508)
Other liabilities	(32,904)	(9,402)	(42,306)
	<u>396,999</u>	<u>329,886</u>	<u>726,885</u>

16 OTHER ASSETS

	31 December 2009	31 December 2008	1 January 2008
Other financial assets accounted as loans or accounts receivable in accordance with IAS 39:			
Other debtors from banking activity	3,147,778	1,597,845	1,376,537
Loans	485,674	394,656	387,501
Payments related to financing Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial institutions	363,420	96,644	62,726
Accrued other commission income	110,931	293,040	5,668
Other debtors from non-banking activity	13,801	102,028	452,034
Other	21,395	138,396	151,442
	<u>4,142,999</u>	<u>2,622,609</u>	<u>2,435,908</u>
Less: Impairment allowance	<u>(7,384)</u>	<u>(3,867)</u>	<u>(18,668)</u>
	4,135,615	2,618,742	2,417,240
Other non-financial assets			
Inventories	3,326,227	3,304,524	2,478,132
Prepayments for property and equipment	118,649	36,451	7,567
Refined and non-refined precious metals, and stones	68,747	188,549	49,141
Other	5,170	3,783	5,145
	<u>7,654,408</u>	<u>6,152,049</u>	<u>4,957,225</u>

Analysis of movements in the impairment allowance:

	2009	2008
Beginning of the year	3,867	18,668
Net charge for the year	540,026	27,521
Recovery of impairment loss	(47)	(12,273)
Write-offs	<u>(536,462)</u>	<u>(30,049)</u>
End of the year	<u>7,384</u>	<u>3,867</u>

17 CURRENCY IN CIRCULATION

	31 December 2009	31 December 2008	1 January 2008
Banknotes and coins in circulation	1,048,888,299	987,848,823	860,927,452
Less banknotes and coins on hand and in vaults	<u>(842,776)</u>	<u>(778,932)</u>	<u>(938,301)</u>
	<u>1,048,045,523</u>	<u>987,069,891</u>	<u>859,989,151</u>

18 DEPOSITS AND BALANCES FROM BANKS AND OTHER INSTITUTIONS

	31 December 2009	31 December 2008	1 January 2008
<i>Deposits and balances from foreign banks and other institutions</i>			
Deposits and balances in foreign currency			
OECD banks	2,700,617	965,362	2,198,516
Loans			
Accounts of international financial organizations	165,004,693	68,559,119	87,048
Other foreign banks	146,854	229,829	228,897
Total deposits and balances from foreign banks and other institutions	<u>167,852,164</u>	<u>69,754,310</u>	<u>2,514,461</u>
<i>Deposits and balances from Kazakhstan banks and other institutions</i>			
Loro accounts			
Largest 10 Kazakhstan banks	212,139,594	164,113,051	450,889,917
Other Kazakhstan banks	378,356,593	92,808,570	134,698,602
Term deposits			
Largest 10 Kazakhstan banks	357,287,164	10,004,375	-
Other Kazakhstan banks	317,789,772	638,453,829	27,388,808
Total deposits and balances from Kazakhstan banks and other institutions	<u>1,265,573,123</u>	<u>905,379,825</u>	<u>612,977,327</u>
	<u>1,433,425,287</u>	<u>975,134,135</u>	<u>615,491,788</u>

(a) Concentration of deposits and balances from banks and other institutions

As at 31 December 2009 and as at 31 December and 1 January 2008 the National Bank had one, one and two counterparties - banks and other institutions, respectively, whose balances exceeded 10% of total deposits and balances from banks and other institutions. The total value of these balances as at 31 December 2009 and as at 31 December and 1 January 2008 was KZT 209,000,000 thousand, KZT 592,193,474 thousand and KZT 243,359,138 thousand, respectively.

19 DUE TO THE NATIONAL FUND OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2009	31 December 2008	1 January 2008
In national currency	121,589,299	1,111	208,739,409
In foreign currency	44,921,669	4,310,026	12,388,237
	<u>166,510,968</u>	<u>4,311,137</u>	<u>221,127,646</u>

During 2009 and 2008 the National Bank conducted trust management activities over the assets of the National Fund of the Republic of Kazakhstan. Assets and liabilities of the National Fund are not included in these consolidated financial statements, except for deposits of the National Fund of the Republic of Kazakhstan in NBK.

20 DUE TO THE MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN

	31 December 2009	31 December 2008	1 January 2008
In national currency	119,651,784	46,328,386	71,514,981
In foreign currency	14,846,000	29,359	-
	<u>134,497,784</u>	<u>46,357,745</u>	<u>71,514,981</u>

21 RESERVES OF GUARANTEE FUNDS

	31 December 2009	31 December 2008	1 January 2008
Guarantee reserves on deposits	33,542,786	18,662,389	8,937,750
Guarantee reserves on insurance claims	-	-	441,000
	<u>33,542,786</u>	<u>18,662,389</u>	<u>9,378,750</u>

22 CUSTOMER ACCOUNTS

	31 December 2009	31 December 2008	1 January 2008
In national currency	320,937,307	138,406,748	1,416,542
In foreign currency	<u>1,236,363</u>	<u>23,779,561</u>	<u>84,234</u>
	<u>322,173,670</u>	<u>162,186,309</u>	<u>1,500,776</u>

During 2009 and 2008 the National Bank maintained customer accounts in foreign and national currencies. NBK clients' industry is state management, and NBK subsidiaries clients' industries are financial agency services, insurance and liquidation of banks.

As at 31 December 2009 and as at 31 December and 1 January 2008, customers accounts totalling KZT 266,617,814 thousand (82.8%), KZT 69,488,926 thousand (42.8%) and KZT 1,000,498 thousand (66.7%), respectively, were due to one customer, which represents significant concentration.

23 DEBT SECURITIES ISSUED

As at 31 December 2009 debt securities issued comprise the following issues:

Emissions	Carrying amount	Issue date dd.mm.yy	Maturity date dd.mm.yy	Effective interest rate
KZW1KM062035	27,841,368	28.08.2009	26.02.2010	2.97
KZW1KM062076	1,175,842	25.09.2009	26.03.2010	3.07
KZW1KD912098	3,708,165	09.10.2009	08.01.2010	2.52
KZW1KD912106	5,283,367	16.10.2009	15.01.2010	2.56
KZW1KD912114	21,165,396	23.10.2009	22.01.2010	2.56
KZW1KM062126	4,654,509	30.10.2009	30.04.2010	3.03
KZW1KD912130	45,140,356	06.11.2009	05.02.2010	2.56
KZW1KD912148	75,486,325	13.11.2009	12.02.2010	2.44
KZW1KD912155	89,850,396	20.11.2009	19.02.2010	2.36
KZW1KM062167	22,507,335	26.11.2009	28.05.2010	2.85
KZW1KD912171	72,062,371	04.12.2009	05.03.2010	2.04
KZW1KD912189	19,608,144	11.12.2009	12.03.2010	2.04
KZW1KD892191	33,621,859	20.12.2009	19.03.2010	2.04
KZW1KD912205	8,498,594	25.12.2009	26.03.2010	2.04
KZW1KM062217	<u>32,579,922</u>	31.12.2009	02.07.2010	2.61
	<u>463,183,949</u>			

As at 31 December 2008 debt securities issued comprise the following issues:

Emissions	Carrying amount	Issue date dd.mm.yy	Maturity date dd.mm.yy	Effective interest rate
KZW1KM061490	67,320,902	22.08.2008	20.02.2009	7.11
KZW1KY011534	45,975,452	19.09.2008	18.09.2009	7.50
KZW1KD911587	83,705,423	24.10.2008	23.01.2009	6.29
KZW1KM061623	2,431,886	21.11.2008	22.05.2009	7.11
KZW1KD281650	15,074,324	12.12.2008	09.01.2009	5.92
KZW1KD911660	116,496	19.12.2008	20.03.2009	6.29
KZW1KD281676	36,832,316	26.12.2008	23.01.2009	5.92
KZW1KD311689	44,508,027	30.12.2008	30.01.2009	5.96
	<u>295,964,826</u>			

As at 1 January 2008 debt securities issued comprise the following issues:

Emissions	Carrying amount	Issue date dd.mm.yy	Maturity date dd.mm.yy	Effective interest rate
KZW1KM120825	77,541,746	11.05.2007	08.05.2008	6.50
KZW1KM120957	10,211,096	10.08.2007	08.08.2008	7.77
KZW1KD281122	12,875,451	07.12.2007	04.01.2008	5.64
KZW1KD281130	15,458,680	14.12.2007	11.01.2008	5.64
KZW1KD281148	62,889,704	21.12.2007	18.01.2008	5.64
KZW1KD281155	42,286,905	28.12.2007	25.01.2008	5.64
	<u>221,263,582</u>			

24 OTHER LIABILITIES

	31 December 2009	31 December 2008	1 January 2008
Other financial liabilities:			
Other creditors on non-banking activity	1,877,140	579,129	821,451
Others creditors on banking activity	129,789	17,706	49,897
General and administrative expenses payable	31,302	45,022	36,054
Other	3,379	21,282	10,641
	<u>2,041,610</u>	<u>663,139</u>	<u>918,043</u>
Other non-financial liabilities:			
Salaries payable	1,772,254	1,098,658	1,101,434
Current income tax payable	900,601	12,141	2,542
Other prepayments received	252,229	209,396	297,104
Tax payable (except for corporate income tax)	249,900	139,101	265,659
Payables on purchase of fixed assets	2,420	-	16,172
	<u>5,219,014</u>	<u>2,122,435</u>	<u>2,600,954</u>

25 SHARE CAPITAL AND RESERVES

The share capital of the National Bank is regulated by the Decree of the President of the Republic of Kazakhstan dated 30 March 1995 with subsequent amendments and alterations. In accordance with the amendments to the Decree dated 18 December 2000 the share capital shall comprise not less than KZT 20,000,000 thousand formed by appropriations of the net income as well as funding from the republican budget. As at 31 December 2009 and as at 31 December and 1 January 2008, the share capital of the National Bank amounted to KZT 20,000,000 thousand.

