

**THE ANNUAL REPORT**  
**NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN**  
**FOR THE YEAR 2009**

**ALMATY**

**2010**

## List of Abbreviations Used

President of the Republic of Kazakhstan	President
National Bank of the Republic of Kazakhstan	National Bank
Agency of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations	Agency on Regulation and Supervision of the Financial Market and Financial Organizations
National Fund of the Republic of Kazakhstan	National Fund
Government of the Republic of Kazakhstan	Government
Ministry of Finance of the Republic of Kazakhstan	Ministry of Finance
Ministry of Justice of the Republic of Kazakhstan	Ministry of Justice
Agency of the Republic of Kazakhstan on Fighting with Economic and Corruption Crimes	Agency on Fighting with Economic and Corruption Crimes
Agency of the Republic of Kazakhstan for Regulation of Activities of the Regional Financial Center of Almaty City	Agency for Regulation of Activities of the Regional Financial Center of Almaty City
Agency of Statistics of the Republic of Kazakhstan	Statistics Agency
Commonwealth of Independent States	CIS
Eurasian Economic Community	EurAsEC
Common Economic Space	CES
Shanghai Organization of Cooperation	SOC
International Financial Organizations	IFO
International Monetary Fund	IMF
second tier bank	bank
US Dollar	US\$

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## EXECUTIVE SUMMARY

1. After two turbulent years, the global economy started going out of recession in the mid-2009. This was conducive to the anti-crisis support measures undertaken in most countries of the world in 2008-2009 as well as to improved environment in the global commodity and financial markets. Actual outcomes of the economic dynamics appeared to be better than the projections. According to the IMF, in 2009 the aggregate GDP of all countries contracted by 0.8%, while the projected contraction was 1.1%. In particular, recession in the US economy is estimated at 2.5%, in the Japan economy – at 5.3%, aggregate GDP of the Euro zone countries decreased by 3.9%. And although indicators of economic growth in 2009 appeared to be worse than in 2008, in 2010 and 2011 the global economy growth is anticipated to be at 3.9% and 4.3%, respectively.

2. There were positive trends in the macroeconomic development of the Republic of Kazakhstan in 2009. Thus, starting from Q3 2009, certain recovery of economic growth is observed which has offset significant decrease in the real GDP in the first half of 2009. The real sector of the economy has responded to the after-effects of the global crisis in a more painful way than the service sector. The process of falldown in the commodity production output started earlier and was lengthier than the production of services and only in Q4 2009 the two sectors of the economy demonstrated significant growth which allowed reaching the real GDP growth of 1.2% at year-end.

A set of arrangements implemented as part of the Joint Action Plan of the Government, National Bank and the Agency on Regulation and Supervision of the Financial Market and Financial Organizations for stabilization of the economy and the financial system for 2009-2011 (“the Joint Action Plan”) approved by the Governmental Decree of November 25, 2008 # 1085, helped retaining the positive rates of economic growth. Financial support provided to the banking, construction and agro-industrial sectors in line with the Joint Action Plan, and implementation of investment projects ensured a significant support to the stabilization process by diminishing negative impact of the global crisis on the economy.

However, the process of full recovery will depend, in the first instance, on the positive change of a number of factors, including the global demand and commodity prices. In this environment the economic policy will be adjusted and aimed at expanding the demand through governmental support to economic industries whose output is oriented at the domestic market. Given that the major negative tendencies in the development of the Kazakh economy have been overcome, the signs of its recovery outlined in 2009 allow forecasting a real GDP growth in 2010 году at 2-2.5%.

3. Based on 2009, annual inflation decreased from 9.5% to 6.2%, average annual inflation – from 17.0% to 7.3%. Minimum inflationary potential in the Kazakh economy in 2009 enabled the National Bank to concentrate on restoring the public confidence in the domestic currency and maintaining stability of the financial market in implementing its monetary policy. In 2010 the inflation is expected to be maintained within the band of 6.0-8.0%.

4. In February 2009 the National Bank implemented the Tenge devaluation and fixed the exchange rate band for the Tenge at KZT 150/US\$ +/-3% instead of the pre-existing implicit band of KZT 120/ US\$ +/-2%.

The change in the exchange policy was the response to the devaluation of currencies of the countries – trade partners of the Republic of Kazakhstan and significant decrease in prices for energy resources constituting the basis of the Kazakhstan’s export, which happened in the second half of 2008 – beginning of 2009. The decrease in the nominal exchange rate of the Tenge not only allowed reducing devaluation expectations in the market but also restoring competitive capacity of the domestic producers and preserving gold and foreign currency reserves, and the recovery of price

growth in the global commodity markets ensured increased sustainability of indicators of the balance of payments.

In order to provide conditions for increasing the flexibility of the exchange rate formation, from February 5, 2010 the exchange rate fluctuation band was expanded to (+)10% or KZT 15 and (-)15% or KZT 22.5 while retaining the target of KZT 150/US\$. The dominating tendencies in the dynamics of the Tenge exchange rate will be stipulated by the situation in the global financial and commodity markets and the status of the balance of payments.

The volume of gold and foreign exchange reserves of the National Bank at end-2009 accounted for US\$ 23.2 bln., having increased by 16.8% over the year. The country's balance of payments, according to preliminary data, was positive and amounted to US\$ 2.7 bln.

5. Measures of governmental support of the banking sector, internal adjustments made by banks based on the lessons learned from the crisis promoted stabilization of the banking sector and also ensured not only safety of the banks' deposit base but also its growth, including the growth of the people's deposits. In addition, the National Bank increased the authorized capital of the Kazakhstan Deposit Insurance Fund to KZT 110 bln. in order to increase its opportunities.