In accordance with the Law of the Republic of Kazakhstan “On the National Bank of the Republic of Kazakhstan”, the NBK should establish a capital reserve in the amount of not less than its share capital. At at 31 December 2009 and as at 31 December and 1 January 2008, the capital reserve amounted to KZT 114,899,473 thousand, KZT 86,384,133 thousand and KZT 48,774,701 thousand, respectively. In addition, the reserve for general banking risks is formed by an annual transfer from retained earnings in the amount of 0.5% of the value of certain assets. As at 31 December 2009 and as at 31 December and 1 January 2008, reserve for general banking risks amounted to KZT 9,091,502 thousand, KZT 6,320,981 thousand and KZT 6,318,703 thousand, respectively. These reserves are non-distributable.

26 NET INTEREST INCOME

	Year ended 31 December 2009	Year ended 31 December 2008
Interest income comprises:		
Interest income on financial assets recorded at amortized cost:		
- interest income on unimpaired assets	36,772,709	23,576,689
Available-for-sale investments	<u>36,702,764</u>	<u>32,044,559</u>
Total interest income	<u>73,475,473</u>	<u>55,621,248</u>
Interest income on financial assets recorded at amortized cost:		
Amounts receivable under reverse repurchase agreements	34,729,232	4,104,901
Placements and balances with banks and other institutions	2,030,404	19,455,123
Others	<u>13,073</u>	<u>16,665</u>
Total interest income on financial assets recorded at amortized cost	36,772,709	23,576,689
Available-for-sale investments	<u>36,702,764</u>	<u>32,044,559</u>
Total interest income	<u>73,475,473</u>	<u>55,621,248</u>
Interest expense on financial liabilities at amortized cost comprises:		
Deposits and balances from banks and other institutions	(10,402,012)	(7,551,724)
Debt securities issued	(8,992,968)	(18,242,705)
Due to the Ministry of Finance of the Republic of Kazakhstan	(246,650)	(191,263)
Amounts payable under repurchase agreements	<u>-</u>	<u>(336,634)</u>
Total interest expense on financial liabilities recorded at amortized cost	<u>(19,641,630)</u>	<u>(26,322,326)</u>
Net interest income before provision for impairment losses on interest bearing assets	<u>53,833,843</u>	<u>29,298,922</u>

27 FEE AND COMMISSION INCOME AND EXPENSES

	Year ended 31 December 2009	Year ended 31 December 2008
Fee and commission income		
Income from pension asset management	5,336,061	2,767,970
Income from custody and trust operations	3,716,953	1,992,752
Income from transfer operations	201,321	318,168
	<u>9,254,335</u>	<u>5,078,890</u>
Fee and commission expense		
Commission expenses from trust management services	(482,396)	(458,715)
Commission expenses from operations with foreign currencies, securities and stock exchange	(177,702)	(101,210)
Commission expenses from custody services	(69,014)	(67,827)
Other commissions	(649)	(736)
	<u>(729,761)</u>	<u>(628,488)</u>
Total fee and commission income	<u>8,524,574</u>	<u>4,450,402</u>
Total fee and commission expense	<u>(729,761)</u>	<u>(628,488)</u>
Net fee and commission income	<u><u>8,524,574</u></u>	<u><u>4,450,402</u></u>

Fee and commission income on pension asset management consists of commission income of GNPF.

Fee and commission income on custody and trust operations consists of income for trust management services provided to the National Fund of the Republic of Kazakhstan, JSC “State Export Credits and Investments Guarantee Corporation”, JSC “Kazakhstan Mortgage Company”, JSC “Social Insurance State Fund” and other institutions. NBK renders asset management services to these organizations, or invests funds received in various financial instruments in accordance with customers’ instructions.

Income on transfer operations consists of commission income from inter-banking, money transfers and clearing operations of RSE “Kazakhstan Centre of Inter-banking Settlements of the National Bank of the Republic of Kazakhstan”.

28 NET REALISED GAIN ON AVAILABLE-FOR-SALE INVESTMENTS

	Year ended 31 December 2009	Year ended 31 December 2008
Operations with available-for-sale investments	<u>16,900,754</u>	<u>5,791,350</u>
	<u><u>16,900,754</u></u>	<u><u>5,791,350</u></u>

29 (LOSS)/GAIN ON OPERATIONS WITH FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2009	Year ended 31 December 2008
Net (loss)/gain on financial assets and liabilities held-for-trading	<u>(3,685,768)</u>	<u>11,812,793</u>
Total net (loss)/gain on financial assets and liabilities at fair value through profit or loss	<u><u>(3,685,768)</u></u>	<u><u>11,812,793</u></u>
Net (loss)/gain on operations with financial assets and liabilities held-for-trading comprise:		
Net (loss)/gain on operations with derivative financial instruments in foreign currency and precious metals	(4,510,295)	11,027,675
Net gain on operations with derivative financial instruments on available-for-sale investments	<u>824,527</u>	<u>785,118</u>
Total net (loss)/gain on operations with financial assets and liabilities held-for-trading	<u><u>(3,685,768)</u></u>	<u><u>11,812,793</u></u>

30 OTHER INCOME

	Year ended 31 December 2009	Year ended 31 December 2008
Income from the sale of coins for collection	1,161,074	982,905
Income from the sale of printed products	799,628	888,064
Income from lease of property and equipment	109,983	119,396
Income from transportation services	97,142	98,981
Income from the sale of medals, gems and jewellery	58,743	92,938
Income from collection services	14,442	8,692
Income from penalties and fines	10,524	20,163
Other	<u>208,486</u>	<u>155,137</u>
	<u><u>2,460,022</u></u>	<u><u>2,366,276</u></u>

31 BANKNOTES AND COINS PRODUCTION EXPESNES

	Year ended 31 December 2009	Year ended 31 December 2008
Coin production expenses	1,866,348	809,139
Banknote production expenses	1,424,756	2,619,451
Other	<u>45,636</u>	<u>55,556</u>
	<u><u>3,336,740</u></u>	<u><u>3,484,146</u></u>

32 FUNDING OF THIRD PARTIES

	Year ended 31 December 2009	Year ended 31 December 2008
Funding of the Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial institutions	2,527,209	2,747,587
Funding of the Masters' Studies at Kazakh Economic University in the name of Ryskulov T.	<u>104,118</u>	<u>45,257</u>
	<u><u>2,631,327</u></u>	<u><u>2,792,844</u></u>

In accordance with the Law of the Republic of Kazakhstan dated 4 July 2003 # 474 "On State regulation and supervision of the financial market and financial institutions", and the Decree of the President of the Republic of Kazakhstan dated 31 December 2003 # 1270 "On Further Improvement of the System of State Management of the Republic of Kazakhstan" the Agency of the Republic of Kazakhstan on regulation and supervision of the financial market and financial institutions (the "AFN") is funded from the budget of the NBK.

33 PAYROLL AND RELATED PAYMENTS TO EMPLOYEES

	Year ended 31 December 2009	Year ended 31 December 2008
Payroll	4,855,186	4,493,674
Bonuses	3,346,742	2,876,751
Social tax	656,637	554,361
Insurance	166,390	160,310
Training	50,712	111,427
Other	<u>44,578</u>	<u>33,461</u>
	<u><u>9,120,245</u></u>	<u><u>8,229,984</u></u>

34 ADMINISTRATIVE EXPENSES

	Year ended 31 December 2009	Year ended 31 December 2008
Taxes other than income tax	527,057	613,381
Communication	508,379	337,748
Information and other services	504,365	442,575
Materials	366,430	372,903
Security	203,931	192,468
Advertising expenses, announcements and presentations in mass media	182,419	122,466
Utilities	122,027	109,062
Repair and maintenance of property and equipment	110,726	164,057
Rent	102,001	110,721
Business trips	99,529	135,015
Transportation	89,315	123,748
Operations related expense	83,439	106,868
Gratuitous assignment of property	68,820	41,240
Insurance of property and equipment	40,469	12,456
Other	<u>229,012</u>	<u>255,873</u>
	<u><u>3,237,919</u></u>	<u><u>3,140,581</u></u>

35 IMPAIRMENT LOSSES

	Year ended 31 December 2009	Year ended 31 December 2008
Other assets:		
Impairment losses	(540,026)	(27,521)
Reversals of impairment losses	47	12,273
	<u>(539,979)</u>	<u>(15,248)</u>

36 GAIN/(LOSS) FROM ACQUISITION/DISPOSAL OF SUBSIDIARY

In 2009 NBK did not sell shares of its subsidiaries and did not purchase shares of third parties. In accordance with the Act of the Republic of Kazakhstan dated 7 May 2009 # 668 “On certain issues of State ownership” ordinary shares of GNPF owned by the Government of Republic of Kazakhstan in quantity of 1,800,000 ordinary shares were transferred to the National Bank of the Republic of Kazakhstan ownership. Income from transfer of ordinary shares to NBK ownership for the year ended 31 December 2009 amounted to KZT 180,000 thousand.

In July 2008 Management of National Bank made the decision to sell its shares of JSC “Guarantee Fund” of Insurance Payments” (the “FGSV”) to insurance companies – participants of FGSV, in order to comply with the Law of the Republic of Kazakhstan dated 7 May 2007 “About alteration in some legislation acts of the Republic of Kazakhstan on obligatory insurance”. In October 2008 all share owned by the National Bank of FGSV were sold to insurance companies - participants of FGSV.

In July 2008 activity of “Kazakhstan Actuary Centre” (the “KAC”) ceased, and the state registration certificate was cancelled by the Justice Department in accordance with Civil Code of the Republic of Kazakhstan and the Law of the Republic of Kazakhstan “On Joint Stock Companies”.

The loss from disposal of subsidiaries for the year ended 31 December 2008 amounted to KZT 24,582 thousand.

The disposal of subsidiaries in 2008 had the following effect on the National Bank’s assets and liabilities at the date of disposal:

	Carrying amount of FGSV at the date of disposal	Carrying amount of KAC at the date of disposal
Assets		
Cash	429,849	12,610
Available-for-sale investments	733,654	-
Property and equipment	1,602	37
Other assets	115,673	-
Liabilities		
Reserves of guarantee insurance payments of guarantee fund of insurance payments	(712,268)	-
Other liabilities	(8,988)	(295)
Net identifiable assets	<u>559,522</u>	<u>12,352</u>
Cash received on disposal	534,682	12,610
Disposed cash	(429,849)	(12,610)
Net cash inflow	<u>104,833</u>	<u>-</u>

37 INCOME TAX EXPENSES

	Year ended 31 December 2009	Year ended 31 December 2008
Current tax expense		
Current year	1,678,118	489,881
Deferred tax expense		
Net (decrease)/increase of deferred tax liabilities	(115,515)	329,886
Less: deferred tax liabilities decrease recognized on accounts of other comprehensive income	<u>162,479</u>	<u>-</u>
	<u><u>1,725,082</u></u>	<u><u>819,767</u></u>

The NBK's subsidiaries applicable tax rate for current income tax is 20% (2008: 30%).

Reconciliation of effective income tax rate:

	Year ended 31 December 2009	%	Year ended 31 December 2008	%
Income of subsidiaries before tax	<u>6,910,684</u>	<u>100.00%</u>	<u>3,117,293</u>	<u>100.00%</u>
Income tax at the applicable tax rate	1,382,137	20.00%	935,188	30.00%
Non-deductible costs/(non-taxable income)	<u>342,945</u>	<u>4.96%</u>	<u>(115,421)</u>	<u>(3.70%)</u>
	<u><u>1,725,082</u></u>	<u><u>24.96%</u></u>	<u><u>819,767</u></u>	<u><u>26.30%</u></u>

38 RELATED PARTY TRANSACTIONS

The outstanding balances and the results of transactions with companies and organizations that are related parties of the National Bank as at 31 December 2009 and 2008 and for the years then ended are as follows:

	Associates	31 December 2009 State companies and organizations	Total category per financial statements captions
Consolidated statement of financial position			
Assets			
Placements and balances with banks and other institutions	-	4,203,391	1,501,472,357
Accounts receivable under reverse repo agreements	-	586,451,722	586,451,722
Available-for-sale investments	-	129,230,839	1,799,391,017
Held-to-maturity investments	-	400,000	400,000
Investments in associates	542,201	-	542,201
Other assets	1,001	970,988	7,654,408
Liabilities			
Deposits and balances from banks and other institutions	13,619,827	304,162,814	1,433,425,287
Due to the National Fund of the Republic of Kazakhstan	-	166,510,968	166,510,968
Due to the Ministry of Finance of the Republic of Kazakhstan	-	134,497,784	134,497,784
Customer accounts	14	292,438,430	322,173,670
Debt securities issued	603,502	14,103,486	463,183,949
Other liabilities	-	4,183,125	5,219,014
Consolidated income statement			
Interest income	-	42,703,139	73,475,473
Interest expense	(3,283)	(298,783)	(19,641,630)
Fee and commission income	95,669	3,074,750	9,254,335
Fee and commission expense	(116,007)	(249,706)	(729,761)
Net realized gain on available-for-sale investments	-	63,193	16,900,754
Loss from associated companies	(790,247)	-	(790,247)
Other income	64	1,094,660	2,460,022
Banknotes and coins issuance expenses	-	(18,688)	(3,336,740)
Funding of third parties	-	(2,631,327)	(2,631,327)
Payroll and related payments to employees	-	(50,712)	(9,120,245)
Administrative expenses	350	(868,356)	(3,237,919)

	Associates	31 December 2008 State companies and organizations	Total category per financial statements captions
Consolidated statement of financial position			
Assets			
Placements and balances with banks and other institutions	-	762,878	882,127,067
Available-for-sale investments	-	84,229,692	1,177,628,144
Held-to-maturity investments	-	921,272	921,272
Investments in associates	1,332,448	-	1,332,448
Other assets	-	1,972,300	6,152,049
Liabilities			
Deposits and balances from banks and other institutions	8,474,076	656,255,712	975,134,135
Due to the National Fund of the Republic of Kazakhstan	-	4,311,137	4,311,137
Due to the Ministry of Finance of the Republic of Kazakhstan	-	46,357,745	46,357,745
Customer accounts	2,882	69,588,949	162,186,309
Other liabilities	9,726	1,195,290	2,122,435
Consolidated income statement			
Interest income	-	3,561,853	55,621,248
Interest expense	-	(19,198,729)	(26,322,326)
Fee and commission income	440,767	2,407,192	5,078,890
Fee and commission expense	(83,707)	(474,072)	(628,488)
Income from associated companies	2,130	-	2,130
Other income	131,445	397,439	2,366,276
Banknotes and coins issuance expenses	-	(21,931)	(3,484,146)
Funding of third parties	-	(2,792,844)	(2,792,844)
Payroll and related payments to employees	-	(88,922)	(8,229,984)
Administrative expenses	(4,278)	(1,880,420)	(3,140,581)

The remuneration to members of National Bank's Board of Directors and Management Board for the years ended 31 December 2009 and 2008 comprised KZT 274,912 thousand and KZT 331,676 thousand, respectively. The remuneration consists of salary and other payments.

39 RISK MANAGEMENT POLICY

Risk management is fundamental to the National Bank's activities and is an essential element of the National Bank operations. The major risks faced by the National Bank are those related to market risk, which includes price, interest rate and currency risks, as well as credit risk and liquidity risk.

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

The Investment Committee of the NBK 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 Board of Directors, committees, commissions and related working groups review regularly matters related to the monetary, investment and currency policies of the National Bank and set up limits on the scope of transactions, as well as requirements for the assessment of the NBK's counterparties.

In accordance with Investment Strategy on gold and foreign currency assets management of the NBK (“the Investment Strategy”) approved by the decision of the Board on 27 October 2006, the main goals of risk management are maintenance of liquidity and safety of the NBK’s assets, saving purchasing power of assets, and profitability growth.

In accordance with these goals, gold and foreign currency assets of the NBK are separated into the following portfolios: liquidity portfolio, foreign currency assets investment portfolio, absolute profitability portfolio and gold portfolio.

The operations of the NBK’s subsidiaries are also exposed to a number of risks, the most significant are those related to market risks. Risk management procedures of the subsidiaries are regulated by their internal instructions and their execution is monitored by various bodies, including the subsidiaries’ boards of directors and internal control departments.