Over 2009 deposits of residents with depository institutions increased by 19.7%, at the same time deposits of individuals increased by 28.5%, deposits of legal entities – by 16.3%.

6. Significant improvement of liquidity position in the banking sector enabled the National Bank to significantly reduce the volumes of refinancing provided to the banks. In addition, since the second half of 2009 the National Bank has been undertaking measures to redirect the accumulated liquidity reserve of banks in the National Bank's instruments (short-term notes, deposits) as well as with the correspondent accounts to increase the domestic lending. However, the increase in the resource base of banks didn't result in the respective growth of credits to the economy. Over 2009 the volume of loan debt of banks increased only by 2.5%.

7. The expansion of the reserve money for 2009 accounted for 60.7%, money supply increased by 17.9%, cash in circulation – by 6.5%. Issuing balance from the issue and withdrawal of cash in 2009 was positive, however, it decreased more than two-fold as compared to 2008. The volume of payments transferred through the payment system of the Republic of Kazakhstan in 2009 increased by 6.1% in terms of a number of payments and by 12.6% in terms of their amounts. The number of payment cards in circulation increased by 6.2%.

8. In 2009 a number of domestic banks (BTA Bank, Alliance bank and Temirbank, the subsidiary of BTA Bank) defaulted due to their inability to discharge their debt obligations, in which connection the banks initiated the debt restructuring process in order to avoid their subsequent failure. On December 7, 2009 the Creditors Committee and the BTA Bank signed the Principal Commercial Terms Sheet, on December 15, 2009 the Creditors Committee approved the Restructuring Plan for Alliance Bank, and on December 18, 2009 the Creditors Committee signed the Terms Sheet for financial restructuring of liabilities of the BTA Bank subsidiary - Temirbank. Owing to this the situation in the above mentioned banks stabilized and, followed by the reduced debt burden, will allow renewing their lending activity.

9. The global financial and economic crisis revealed deficiencies in the existing models of financial relationships, both globally and at a national level. The weaknesses in the structure of the state regulation and in the activities of financial institutions per se have been revealed.

The problems of financial institutions manifested themselves in the imperfection of risk management systems and their inconsistency with the up-to-date trends and the level of risks assumed (both in terms of the extent and the quality of risks), poor corporate governance and

insufficient transparency and, as the result, inefficiency of business-models which appeared to be vulnerable to negative trends.

In this connection the National Bank in conjunction with the Agency on Regulation and Supervision of the Financial Market and Financial Organizations and the Agency for Regulation of Activities of the Regional Financial Center of Almaty City, as well as the financial market participants drafted the Concept on the development of the financial sector of the Republic of Kazakhstan in the post-crisis period. As part of the Concept, arrangements will be implemented aimed to increase sustainability of the financial sector, encourage investment activity and build confidence in the country's financial sector, both on the part of investors and the financial services consumers.

10. In 2009 the laws of the Republic of Kazakhstan drafted by the National Bank in cooperation with the stakeholders – government authorities were passed – “On making amendments to certain legislative acts of the Republic of Kazakhstan regarding improvement of legislation of the Republic of Kazakhstan on payments and money transfers, accounting and financial reporting of financial organizations and the activity of the National Bank of the Republic of Kazakhstan” and “On making amendments to certain legislative acts of the Republic of Kazakhstan regarding currency exchange regulation and control”.

11. Profitability of the National Fund where the National Bank is an investment manager in 2009 amounted to 7.31% in the base currency – US Dollars. Its profitability since its foundation and up to December 31, 2009 amounted to 54.98%, which is 5.24% in annual terms.

12. As a result of financial and economic performance of the National Bank in 2009 its earnings amounted to KZT 50 134.8 mln., and expenditures amounted to KZT 15 970.1 mln. This resulted in net profit of KZT 34 164.7 mln., with the increase by 13.1% as compared to 2008.

## I. ECONOMIC DEVELOPMENT

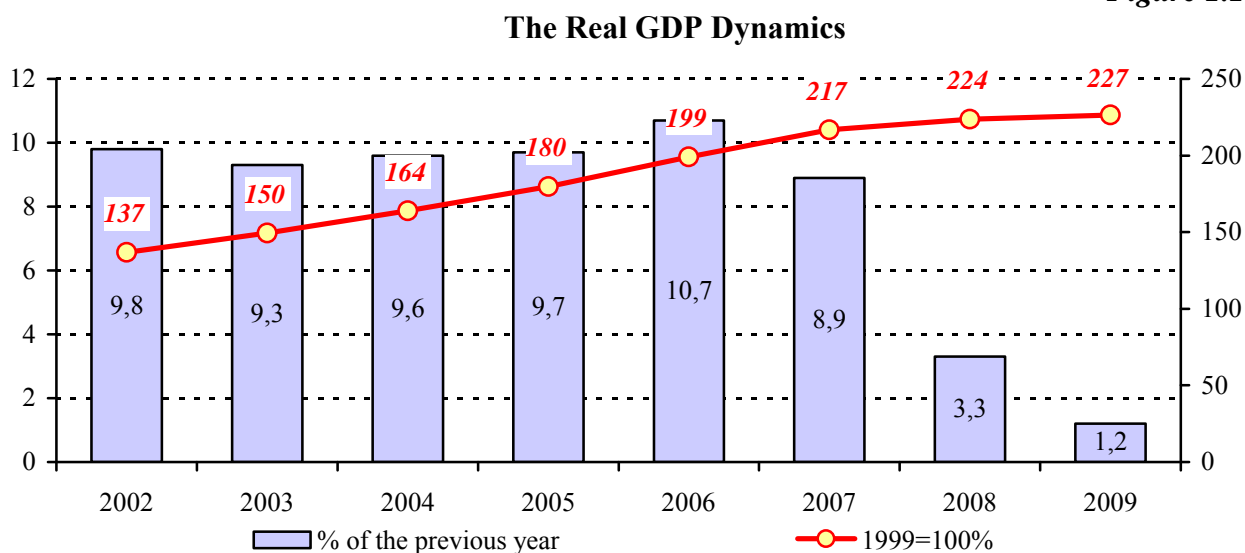
### 1.1. The Real Sector of the Economy<sup>1</sup>

The beginning of 2009 was characterized by the devaluation of domestic currencies in the countries – trading partners of Kazakhstan as well as by low prices and low demand for energy resources caused by the recession in the global economy.