(a) Market risk

Market risk is the risk of changes of profit of National Bank or value of its portfolios due to movements in market prices, including foreign currency exchange rates, interest rates, credit spreads and equity prices. 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 accepted risk.

The National Bank manages its market risk mainly by conducting regular assessment of all open positions. In addition, the National Bank continuously monitors open position limits in relation to financial instruments, interest rate, maturity and currency positions and stop-loss limits.

The National Bank utilizes Tracking Error methodology. Tracking Error indicator reflects how actual performance of current portfolio differs from the performance of the benchmark portfolio. In accordance with Investment Strategy, Tracking Error limit is 2% for the years ended 31 December 2009 and 2008.

Tracking Error can be used only when investor manages portfolio against the benchmark portfolio on comparative basis.

As at 31 December 2009 and 2008, the bench mark portfolio for investment portfolio of gold and foreign currency assets is a composite index of:

- Merrill Lynch United States Treasuries 1-3 years – 40%;
- Merrill Lynch European Economic and Monetary Union Direct Governments 1-5 years – 35%;
- Merrill Lynch United Kingdom Gilts 1-5 years – 10%;
- Merrill Lynch Japanese Treasuries 1-5 years – 10%; and
- Merrill Lynch Australian Treasuries 1-5 years – 5%.

(i) Interest rate risk

Interest rate risk is the risk of change in the National Bank profit amount or value of its financial instruments portfolios due to change in interest rates.

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

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

The table below summarizes the National Bank's interest bearing assets and liabilities as at 31 December 2009 and 2008 and their corresponding average effective interest rates. These interest rates are an approximation of the yields to maturity of these interest bearing assets and liabilities.

	31 December 2009 Book value	Weighted average effective interest rate, %	31 December 2008 Book value	Weighted average effective interest rate, %
Interest bearing assets				
Gold				
<i>Gold deposits with foreign banks</i>	263,779,259	0.04	172,404,122	0.79
Placements and balances with banks and other institutions				
<i>Nostro accounts</i>				
- USD	1,166,908,125	0.03	500,817,486	1.57
- EUR	99,590,680	0.04	33,153,774	2.93
- KZT	587,963	1.50	284,383	1.50
- other foreign currency	83,938,831	0.03	21,022,784	2.85
- Japanese yen	-	-	161,449,541	0.37
- GBP	-	-	48,646,644	4.08
<i>Deposits</i>				
- KZT	4,350,000	10.56	15,810,625	10.64
- USD	-	-	19,296,041	0.00
<i>Loans</i>				
- KZT	-	-	9,594,671	1.52
Amounts receivable under reverse repurchase agreements				
- KZT	586,451,722	7.00	119,702,645	10.50
- USD	-	-	272,200,341	0.01
- Japanese yens	-	-	4,099,204	0.08
Available-for-sale investments				
- USD	804,475,986	1.57	467,871,431	2.99
- EUR	479,473,947	4.07	386,731,177	2.63
- GBP	137,390,598	4.93	60,619,761	5.05
- Japanese yen	134,081,105	1.38	80,694,473	1.32
- KZT	122,844,468	7.36	96,823,365	5.89
- other foreign currency	121,124,913	4.82	84,887,937	5.40
Held-to-maturity investments				
-KZT	400,000	8.50	921,272	7.96
Interest bearing liabilities				
Deposits and balances from banks and other financial institutions				
<i>Term deposits</i>				
- KZT	675,076,936	0.67	648,456,122	0.68
- USD	-	-	2,082	0.75
Debt securities issued				
- KZT	463,183,949	2.40	295,964,826	6.56

Management of the National Bank believes that given the current economic conditions in Kazakhstan that a 300 basis point (bp) change is a realistic movement in the interest rates. This is the sensitivity rate used when reporting interest rate risk internally to key management personnel. The sensitivity analysis includes only outstanding financial assets and liabilities. An analysis of sensitivity of the National Bank's projected net income for the year and equity to changes in the market interest rate based on a simplified scenario of a 300 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities that the National Bank had as at 31 December 2009 and 300 basis point (bp) as at 31 December 2008 is as follows:

	31 December 2009		31 December 2008	
	Net income	Equity	Net income	Equity
Bp parallel increase	(14,629,557)	(14,629,557)	(16,368,390)	(16,368,390)
Bp parallel decrease	14,629,557	14,629,557	16,368,390	16,368,390

An analysis of the sensitivity of the equity as a result of changes in the fair value of investments available-for-sale due to changes in interest rate based on positions existing as at 31 December 2009 and a simplified scenario of a 300 basis point (bp) and as at 31 December 2008 of a 300 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	31 December 2009	31 December 2008
Bp parallel increase	(97,762,605)	(70,895,761)
Bp parallel decrease	126,733,914	48,874,669

Limitation of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the National Bank's assets and liabilities are actively managed. Additionally, the financial position of the National Bank may vary at the time that any actual market movement occurs. For example, the National Bank's financial risk management strategy aims to manage the exposure to market fluctuations. In case of sharp negative fluctuations, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

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

(ii) Currency risk

The National Bank assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency. The Investment Committee sets up limits on the level of exposure by currencies on overnight and daily positions and monitors them.

The National Bank's exposure to foreign currency exchange rate risk by currencies as at 31 December 2009 and 2008 is presented in the table below:

	KZT	Gold 1 troy ounce = 163,899.84 KZT	USD 1 USD = 148.46 KZT	EURO 1 EURO = 213.95 KZT	Japanese yen 1 yens = 1.61 KZT	SDR 1 SDR = 231.89 KZT	GBP 1 pound = 239.60 KZT	Other	31 December 2009 Total
Assets									
Cash on hand in foreign currencies	-	-	34,645,095	113,756	-	-	-	28,775	34,787,626
Gold	-	371,258,998	-	-	-	-	-	-	371,258,998
Placements and balances with banks and other institutions									
<i>Foreign</i>	-	-	1,166,908,144	99,590,789	54,832,117	164,701,551	2,258,424	4,039,938	1,492,330,963
<i>Kazakhstan</i>	9,141,394	-	-	-	-	-	-	-	9,141,394
Financial assets at fair value through profit and loss	328,801	-	-	-	-	-	-	891,460	1,220,261
Amounts receivable under reverse repurchase agreements	586,451,722	-	-	-	-	-	-	-	586,451,722
Available-for-sale investments									
<i>Foreign</i>	-	-	804,475,986	479,473,947	134,081,105	-	137,390,599	121,124,912	1,676,546,549
<i>Kazakhstan</i>	122,844,468	-	-	-	-	-	-	-	122,844,468
Held-to maturity investments	400,000	-	-	-	-	-	-	-	400,000
Investments in associates	542,201	-	-	-	-	-	-	-	542,201
Property and equipment	28,135,677	-	-	-	-	-	-	-	28,135,677
Intangible assets	1,349,867	-	-	-	-	-	-	-	1,349,867
Deferred tax assets	73,211	-	-	-	-	-	-	-	73,211
Other assets	7,653,900	-	129	-	-	-	379	-	7,654,408
Total assets	756,921,241	371,258,998	2,006,029,354	579,178,492	188,913,222	164,701,551	139,649,402	126,085,085	4,332,737,345
Liabilities									
Currency in circulation	1,048,045,523	-	-	-	-	-	-	-	1,048,045,523
Deposits and balances from banks and other institutions									
<i>Foreign</i>	3,213,311	-	146,854	-	-	164,491,999	-	-	167,852,164
<i>Kazakhstan</i>	1,066,542,190	-	174,451,623	21,756,267	2,823,043	-	-	-	1,265,573,123
Financial liabilities at fair value through profit and loss	2,494,822	-	-	-	-	-	-	-	2,494,822
Due to the National Fund of the Republic of Kazakhstan	121,589,299	-	2,483,465	17,840,037	23,147,103	-	236,087	1,214,977	166,510,968
Due to the Ministry of Finance of the Republic of Kazakhstan	119,651,784	-	14,846,000	-	-	-	-	-	134,497,784
Reserves of guarantee funds	33,542,786	-	-	-	-	-	-	-	33,542,786
Customer accounts	320,920,298	-	1,034,792	201,196	-	-	5,296	12,088	322,173,670
Debt securities issued	463,183,949	-	-	-	-	-	-	-	463,183,949
Deferred tax liability	684,581	-	-	-	-	-	-	-	684,581
Other liabilities	5,089,249	-	90,525	22,852	4	-	14,723	1,661	5,219,014
Total liabilities	3,184,957,792	-	193,053,259	39,820,352	25,970,150	164,491,999	256,106	1,228,726	3,609,778,384
Net balance sheet position	(2,428,036,551)	371,258,998	1,812,976,095	539,358,140	162,943,072	209,552	139,393,296	124,856,359	722,958,961
Net off balance sheet position	43,590,127	-	-	-	-	-	-	(43,590,127)	--
Net balance sheet and off balance sheet positions	<u>2,384,446,424</u>	<u>371,258,998</u>	<u>1,812,976,095</u>	<u>539,358,140</u>	<u>162,943,072</u>	<u>209,552</u>	<u>139,393,296</u>	<u>81,266,232</u>	<u>722,958,961</u>