The Tenge devaluation implemented in February contributed to the improvement in the economy whose downward trend started to weaken. The improved external demand and pricing environment in the global commodity markets from the second half of 2009 as well as anti-crisis measures of the Government reduced the depth of decline in the economy, as the result of which the appearing signs of recovery having increased in the last quarter of the year allowed closing 2009 with a small growth.

The GDP volume in current prices, according to current data, in 2009 amounted to KZT 15.9 trln. The real growth rate of GDP as compared to 2008 was 1.2% (figure 1.1.1).

*Figure 1.1.1*



Over 2009 the volume of production and distribution of electric energy, gas and water, trade, transport, manufacturing industry, construction, services of hotels and restaurants, and financial services decreased. On the other hand, there was growth in agriculture, communications, mining industry, real estate operations as well as in the public administration and social sphere.

### 1.2. Monitoring the Real Sector Enterprises

Over 2009 the number of the number of enterprises – participants in the monitoring process representing the major sectors of the economy increased from 1 674 to 1 994, including large- and medium-size enterprises – from 1 046 to 1 214. Enterprises were selected to participate in the monitoring process with consideration of the sectoral and regional structure of the economy based on the representativity estimate of the enterprise selection. Proceeds from sales of the output (works, services) of the enterprises – participants in the monitoring process in Q4 2009 amounted to KZT 3 439.5 bln., accounting for about 50.6% of the total proceeds from the sale of output in the economy.

<sup>1</sup> According to the Statistics Agency

During the year a decreased demand for final products of enterprises was observed. The major decrease in the indicator occurred in Q1 and Q4 2009, which was noted by 46.6% and 31.5% of respondents, respectively (Appendix 1 to Section I Sub-Section 1.2, figure 1.2.1). At the same time, by the year-end there was some growth in the demand in industries such as “production and distribution of electric energy, gas and water”, “hotels and restaurants”, and “manufacturing industry”.

The dynamics of prices for final products of enterprises was determined by the change in the demand: there was some slowdown in the growth rates of the indicator during the year. The percentage of enterprises that noted the increase in prices for final products decreased from 22.1% in Q1 2009 to 18.6% in Q4 2009. Most of respondents (64.6% a year on average) noted the price stability (Appendix 1 to Section I Sub-Section 1.2, figure 1.2.2).

Prices for raw materials and supplies continued to grow: during the year a half of enterprises from the sample on average noted the increase in prices (Appendix 2 to Section I Sub-Section 1.2, figure 1.2.3). However, the growth of the indicator occurred at significantly lower rates as compared to 2008.

The tendency of current asset financing by enterprises mainly from their own funds retained, this fact being noted by about 80% of enterprises.

The average annual return on sales (before tax) in the country’s economy decreased and was 42% (in 2008 – 46.8%). At the same time about one third (28.9%) of all respondents are low profit and unprofitable enterprises. The decrease in the indicator was influenced by a lower price growth for final products as compared to 2008.

The manufacturing industry, compared with others, remains more attractive for investments: the average annual return on sales amounted to 61.3%. The return on sales in the manufacturing industry was at 29.3%, real estate operations, rent and services to enterprises – 27.2%, transport and communications – 24.0%.

By the year-end there was a decrease in interest rates on credits received both in the Tenge and in foreign currency (from 15.9% and 14.7% in Q1 2009 to 15.4% and 13.6% in Q4 2009, respectively), however, the percentage of enterprises that obtained credits also decreased (from 20.7% in Q1 2009 to 17.4% in Q4 2009) (Appendix 2 to Section I Sub-Section 1.2, figure 1.2.4, 1.2.5). The highest decrease was observed in such industries as “construction”, “hotels and restaurants”, and “manufacturing industry”.

During the year there was certain growth in the investment activity: the source for investments was mainly represented by own funds of the enterprises (the number of such enterprises increased from 51.9% in Q1 2009 to 54.4% in Q4 2009).

A negative impact of the change in the exchange rate of the Tenge versus the US Dollar, Euro and Russian Ruble on the economic activity of enterprises has decreased significantly: from 48.7%, 31.8% and 28% in Q1 2009 to 21.5%, 17.7% and 16.7% in Q4 2009, respectively.

### **1.3. Public Finance<sup>2</sup>**

From January 1, 2009 a new tax Code of the Republic of Kazakhstan came into effect. In line with the new Code the tax burden on the extractive industries of the economy was redistributed. In particular, the corporate income tax rate was decreased from 30% to 20%, the VAT rate – from 13% to 12%, the export custom duty was canceled. A regressive scale of social tax was replaced by a flat rate of 11%, and the royalty was replaced by the mineral extraction tax.

Based on 2009, revenues of the state budget decreased by 13.1% as compared to 2008 and amounted to KZT 3 505.3 bln. or 22.1% of GDP (in 2008 – 25.4% of GDP).

The transfers from the National Fund in 2009 amounted to KZT 1 104.6 bln., including the guaranteed transfer – KZT 843.1 bln., target transfer – KZT 261.5 bln.