	KZT	Gold 1 troy ounce= 104,483.35KZT	USD 1 USD = 120.79 KZT	EURO 1 EURO = 170.24 KZT	Japanese yen 1 yens = 1.34 KZT	SDR 1 SDR = 186.96 KZT	GBP 1 pound = 174.64 KZT	Other	31 December 2008 Total
Assets									
Cash on hand in foreign currencies	-	-	11,035,369	110,108	-	-	-	60,874	11,206,351
Gold	-	241,751,221	-	-	-	-	-	-	241,751,221
Placements and balances with banks and other institutions									
<i>Foreign</i>	-	-	520,365,939	33,678,380	161,449,541	68,539,304	48,646,644	21,305,961	853,985,769
<i>Kazakhstan</i>	28,141,298	-	-	-	-	-	-	-	28,141,298
Financial assets at fair value through profit and loss	9,636,474	-	-	101,230	-	-	-	-	9,737,704
Amounts receivable under reverse repurchase agreements	119,702,645	-	272,200,341	-	4,099,204	-	-	-	396,002,190
Available-for-sale investments									
<i>Foreign</i>	-	-	467,871,431	386,731,177	80,694,473	-	60,619,761	84,887,937	1,080,804,779
<i>Kazakhstan</i>	96,823,365	-	-	-	-	-	-	-	96,823,365
Held-to maturity investments	921,272	-	-	-	-	-	-	-	921,272
Investments in associates	1,332,448	-	-	-	-	-	-	-	1,332,448
Property and equipment	26,589,859	-	-	-	-	-	-	-	26,589,859
Intangible assets	1,551,418	-	-	-	-	-	-	-	1,551,418
Deferred tax assets	59,814	-	-	-	-	-	-	-	59,814
Other assets	6,148,755	-	1,820	-	106	-	47	1,321	6,152,049
Total assets	290,907,348	241,751,221	1,271,474,900	420,620,895	246,243,324	68,539,304	109,266,452	106,256,093	2,755,059,537
Liabilities									
Currency in circulation	987,069,891	-	-	-	-	-	-	-	987,069,891
Deposits and balances from banks and other institutions									
<i>Foreign</i>	965,363	-	232,481	-	-	68,556,466	-	-	69,754,310
<i>Kazakhstan</i>	766,910,585	-	91,477,548	1,686,648	45,305,044	-	-	-	905,379,825
Financial liabilities at fair value through profit and loss	3,256,015	-	-	101,230	-	-	-	-	3,357,245
Due to the National Fund of the Republic of Kazakhstan	1,111	-	1,820	547,442	-	-	1,211,655	2,549,109	4,311,137
Due to the Ministry of Finance of the Republic of Kazakhstan	46,328,386	-	-	-	-	-	26,208	3,151	46,357,745
Reserves of guarantee funds	18,662,389	-	-	-	-	-	-	-	18,662,389
Customer accounts	138,406,702	-	23,711,261	8,427	-	-	3,578	56,341	162,186,309
Debt securities issued	295,964,826	-	-	-	-	-	-	-	295,964,826
Deferred tax liability	786,699	-	-	-	-	-	-	-	786,699
Other liabilities	2,097,139	-	1,322	7,149	-	-	9,628	7,197	2,122,435
Total liabilities	2,260,449,106	-	115,424,432	2,350,896	45,305,044	68,556,466	1,251,069	2,615,798	2,495,952,811
Net balance sheet position	(1,969,541,758)	241,751,221	1,156,050,468	418,269,999	200,938,280	(17,162)	108,015,383	103,640,295	259,106,726
Net off balance sheet position	204,507,908	-	(110,761,050)	(507,878)	(17,004,889)	-	-	(76,234,091)	-
Net balance sheet and off balance sheet positions	(1,765,033,850)	241,751,221	1,045,289,418	417,762,121	183,933,391	(17,162)	108,015,383	27,406,204	259,106,726

Management of the National Bank believes that given the current economic conditions in Kazakhstan that 10% appreciation and 15% depreciation is a realistic movement in KZT exchange rates against US Dollar. This is the sensitivity rate used in the National Bank when reporting foreign currency risk internally to key management personnel of the National Bank and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the period for a 10% for appreciation and 15% for depreciation in currency rates as at 31 December 2009, respectively. Sensitivity analysis of the capital of the National Bank to the changes in foreign currencies rates, which was performed base on positions existing as at 31 December 2009 and 2008 and simplified scenario of decrease and increase of rates of gold, USD, EUR, Japanese yen, SDR, GBP, and other foreign currencies to KZT by 10% appreciation and 15% depreciation in 2009 and 25% appreciation and depreciation in 2008) could be presented as follows:

	31 December 2009	31 December 2008
Appreciation of Troy ounce against KZT	37,125,900	60,437,805
Depreciation of Troy ounce against KZT	(55,688,850)	(60,437,805)
Appreciation of USD against KZT	181,297,610	261,322,354
Depreciation of USD against KZT	(271,946,414)	(261,322,354)
Appreciation of EUR against KZT	53,935,814	104,440,530
Depreciation of EUR against KZT	(80,903,721)	(104,440,530)
Appreciation of Japanese yen against KZT	16,294,307	45,983,348
Depreciation of Japanese yen against KZT	(24,441,461)	(45,983,348)
Appreciation of SDR against KZT	20,955	(4,291)
Depreciation of SDR against KZT	(31,433)	4,291
Appreciation of GBP against KZT	13,939,329	27,003,846
Depreciation of GBP against KZT	(20,908,994)	(27,003,846)
Appreciation of other currencies against KZT	8,126,623	6,851,551
Depreciation of other currencies against KZT	(12,189,935)	(6,851,551)

The analysis is prepared on the assumption that the National Bank is in a net unrealized foreign currency exchange and gold position at each period end thus there is no effect in consolidated income statement. The effect on consolidated income statement will depend on whether the National Bank ends the year in an overall net unrealized gain or loss position.

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the National Bank's assets and liabilities are actively managed. Additionally, the financial position of the National Bank may vary at the time that any actual market movement occurs. For example, the National Bank's financial risk management strategy aims to manage the exposure to market fluctuations. In case of sharp negative fluctuations, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

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

(iii) Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments traded in the market. Price risk arises when the National Bank takes a long or short position in a financial instrument.

The National Bank manages price risk by establishment of limits on deviation of the National Bank's portfolio performance from benchmark. The main indicator of such deviation is value of Tracking error that is monitored on regular basis and approved by the Board in accordance with Investment Strategy.

As at 31 December 2009 and 2008 the National Bank had no significant exposure to price risk.

(b) 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 National Bank. The National Bank has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and establishment of an Investment Committee, which is responsible for monitoring of credit risks. The National Bank's credit policy is reviewed and approved by the Board.

The National Bank's credit policy establishes:

- Methodology for credit assessment calculation and determination of maximum limit on the National Bank's counterparties;
- Procedures for ongoing monitoring and review of the limit of the National Bank's counterparties.

Requests for inclusion in the list of counterparties are received by the National Bank's analysts. Analysts' report on potential counterparty is based on a financial performance and financial position ratios analysis with use of international rating agencies' data. On the basis of this report Investment Committee approves counterparty.

The National Bank analysts conduct daily monitoring of compliance with limits imposed on each individual counterparty. Apart to individual counterpart analysis, the National Bank performs valuation of portfolios in relation to concentration of credit risks.

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

Maximum credit exposure

The National Banks maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of balance sheet and off balance sheet financial assets. For financial assets in the consolidated statement of financial position, the maximum exposure is equal to the carrying amount of those assets prior to any offset or collateral. For financial guarantees and other off balance sheet assets, the maximum exposure to credit risk is the maximum amount the National Bank would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. Collateral amount is stated at fair value, limited to the amount of loan of each borrower.