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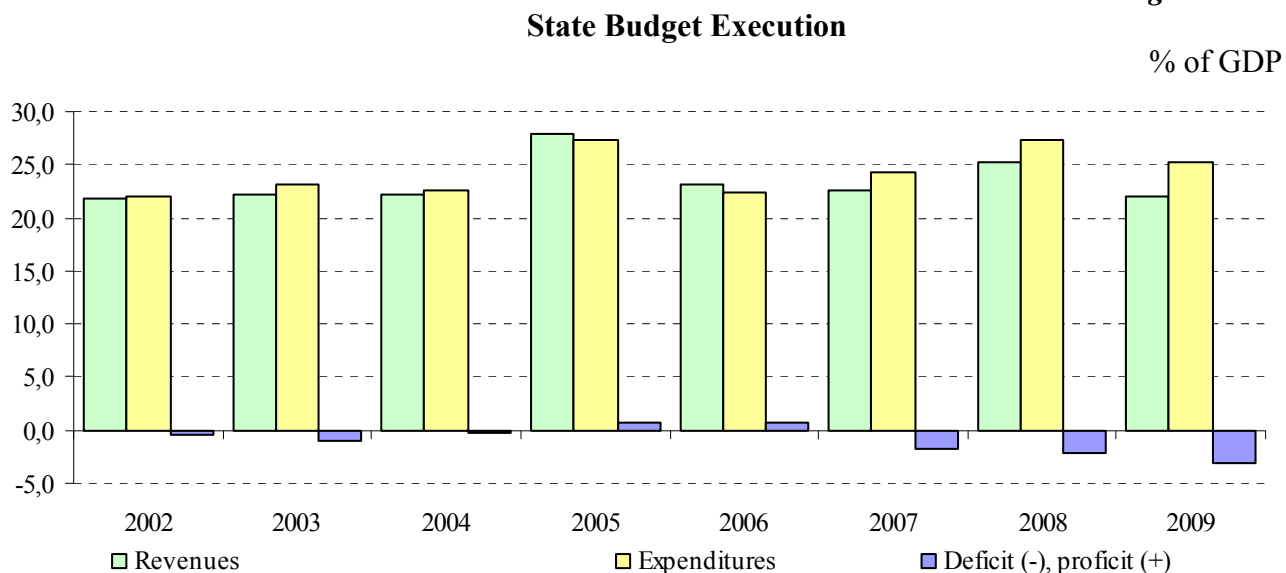
<sup>2</sup> According to the Ministry of Finance



In 2009 state budget expenditures amounted to KZT 3 746.8 bln. or 23.6% of GDP (in 2008 – 21.3% of GDP). As compared to 2008, expenditures increased by 10.4%, which was caused by the increased expenditures for financing of the social sphere.

In 2009 the state budget was executed with the deficit of KZT 492.7 bln. (3.1% of GDP), in 2008 the deficit was KZT 333.2 bln. (figure 1.3.1).

**Figure 1.3.1**



The government domestic debt for 2009 amounted to KZT 1 289.0 bln. (8.1% of GDP), having increased by 27.9% as compared to 2008. The government external debt for 2009 (2.1% of GDP) increased by 37.1% as compared to the indicator for 2008 and amounted to US\$ 2.2 bln. The external debt guaranteed by the state decreased by 5.2%.

#### 1.4. Balance of Payments and External Debt

Global prices for the major items of Kazakhstan's exports, adjustment of the domestic currency exchange rate, borrowing operations of the non-bank corporate sector and servicing of the existing external debt of banks became the determinants for the balance of payments in 2009.

At the year-end 2009 current account balance was negative of US\$ 3.4 bln. (Appendix 1 to Section I Sub-section 1.4.) versus the positive current account balance of US\$ 6.3 bln. in 2008. As compared to the outcomes of 9 months of 2009, the current account deficit decreased by 17.2% at the year-end. Such decrease was primarily caused by the increase in the trade balance in Q4, which exceeded the level of Q3 by 26%. Aggregate trade balance for 2009 amounted to US\$ 15.2 bln., having decreased by 54.7% as compared to the previous year (US\$ 33.5 bln. in 2008).

On average for 2009, the world price for oil (Brent) was US\$ 61.9 per barrel, being by 1.6 times lower than in 2008 (US\$ 97.6 per barrel), at the same time an average price in Q4 2009 was US\$ 75.0 per barrel, being by 9.7% higher than its average level in Q3 2009.

Exports of goods in 2009 decreased by 38.9% as compared to 2008, amounting to US\$ 44.0 mln. The official exports amounted to US\$ 43.2 bln., including US\$ 26.2 bln. (over 60%) of exports of oil and gas condensate (US\$ 43.5 bln. for the previous year). The cost of ferrous metals exports decreased by 53%, non-ferrous metals – by 35%. At the same time, quantitative supplies of oil and gas condensate increased by 11%, and the decreased cost of exports of ferrous and non-ferrous metals was caused both by the decrease in prices and physical volumes.

The import of goods is estimated at US\$ 28.8 bln., which is by 25% less than in 2008. The official imports accounted for US\$ 28.4 bln. (in 2008 – US\$ 37.9 bln.). The decrease in imports was noted in all commodity groups of the main product nomenclature. The highest decrease in imports

was observed in the group of interim consumption goods – by 35% and consumer goods – by 19%. At the same time the total import of non-food and foodstuff consumer goods equally decreased by 19%. The highest percentage in the cost of goods import falls on investment goods (44.3%) whose imports decreased by 18% amounting to US\$ 12.6 bln.

The deficit in the balance of incomes for 2009 amounted to US\$ 5.8 bln., having decreased by 13.3% as compared to 2008 (US\$ 6.7 bln.). At the same time, the negative balance of services of US\$ 1.5 bln. formed in Q4 2009 is by 11.3% lower than the indicator for the prior quarter and is comparable with the respective period of 2008.

The deficit in the balance of incomes formed in 2009 (including wages) of US\$ 11.9 bln. was primarily associated with the revenue payments to the direct foreign investors (US\$ 9.8 billion). In addition, payments of interest on foreign debt of the banking sector still have notable impact on the balance of revenues. Those payments amounted to US\$ 21.2 bln. despite their decrease by nearly 32% as compared to 2008.

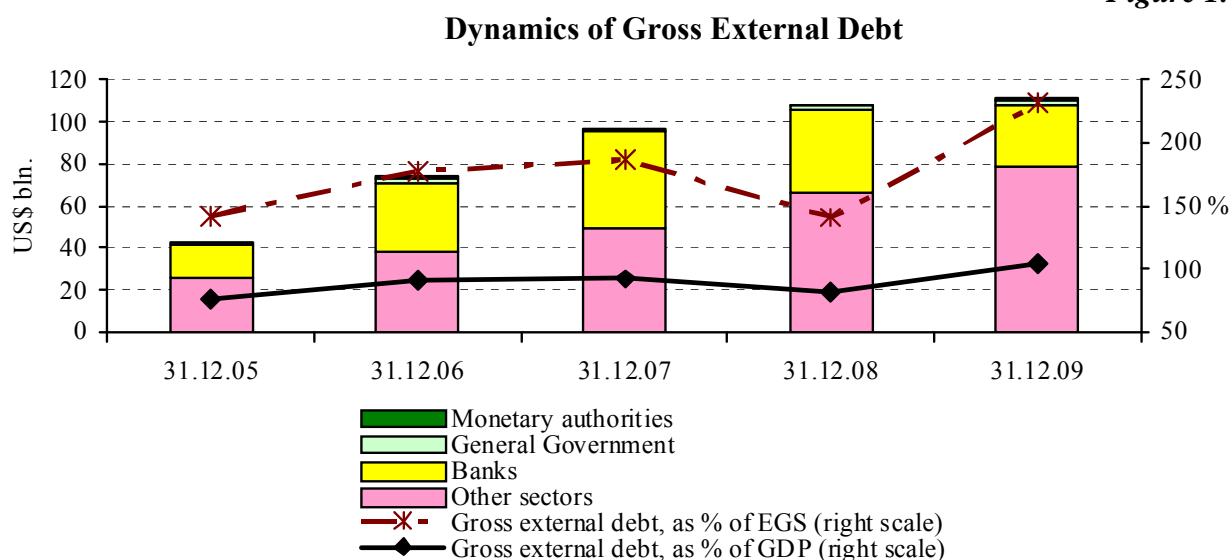
The net inflow in the financial account was US\$ 7.2 bln. At the same time, net inflow of direct foreign investments (DFIs) in Kazakhstan amounted to US\$ 12.6 bln. The net outflow of resources on direct investments to abroad (primarily of Kazakh enterprises in the oil and gas sector) exceeded US\$ 3.0 bln. This resulted in a positive balance on direct investments of US\$ 9.5 bln.

The net outflow from the banking sector operations amounted to US\$ 8.1 bln. (US\$ 8.4 bln. based on 2008). Foreign assets of the banking system decreased by US\$ 0.5 bln. mainly because of operations performed in Q2 and Q4 2009. Foreign liabilities of the banking sector, despite defaults, decreased as a result of operations by US\$ 8.6 bln. Past due debt of banks for 2009 increased by US\$ 2.3 bln. (of which US\$ 0.7 bln. – in Q4).

International reserves of the National Bank increased by US\$ 2.5 bln. over the year as a result of operational changes. The growth in reserves was ensured by operations in the second half of the year amounting to US\$ 4.0 bln. (in the first half of 2009 the reserves decreased by US\$ 1.5 bln.) As a result, gross international reserves at the year-end 2009 were estimated at US\$ 23.1 bln., which provided financing of 7.1 months of goods and services imports.

Gross external debt (GED) of the country in 2009 continued to grow and amounted to US\$ 111.7 bln. at December 31, 2009 (figure 1.4.1).

**Figure 1.4.1**



The GDP growth in 2009 was ensured mainly at the expense of «Other sectors<sup>3</sup>» (increase by US\$ 11.6 bln.). The external debt of the «Banks»<sup>4</sup> sector decreased over the year by US\$ 9.1 bln., foreign liabilities of the «General Government» sector (Government) increased by US\$ 0.6 bln.

As part of the overall SDR distribution to provide liquidity in the global economic system by replenishing reserve assets of the IMF member-countries, SDR 343.7 mln. (US\$ 537 mln. At the exchange rate at the end of 2009) were allocated for Kazakhstan in Q3 2009, which are presented as long-term debt obligations of the monetary authorities to non-residents in the GED assessment. Hence, the debt of monetary authorities increased and amounted to US\$ 1.0 bln.

Relative parameters of external debt that are traditionally viewed as indicators of country's creditworthiness in the medium- and long-run showed further deterioration. This is associated both with the growing debt and decreased volumes of exports goods and services (EGS) and GDP for the year to which the volume of external debt at the reporting date is compared<sup>5</sup>. In particular, the ratio of GED to GDP accounted for 104.1% at December 31, 2009 (81.3% at 31.12.2008). The ratio of GED/EGS also increased significantly and was 231.7 % (141.0 % at 31.12.2008).

The indicator characterizing the burden of external debt servicing – ratio of payments on debt servicing to export of goods and services – accounted for 63.5 % in 2009 as compared to 41.6% in 2008.