As at 31 December 2009:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash on hand in foreign currency	34,787,626	-	34,787,626	-	34,787,626
Gold	371,258,998	-	371,258,998	-	371,258,998
Placement and balances with banks and other institutions	1,501,472,357	-	1,501,472,357	-	1,501,472,357
Financial assets at fair value through profit or loss	1,220,261	-	1,220,261	-	1,220,261
Amounts receivable on reverse repurchase agreement transactions	586,451,722	-	586,451,722	417,627,858	168,823,864
Available-for-sale investments	1,799,391,017	-	1,799,391,017	-	1,799,391,017
Held to maturity investments	400,000	-	400,000	-	400,000
Investments in associates	542,201	-	542,201	-	542,201
Other financial assets	4,135,615	-	4,135,615	13	4,135,602

As at 31 December 2008:

	Maximum exposure	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash on hand in foreign currency	11,206,351	-	11,206,351	-	11,206,351
Gold	241,751,221	-	241,751,221	-	241,751,221
Placement and balances with banks and other institutions	882,127,067	-	882,127,067	-	882,127,067
Financial assets at fair value through profit or loss	9,737,704	-	9,737,704	-	9,737,704
Amounts receivable on reverse repurchase agreement transactions	396,002,190	-	396,002,190	375,522,260	20,479,930
Available-for-sale investments	1,177,628,144	-	1,177,628,144	-	1,177,628,144
Held to maturity investments	921,272	-	921,272	-	921,272
Investments in associates	1,332,448	-	1,332,448	-	1,332,448
Other financial assets	2,618,742	-	2,618,742	274	2,618,468

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

	Non matured and non impaired	Matured but not impaired	Impaired	31 December 2009 Total
Cash on hand in foreign currency	34,787,626	-	-	34,787,626
Gold	371,258,998	-	-	371,258,998
Placement and balances with banks and other institutions	1,501,472,357	-	-	1,501,472,357
Financial assets at fair value through profit or loss	1,220,261	-	-	1,220,261
Amounts receivable on reverse repurchase agreement transactions	586,451,722	-	-	586,451,722
Available-for-sale investments	1,793,001,952	-	6,389,065	1,799,391,017
Held to maturity investments	400,000	-	-	400,000
Investments in associates	542,201	-	-	542,201
Other financial assets	4,135,581	34	-	4,135,615

	Non matured and non impaired	Matured but not impaired	Impaired	31 December 2008 Total
Cash on hand in foreign currency	11,206,351	-	-	11,206,351
Gold	241,751,221	-	-	241,751,221
Placement and balances with banks and other institutions	882,127,067	-	-	882,127,067
Financial assets at fair value through profit or loss	9,737,704	-	-	9,737,704
Amounts receivable on reverse repurchase agreement transactions	396,002,190	-	-	396,002,190
Available-for-sale investments	1,177,628,144	-	-	1,177,628,144
Held to maturity investments	921,272	-	-	921,272
Investments in associates	1,332,448	-	-	1,332,448
Other financial assets	2,615,063	3,679	-	2,618,742

Financial assets of the National Bank counterparties' are classified by the lowest of ratings assigned to the National Bank's counterparties by three international rating agencies Moody's Investors' Services, Standard Poor's and Fitch.

Ratings are listed below as per the coding of rating agency Standard & Poor's using the rating correspondence table of Bloomberg information system.

State securities of the Republic of Kazakhstan and accrued income on them are classified in accordance with the lowest long-term rating of the Republic of Kazakhstan. Rating AAA+ is the rating used for identification of highly reliable international financial institutions such as International Monetary Fund.

Below is the National Bank assets credit rating as at 31 December 2009 and 2008:

		31 December 2009			31 December 2008	
	Rating	Amount	Share in financial assets, %	Rating	Amount	Share in financial assets, %
FINANCIAL ASSETS						
Cash on hand in foreign currency	w/o rating	34,787,626	0.81	w/o rating	11,206,351	0.41
	AA	38,781,238	0.90	AA+	28,202,868	1.04
	AA-	71,548,910	1.66	AA-	71,619,168	2.63
	A+	24,562,935	0.57	A+	47,496,284	1.74
	A	128,886,176	3.00	A	19,856,266	0.73
Gold	w/o rating	107,479,739	2.50	w/o rating	74,576,635	2.74
	AAA	343,112,325	7.98	AAA	701,423,953	25.76
	AA+	19,871,462	0.46	AA+	2,267,496	0.08
	AA	19,833,455	0.46	AA-	24,929,766	0.92
	A+	14,403,763	0.33	A+	36,555,347	1.34
	A	3,153,542	0.07	A	19,973,845	0.73
	B+	64,976	-	BBB+	560,776	0.02
	B	3,681,692	0.09	BBB-	19,545,980	0.72
	D	13	-		-	-
Placements and balances with banks and other institutions	w/o rating	1,097,351,129	25.52	B+	15,030,625	0.55
				WR	281	0.00
				w/o rating	61,8	2.27
	AA	115,418	-	AA	565	-
	A+	72,919	-	A+	101,2	-
Financial assets at fair value through profit or loss	A	999,165	0.02	A	9,4	0.35
	AA-	32,759	-	BB	95,8	-
				B+	50,€	-
Amounts receivable under reverse repurchase agreements	BBB-	180,915,400	4.21	AAA	276,2	10.15
	D	405,53	9.43	B+	119,7	4.40
	AAA	1,106,102,463	25.73	AAA	770,2	28.28
	AA+	82,171,197	1.91	AA+	9,3	0.34
	AA	136,813,679	3.18	AA	80,€	2.96
	A+	145,940,713	3.39	AA-	2,7	0.10
	AAAe	10,106,833	0.24	A+	58,2	2.14
	B+	886,827	0.02	A	3,2	0.12
	B	10,506,487	0.24	A-	8,€	0.32
	BBB	122,844,468	2.86	A-1+	82,€	3.03
	BBB+/-	24,213,976	0.56	A2	51,3	1.89
	D	6,389,065	0.15	BBB	67,€	2.48
Available-for-sale investments		-	-	BBB-	7,7	0.28
Held to maturity investments	w/o rating	153,415,309	3.57	w/o rating	35,€	1.29
Investments in associates	BBB	400,000	0.01	BBB-	921,272	0.03
Other financial assets	w/o rating	542,201	0.01	w/o rating	1,332,448	0.05
				BBB-	955,804	0.04
				w/o rating	1,662,938	0.07
Total financial assets		<u>4,299,659,797</u>	<u>100.00</u>		<u>2,723,325,139</u>	<u>100.00</u>

(c) Liquidity risk

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

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

The National Bank seeks to actively support a diversified and stable funding base in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Since the National Bank carries out the issue of national currency - Tenge, the default risk on fulfillment its obligations in national currency is minimal, and the liquidity risk is only applicable for obligations denominated in foreign currency.

The liquidity management policy of the National Bank comprises:

- projecting cash flows by major foreign currencies and calculation related to the cash flows of the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any time differences of cash flows;
- maintaining liquidity and required level of funding contingency plans; and
- monitoring balance sheet liquidity ratios against regulatory requirements.

The Department of Monetary Operations obtains information from the accounting department related to the maturity of financial assets and liabilities. Based on this information the Department of Monetary operations performs a liquidity analysis and on the results of this analysis, executes purchases of highly liquid investments, in order to maintain the liquidity position of the National Bank. In order for the National Bank to maintain the necessary level of liquidity, the investment portfolio is concentrated on short term liquid assets.

According to current NBK's Investment Strategy the liquidity portfolio consists of highly liquid financial assets such as:

- cash currency;
- state (sovereign), agency debt securities, debt securities of international financial institutions, corporate debt securities with maturities up to one year, certificates of deposit (CD), commercial paper (CP) with short-term credit rating not lower than A1 - Standard & Poor's or P1 - Moody's;
- state (sovereign), agency debt securities, debt securities of international financial institutions, corporate debt securities, mortgage-backed securities (MBS) and asset backed securities (ABS) with credit rating of BBB (Standard & Poor's)/Baa2 (Moody's) and above;
- currency and gold deposits (investments) with a counterparty, which long-term credit rating is not lower than A/A1 by Standard & Poor's or Moody's, respectively, or a short-term rating is not lower than A2/R1 by Standard & Poor's or Moody's, respectively; investing remaining cash balances in current accounts in money market fund with a rating of AAAm - Standard & Poor's or Aaa - Moody's or in money market funds, performing all the requirements for funds rated AAAm - Standard & Poor's and/or Aaa - Moody's;
- derivatives traded in financial and commodity exchanges in the U.S., European Union, Japan, Australia;
- shares included in the following indexes: S&P500 (SPX), DJ EURO STOXX 50 € (SX5E), Nikkei 225 (NKY), FTSE 100 (UKX), S&P/ASX (AS51);
- structured products;
- alternative tools;
- reverse repo with counterparty, long-term credit rating is not lower than A - Standard & Poor's or A3 - Moody's, under the pledge of securities authorized for investment, the market value of no less than 100 percent of the transaction amount at the date of the transaction;
- operations associated with foreign exchange transactions and the purchase/sale of gold;
- operations with derivative instruments can be implemented only with the counterparties, which long-term credit rating is not lower than A- (Standard & Poor's) or A3 (Moody's). In this case there are restrictions on duration of derivatives: forwards - 1 year, options and swaps - 15 years, futures - without restriction;
- credit default swaps contracts and other credit derivative instruments, including credit default swaps contracts on the banks of the Republic of Kazakhstan. Standard forms, terms and procedure for entering into credit default swaps are determined on the basis of the documentation of the International Swap Dealers Association and applications CSA (Credit support annex);

The volume of the liquidity portfolio should not fall below equivalent of USD 1 billion.