In 2009 there was mainly long-term borrowing for various long-term investment projects. When the setup for the objects commissioning will be completed and production and sale of goods and services will begin, relative indicators of GED/GDP and GED/EGS may improve. Future revenues from exports of goods and services generated as part of those projects should contribute to a timely repayment of liabilities associated with their financing.

The most important components of foreign assets, especially in terms of smoothing a problem with FX liquidity are the National Bank's international reserves whose ratio to the short-term debt under the original maturity at end-2009 was 237.5%. (Appendices 2 and 3 to Section I Sub-section 1.4.)

## 1.5. Ensuring Financial Stability

A combination of various risk factors in 2009 had a significant destabilizing influence on the Kazakh economy and forced the government to interfere in financial and economic processes with a view of maintaining financial stability. Negative trends in the economy in 2009 were caused by a number of risk factors, both domestic and external.

**1. Decreased world prices for major export items and the devaluation of currencies in the countries – main trade partners of Kazakhstan.** Unfavorable external environment at the end of 2008 – beginning of 2009 had extremely negative implications for the current account balance, reduced the supply of foreign exchange in the domestic foreign exchange market and decreased the budget revenues. During the period there was a massive speculative activity in the foreign exchange market, when the National Bank regularly had to intervene extensively (in total their volume amounted to US\$ 6 bln. from October 2008 through January 2009) to maintain stability of the Tenge exchange rate.

By the beginning of 2009 the majority of countries – main trading partners of Kazakhstan – had implemented devaluation of their domestic currencies, which significantly reduced the competitive capacity of the Kazakh producers. The need to retain the competitive capacity of the Kazakhstani goods and to preserve the gold and foreign exchange reserves was the reason for the

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<sup>3</sup> Including non-bank financial corporations, non-financial corporations as well as households and non-profit organizations providing services to the households

<sup>4</sup> Including the second tier banks and the Kazakhstan Development Bank

<sup>5</sup> The decrease in the volumes of GED denominated in the US Dollars is also related to the devaluation implemented in February 2009.

decision about the Tenge devaluation that was implemented on February 4, 2009 and for introduction of a new foreign exchange rate band – KZT 150±5 per US\$. Speculative spikes in the foreign exchange market had been observed throughout 2009 and the opposite trend started to appear only in November with a relative excess of foreign exchange supply over its demand.

The devaluation of the domestic currency in February 2009 and the monetary policy priorities chosen by the National Bank allowed satisfy speculative expectations in the market, partially compensate losses of enterprises from an unfavorable pricing environment in the global commodity markets and limited negative impact of external shocks on the balance of payments structure. The subsequent growth of world prices for raw commodities further supported export-oriented industries which demonstrated the dynamics of the output recovery and improved financial performance in the second half of the year.

**2. Funding deficit of the banking sector.** By end-2008 international capital markets had been virtually closed for Kazakh banks, and the situation had aggravated when the restructuring process of two systemic banks started. To some extent this shortage was compensated by unprecedented measures for direct support of the economy as part of implementation of the Joint Action Plan of the Government, National Bank and the Agency on Regulation and Supervision of the Financial Market and Financial Organizations for 2009-2010 adopted on November 25, 2008.

On the whole, recovery of economic growth and its sustainability in the environment of absence of stimulating external factors and less favorable economic environment depends, in the first instance, on the country's ability not only to substitute the sources of financial resources but also to encourage the increase of private savings and investments. Based on 2009 one may say that there was no net outflow of deposits from banks which could become the most undesirable outcome of the devaluation and diminution of confidence in the banking system as a whole. On the contrary, the growth of people's deposits exceeded 20%. Alongside with that there was "depositors' flight" from certain banks but not from the banking system as a whole.

**3. External debt.** The need for the country's banking sector to service the external debt in the absence of opportunities to refinance liabilities in the foreign markets resulted in a significant debt reduction of the banking sector. However, gross external debt of the country increased a lot because of foreign borrowings by large corporate borrowers – mainly export-oriented companies. In the mid-term external debt of the corporate sector becomes a significant risk factor which might be materialized as a result of the fall in prices in the global commodity markets.

**4. Contraction of lending activity of banks.** Funding deficit of banks has resulted in the reduced volumes of new credits to the economy, which dramatically deteriorated the situation of such segments of the real sector as small and medium business, trade and services, and construction sector. Moreover, low volumes of retail lending had also a negative impact on the domestic demand.

According to the estimates of banks themselves, which were obtained in the course of quarterly surveys of the credit market, tight terms and conditions under which banks provide credit resources additionally had significant impact on the restraint of demand. In doing so, the demand on the part of non-financial organizations was mainly focused on satisfying the persisting need in the working capital financing and the restructuring of existing debts.

Volumes of banks' credits to the economy are also seriously impacted by over assessment of risks by banks that are associated with credits to the real sector of the economy. At present banks prefer to maintain a significant level of liquidity, including through accumulation of funds on accounts with the National Bank, and not to direct resources to provide credits to the economy.

**5. Deteriorated quality of the loan portfolio of the banking system.** Deteriorated domestic business environment and reduced aggregate demand had negatively affected the activity of non-oil and gas industries of the economy reducing their profitability and solvency. Those industries of the economy which are in need of ongoing replenishment of their working capital from credits had suffered most of all: trade, services, and construction sector. The negative effect of the crisis also manifested itself notably on the small and medium businesses. These factors led to fast deterioration

in the quality of credit portfolios in the majority of banks. The deterioration had slowed down in the second half of 2009 only.

In addition, the quality of the credit portfolio was also negatively affected by the domestic currency devaluation, which resulted in the revaluation of borrowers' liabilities denominated in foreign currency and increased the burden on the quality of the bank credit portfolios. The major impact was on the sectors oriented on the domestic market with no material sources of foreign currency proceeds.