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

	On demand and up to 1 month	From 1 month to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets							
Cash on hand in foreign currencies	34,787,626	-	-	-	-	-	34,787,626
Gold	313,947,971	57,311,027	-	-	-	-	371,258,998
Placements and balances with banks and other institutions							
<i>Foreign</i>	1,492,330,963	-	-	-	-	-	1,492,330,963
<i>Kazakhstan</i>	9,141,394	-	-	-	-	-	9,141,394
Financial assets at fair value through profit and loss	1,220,261	-	-	-	-	-	1,220,261
Amounts receivable under reverse repurchase agreements	586,451,722	-	-	-	-	-	586,451,722
Available-for-sale investments							
<i>Foreign</i>	190,250,010	25,406,804	146,964,367	1,222,232,284	91,693,084	-	1,676,546,549
<i>Kazakhstan</i>	117,680,401	1,230	1,270,968	3,891,869	-	-	122,844,468
Held-to-maturity investments	-	400,000	-	-	-	-	400,000
Investments in associates	-	-	-	-	-	542,201	542,201
Property and equipment	-	-	-	-	-	28,135,677	28,135,677
Intangible assets	-	-	-	-	-	1,349,867	1,349,867
Deferred tax assets	-	-	-	73,211	-	-	73,211
Other assets	4,328,181	-	3,326,227	-	-	-	7,654,408
Total assets	2,750,138,529	83,119,061	151,561,562	1,226,197,364	91,693,084	30,027,745	4,332,737,345
Liabilities							
Currency in circulation	1,048,045,523	-	-	-	-	-	1,048,045,523
Placement and balances with banks and other institutions							
<i>Foreign</i>	88,162,337	-	-	-	-	79,689,827	167,852,164
<i>Kazakhstan</i>	1,265,573,123	-	-	-	-	-	1,265,573,123
Financial liabilities at fair value through profit and loss	59,142	-	2,435,680	-	-	-	2,494,822
Due to the National Fund of the Republic of Kazakhstan	166,510,968	-	-	-	-	-	166,510,968
Due to the Ministry of Finance of the Republic of Kazakhstan	134,497,784	-	-	-	-	-	134,497,784
Reserves of guarantee funds	-	-	-	-	-	33,542,786	33,542,786
Customer accounts	322,173,670	-	-	-	-	-	322,173,670
Debt securities issued	21,029,997	409,376,590	32,777,362	-	-	-	463,183,949
Deferred tax liabilities	-	-	-	684,581	-	-	684,581
Other liabilities	5,219,014	-	-	-	-	-	5,219,014
Total liabilities	3,051,271,558	409,376,590	35,213,042	684,581	-	113,232,613	3,609,778,384
Net position	(301,133,029)	(326,257,529)	116,348,520	1,225,512,783	91,693,084	(83,204,868)	722,958,961
Accumulated gap	(301,133,029)	(627,390,558)	(511,042,038)	714,470,745	806,163,829	722,958,961	

The following table shows assets and liabilities of the National Bank by remaining contractual maturity dates as at 31 December 2008:

	On demand and up to 1 month	From 1 month to 6 months	From 6 months to 1 year	From 1 year to 5 years	Over 5 years	Maturity undefined	Total
Assets							
Cash on hand in foreign currencies	11,206,351	-	-	-	-	-	11,206,351
Gold	236,521,684	5,229,537	-	-	-	-	241,751,221
Placements and balances with banks and other institutions							
<i>Foreign</i>	853,985,769	-	-	-	-	-	853,985,769
<i>Kazakhshtan</i>	28,141,298	-	-	-	-	-	28,141,298
Financial assets at fair value through profit and loss	9,737,704	-	-	-	-	-	9,737,704
Amounts receivable under reverse repurchase agreements	396,002,190	-	-	-	-	-	396,002,190
Available-for-sale investments							
<i>Foreign</i>	105,314,469	125,294,939	170,975,929	622,860,158	56,359,284	-	1,080,804,779
<i>Kazakhshtan</i>	22,113,949	15,677,730	53,653,037	4,878,649	-	500,000	96,823,365
Held-to-maturity investments	921,272	-	-	-	-	-	921,272
Investments in associates	-	-	-	-	-	1,332,448	1,332,448
Property and equipment	-	-	-	-	-	26,589,859	26,589,859
Intangible assets	-	-	-	-	-	1,551,418	1,551,418
Deferred tax assets	-	-	-	59,814	-	-	59,814
Other assets	2,847,525	-	3,304,524	-	-	-	6,152,049
Total assets	1,666,792,211	146,202,206	227,933,490	627,798,621	56,359,284	29,973,725	2,755,059,537
Liabilities							
Currency in circulation	987,069,891	-	-	-	-	-	987,069,891
Placement and balances with banks and other institutions							
<i>Foreign</i>	69,754,310	-	-	-	-	-	69,754,310
<i>Kazakhshtan</i>	905,379,825	-	-	-	-	-	905,379,825
Financial liabilities at fair value through profit and loss	3,357,245	-	-	-	-	-	3,357,245
Due to the National Fund of the Republic of Kazakhstan	4,311,137	-	-	-	-	-	4,311,137
Due to the Ministry of Finance of the Republic of Kazakhstan	46,357,745	-	-	-	-	-	46,357,745
Reserves of guarantee funds	-	-	-	-	-	18,662,389	18,662,389
Customer accounts	162,186,309	-	-	-	-	-	162,186,309
Debt securities issued	180,019,894	69,969,480	45,975,452	-	-	-	295,964,826
Deferred tax liabilities	-	-	-	786,699	-	-	786,699
Other liabilities	2,122,435	-	-	-	-	-	2,122,435
Total liabilities	2,360,558,791	69,969,480	45,975,452	786,699	-	18,662,389	2,495,952,811
Net position	(693,766,580)	76,232,726	181,958,038	627,011,922	56,359,284	11,311,336	259,106,726
Accumulated gap	(693,766,580)	(617,533,854)	(435,575,816)	191,436,106	247,795,390	259,106,726	

The following table shows the undiscounted cash flows on the National Bank's financial liabilities. The gross nominal (inflow)/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability. The National Bank's expected cash flows on these financial liabilities may vary from this analysis.

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

	On demand and up to 1 month	From 1 month to 6 months	From 6 months to 1 year	Maturity undefined	Total gross nominal outflow/(inflow)	Carrying amount
FINANCIAL LIABILITIES						
Currency in circulation	1,048,045,523	-	-	-	1,048,045,523	1,048,045,523
Due from banks and other institutions	1,353,906,835	-	-	79,689,827	1,433,596,662	1,433,425,287
Financial liabilities at fair value through profit and loss						
<i>Outflow</i>	59,909,565	-	43,662,487	-	103,572,052	
<i>Inflow</i>	(60,177,761)	-	(43,590,127)	-	(103,767,888)	2,494,822
Due to the National Fund of the Republic of Kazakhstan	166,510,968	-	-	-	166,510,968	166,510,968
Due to the Ministry of Finance of the Republic of Kazakhstan	134,497,784	-	-	-	134,497,784	134,497,784
Reserves of guarantee funds	-	-	-	33,542,786	33,542,786	33,542,786
Customer accounts	322,173,670	-	-	-	322,173,670	322,173,670
Debt securities issued	32,578,645	410,964,885	33,200,000	-	476,743,530	463,183,949
Other financial liabilities	2,041,610	-	-	-	2,041,610	2,041,610
Total financial liabilities	3,059,486,839	410,964,885	33,272,360	113,232,613	3,616,956,697	3,605,916,399

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

	On demand and up to 1 month	1 month to 6 months	6 months to 1 year	Maturity undefined	Total gross nominal outflow/(inflow)	Carrying amount
FINANCIAL LIABILITIES						
Currency in circulation	987,069,891	-	-	-	987,069,891	987,069,891
Due from banks and other institutions	975,198,876	-	-	-	975,198,876	975,134,135
Financial liabilities at fair value through profit and loss						
<i>Outflow</i>	129,065,539	-	-	-	129,065,539	
<i>Inflow</i>	(128,834,493)	-	-	-	(128,834,493)	3,357,245
Due to the National Fund of the Republic of Kazakhstan	4,311,137	-	-	-	4,311,137	4,311,137
Due to the Ministry of Finance of the Republic of Kazakhstan	46,357,745	-	-	-	46,357,745	46,357,745
Reserves of guarantee funds	-	-	-	18,662,389	18,662,389	18,662,389
Customer accounts	162,186,309	-	-	-	162,186,309	162,186,309
Debt securities issued	200,833,161	70,666,613	48,380,662	-	319,880,436	295,964,826
Other financial liabilities	663,139	-	-	-	663,139	663,139
Total financial liabilities	2,376,851,304	70,666,613	48,380,662	18,662,389	2,514,560,968	2,493,706,816

(d) Operational risk

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, or systems failure. Operational risk includes legal risk.