In order to reduce the rates at which credit portfolios quality deteriorated in 2009 banks made extensive efforts on loan restructuring: according to banks, lending terms have been renegotiated in respect of loans accounting for 12% of the total loan portfolio, in order to improve customer creditworthiness. However, the efficiency of a large-scale restructuring process to a great extent depends on the speed of economic recovery and on maintaining favorable external pricing environment.

Despite a significant reduction in the quality of a loan portfolio, the percentage of loans charged off the balance sheet remains rather low due since the banks are reluctant to recognize their losses to the full extent. The stand-point of banks in respect of this issue is determined by a number of factors, among which the following factors may be highlighted such as limited capital to cover losses and reliance on the possible recovery of the borrowers' financial condition. In addition, there is an unresolved issue with taxation of revenues arising as a result of restoration of provisions.

**6. Factors of profitability and capitalization.** As the economy gradually recovers and sectoral and individual borrowers' risks diminish, there will be a downward trend in the behavior of lending rates. In these conditions in the short run banks should give a special attention to the interest risk regulation, especially in relation to long-term liabilities. It is especially true in respect of those institutions that implemented an aggressive strategy of fund-raising in conditions of limited opportunities for their efficient placement.

Given the scarcity of funding sources, the role of capital which should absorb losses in the loan portfolio in the mid-run is increasing. Moreover, the increase in funding from equity will also become a factor which will determine the growth in lending in future.

## **II. MONETARY POLICY, GOLD AND FOREIGN CURRENCY RESERVES MANAGEMENT AND FOREIGN CURRENCY REGULATION.**

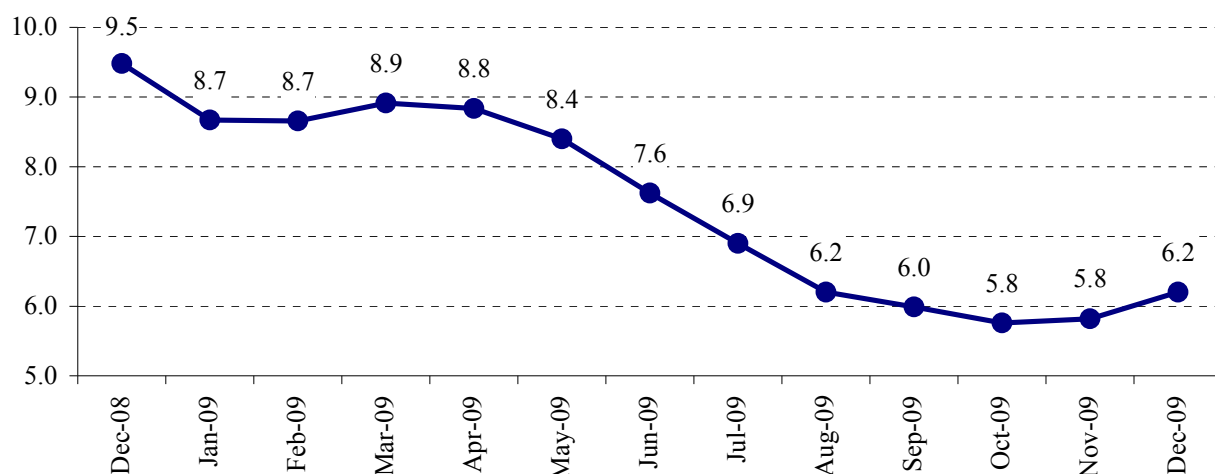
### **2.1. Monetary Policy**

In 2009 there was a steady trend of decreasing inflation. Low business activity, stagnation in the lending activity of banks, low growth rates of the cash income of the population, limited consumer demand were the main factors of decreased inflationary background in the economy (figure 2.1.1).

**Figure 2.1.1**

**The Annual Rate of Inflation**

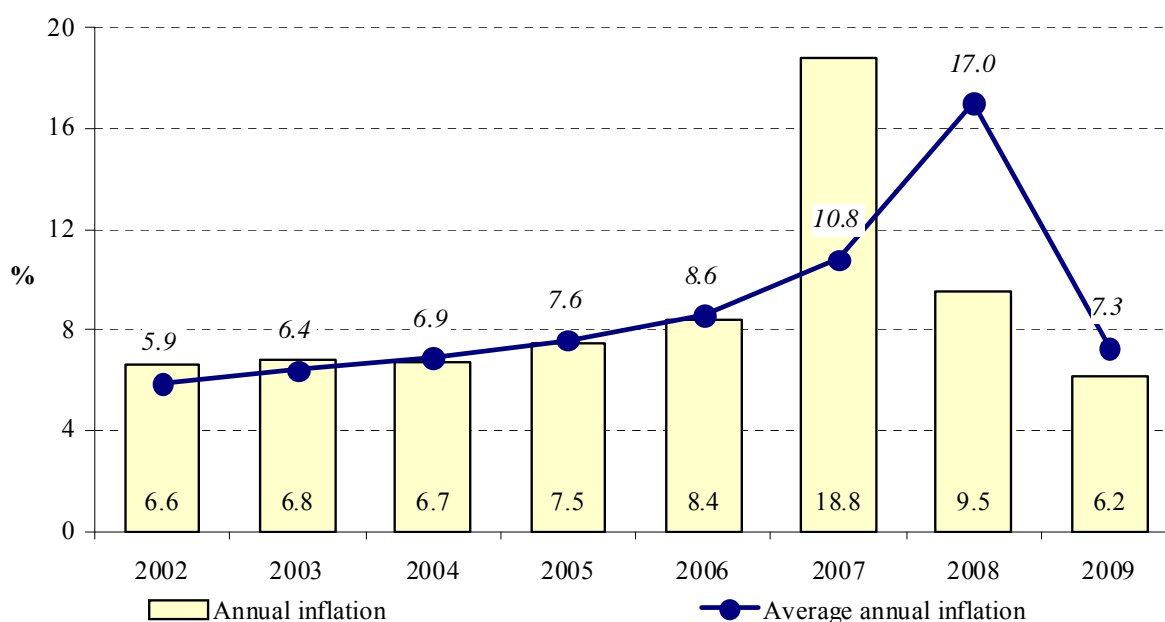
as % of the respective month of the previous year



Based on 2009 the inflation was at 6.2% (figure 2.1.2), which is 1.5 times less than the inflation rate in 2008 (December 2008 to December 2007 – 9.5%). The average annual inflation was 7.3%.