The National Bank's objective is to manage operational risk through implementing preventive and detective control procedures. The primary responsibility for the control implementation is assigned to management within each operational department. Besides, this responsibility is supported by the development of standards and procedures for the management of operational risk and which cover the following areas:

- requirements for appropriate segregation of duties, including the independent authorization of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced;
- the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical standards; and
- risk mitigation, including insurance where this is effective.

Compliance with the National Bank's standards and procedures is supported by a program of periodic reviews undertaken by Internal Audit Department. The results of internal audit reviews are discussed with the management of operational departments to which they relate and presented to the Chairman.

(e) Geographical risk

The geographical analysis of assets and liabilities of the National Bank as at 31 December 2009 is presented below:

	Kazakhstan	OECD countries	Other countries	Total
Assets				
Cash on hand in foreign currencies	34,787,626	-	-	34,787,626
Gold	107,479,739	263,779,259	-	371,258,998
Placements and balances with banks and other institutions				
<i>Foreign</i>	-	1,492,007,016	323,947	1,492,330,963
<i>Kazakhstan</i>	9,141,394	-	-	9,141,394
Financial assets at fair value through profit or loss	-	1,220,261	-	1,220,261
Amounts receivable under reverse repurchase agreements	586,451,722	-	-	586,451,722
Available-for-sale investments				
<i>Foreign</i>	-	1,676,546,549	-	1,676,546,549
<i>Kazakhstan</i>	122,844,468	-	-	122,844,468
Held-to-maturity investments	400,000	-	-	400,000
Investments in associates	542,201	-	-	542,201
Property and equipment	28,135,677	-	-	28,135,677
Intangible assets	1,349,867	-	-	1,349,867
Deferred tax assets	73,211	-	-	73,211
Other assets	7,385,162	269,030	216	7,654,408
Total assets	898,591,067	3,433,822,115	324,163	4,332,737,345
Liabilities				
Currency in circulation	1,048,045,523	-	-	1,048,045,523
Deposits and balances from banks and other institutions				
<i>Foreign</i>	-	2,700,617	165,151,547	167,852,164
<i>Kazakhstan</i>	1,265,573,123	-	-	1,265,573,123
Financial assets at fair value through profit or loss	-	2,494,822	-	2,494,822
Due to the National Fund of the Republic of Kazakhstan	166,510,968	-	-	166,510,968
Due to the Ministry of Finance of the Republic of Kazakhstan	134,497,784	-	-	134,497,784
Reserves of guarantee funds	33,542,786	-	-	33,542,786
Customer accounts	322,173,670	-	-	322,173,670
Debt securities issued	463,183,949	-	-	463,183,949
Deferred tax liabilities	684,581	-	-	684,581
Other liabilities	4,398,223	820,763	28	5,219,014
Total liabilities	3,438,610,607	6,016,202	165,151,575	3,609,778,384
Net position	(2,540,019,540)	3,427,805,913	(164,827,412)	722,958,961

The geographical analysis of assets and liabilities of the National Bank as of 31 December 2008 is presented below:

	Kazakhstan	OECD countries	Other countries	Total
Assets				
Cash on hand in foreign currencies	11,206,351	-	-	11,206,351
Gold	69,347,099	172,404,122	-	241,751,221
Placements and balances with banks and other institutions				
<i>Foreign</i>	-	785,053,215	68,932,554	853,985,769
<i>Kazakhstan</i>	28,141,298	-	-	28,141,298
Financial assets at fair value through profit or loss	101,230	9,636,474	-	9,737,704
Amounts receivable under reverse repurchase agreements	119,702,645	276,299,545	-	396,002,190
Available-for-sale investments				
<i>Foreign</i>	-	1,080,804,779	-	1,080,804,779
<i>Kazakhstan</i>	96,823,365	-	-	96,823,365
Held-to-maturity investments	921,272	-	-	921,272
Investments in associates	1,332,448	-	-	1,332,448
Property and equipment	26,589,859	-	-	26,589,859
Intangible assets	1,551,418	-	-	1,551,418
Deferred tax assets	59,814	-	-	59,814
Other assets	6,004,989	112,474	34,586	6,152,049
Total assets	361,781,788	2,324,310,609	68,967,140	2,755,059,537
Liabilities				
Currency in circulation	987,069,891	-	-	987,069,891
Deposits and balances from banks and other institutions				
<i>Foreign</i>	185,194	965,363	68,603,753	69,754,310
<i>Kazakhstan</i>	905,379,825	-	-	905,379,825
Financial assets at fair value through profit or loss	3,357,245	-	-	3,357,245
Due to the National Fund of the Republic of Kazakhstan	4,311,137	-	-	4,311,137
Due to the Ministry of Finance of the Republic of Kazakhstan	46,357,745	-	-	46,357,745
Reserves of guarantee funds	18,662,389	-	-	18,662,389
Customer accounts	162,186,309	-	-	162,186,309
Debt securities issued	295,964,826	-	-	295,964,826
Deferred tax liabilities	786,699	-	-	786,699
Other liabilities	1,939,830	176,440	6,165	2,122,435
Total liabilities	2,426,201,090	1,141,803	68,609,918	2,495,952,811
Net position	(2,064,419,3)	2,323,168,8	357,2	259,106,7

40 COMMITMENTS AND CONTINGENT LIABILITIES

At any time the National Bank has outstanding commitments to extend loans. These commitments take the form of approved loans, credit limits and overdraft facilities.

The National Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The National Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully used. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized in the consolidated financial statements if counterparties of National Bank failed completely to perform as contracted.

	31 December 2009	31 December 2008
Contracted amount		
Undrawn loan commitments	98,449	98,448
Guarantees and letters of credit	<u>2,495</u>	<u>3,758</u>
	<u>100,944</u>	<u>102,206</u>

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

(a) Insurance

The insurance industry in Kazakhstan is in a developing stage and many forms of insurance protection common in other parts of the world are not yet generally available. The National Bank has partial insurance coverage for its property and equipment. The insurance covers property damage, caused by fire, thunderbolt, gas explosion, natural disaster, water damage, etc. according to the insurance contract.

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

(d) Litigation

From time to time and in the normal course of business, claims against the National Bank are received from customers and counterparties. Based on their estimate and also on recommendations by internal and external professional advisors, the management of the National Bank is of the opinion that no material non-accrued losses will occur and accordingly no provision for litigation has been made in these consolidated financial statement. In 2009 and 2008 no claims were issued against the National Bank.

(e) Taxation contingencies

The taxation system in the Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which can be unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges.

A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the 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 Kazakhstan that are substantially more significant than in other countries. Management of the National Bank believes that it has provided adequately for tax liabilities in its consolidated financial statements based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ from the opinion of the management of the National Bank and the effect on the National Bank's financial position, if the authorities were successful in enforcing their interpretations, could be significant.

41 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of financial assets and liabilities approximates the carrying amount in the consolidated statement of financial position of the National Bank, with the exception of these presented below:

	31 December 2009		31 December 2008	
	Carrying value	Fair value	Carrying value	Fair value
Held-to-maturity investments	400,000	407,490	921,272	925,686

Financial instruments recognized at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs as follows:

- Quoted prices in an active market (Level 1) – Valuations based on quoted prices in active markets that the Group has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products do not entail a significant amount of judgment.
- Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.
- Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Bank's valuation approach and fair value hierarchy categorization for certain significant classes of financial instruments recognized at fair value are as follows:

	31 December 2009		31 December 2008	
	Level 1	Level 2	Level 1	Level 2
Financial assets at fair value through profit or loss	-	1,220,261	-	9,737,704
Available-for-sale investments	1,606,310,824	193,080,193	1,044,868,487	132,759,657
Financial liabilities at fair value through profit or loss	-	2,494,822	-	3,357,245

The estimated fair values of quoted available-for-sale investments are based on quoted market prices at the reporting date without any deduction for transaction costs.

The estimated fair values of all other financial assets and liabilities is calculated using discounted cash flow techniques based on estimated future cash flows and discount rates for similar instruments at the reporting date. As disclosed in Note 10, in 31 December 2009 and 31 December 2008 the fair value of unquoted equity securities with a carrying value of KZT 2,695 thousand and KZT 502,200 thousand, respectively, could not be determined.

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

42 TRUST AND CUSTODY ACTIVITIES

(a) Trust activities

The National Bank provides trust services to trusts, pension funds and other institutions, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The National Bank receives fee income for providing these services. Trust assets are not assets of the National Bank and are not recognized in the consolidated statement of financial position. The National Bank is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

As at 31 December 2009 and 2008 the total assets held by the NBK on behalf of customers were KZT 1,535,720,515 thousand and KZT 479,481,302 thousand, respectively.

(b) Custody activities

The National Bank provides custody services to its customers, whereby it holds securities on behalf of customers and receives fee income for providing these services. These securities are not assets of the National Bank and are not recognized in the consolidated statement of financial position.