**Figure 2.1.2**

**Inflation Rate**



In 2009 the slowdown in the annual inflation occurred against the decreased growth rates of prices for foodstuff and paid services whereas the growth rates of prices for non-food items accelerated. Prices for foodstuff increased by 3.0% (in 2008 – by 10.8%), for non-food items – by 8.6% (by 5.7%), for paid services to the population – by 8.4% (by 11.4%).

The highest growth was demonstrated in prices for sugar – by 38.7%, for detergents and cleansers – by 25.5%, for personal care products – by 20.8%, for medical supplies – by 20.0%, for medical services – by 13.7%, for communication services – by 11.3%.

Gradual growth of the world prices caused the increase in prices for industrial output of Kazakhstani producers in 2009. The cost of industrial output appreciated by 31.0% in 2009 as a whole (in 2008 – decrease by 18.6%).

At the same time the cost of output appreciated by 32.6%, including interim consumption goods - by 36.0%, consumer goods – by 9.3%, and production means became cheaper by 1.7%. The cost of production services increased by 6.5%.

**Monetary policy instruments.** The slowdown of inflationary processes in 2009 enabled the National Bank to implement the monetary policy aimed at ensuring the stability of the Tenge exchange rate and stability of the country’s financial sector.

In February 2009 the National Bank established a new exchange rate band at KZT 150 per US\$ +/-3%. A one-time change in the exchange rate allowed reducing devaluation expectations a lot, improve the balance of payments, and preserve gold and foreign currency reserves of the National Bank.

In the domestic foreign exchange market the National Bank was primarily a seller of foreign exchange in 2009. Over 2009 a net sale of the National Bank in the domestic foreign exchange market was US\$ 5.4 bln. In these circumstances, if from January to October the National Bank supplied foreign exchange in the domestic market, in November-December 2009 the National Bank engaged in FX purchases in the domestic market, the volumes of such purchases over the period amounted to about US\$ 4 bln.

In 2009 the National Bank took additional measures to ensure stability in the financial market. Measures were taken to provide short-term liquidity in Tenge to banks as well as to improve the system of bank refinancing by the National Bank.

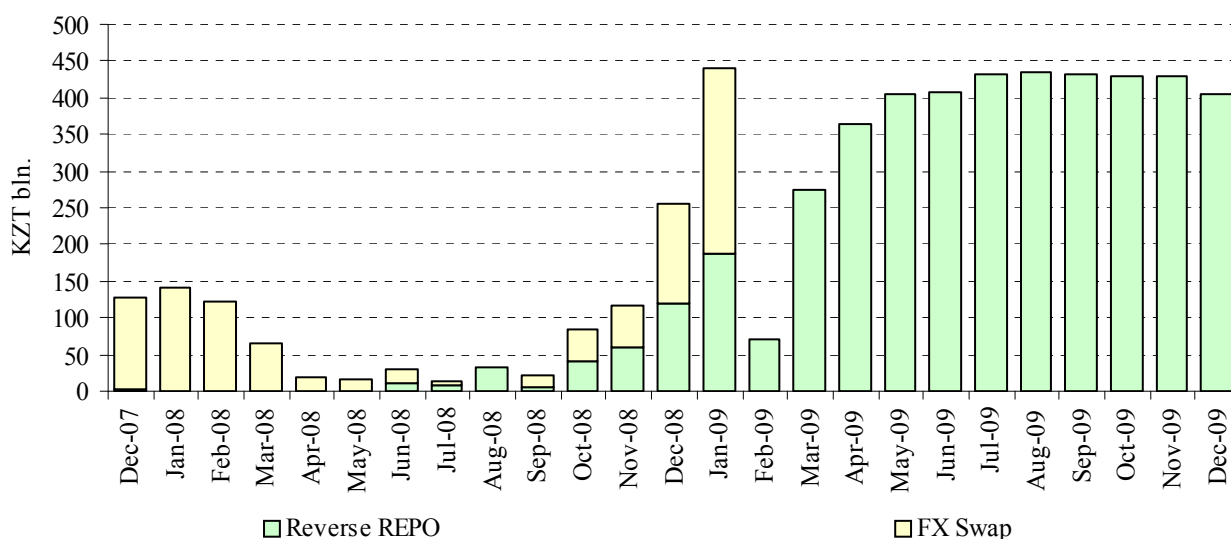
In 2009 the National Bank provided refinancing loans to banks through reverse REPO operations and in January-February 2009 – through SWAP operations. The total volume of reverse REPO operations over 2009 amounted to KZT 5.9 trln., SWAP operations – KZT 1.4 trln. The term of such refinancing operations was 7 days and 1 month.

In March 2009 the National Bank stopped engaging in the FX Swap and spot operations against the pledge of cash balances on correspondent accounts with the National Bank.

As of end-2009 the volume of the banks’ outstanding debt to the National Bank under reverse REPO operations amounted to KZT 404.9 bln. (figure 2.1.3).

**Figure 2.1.3**

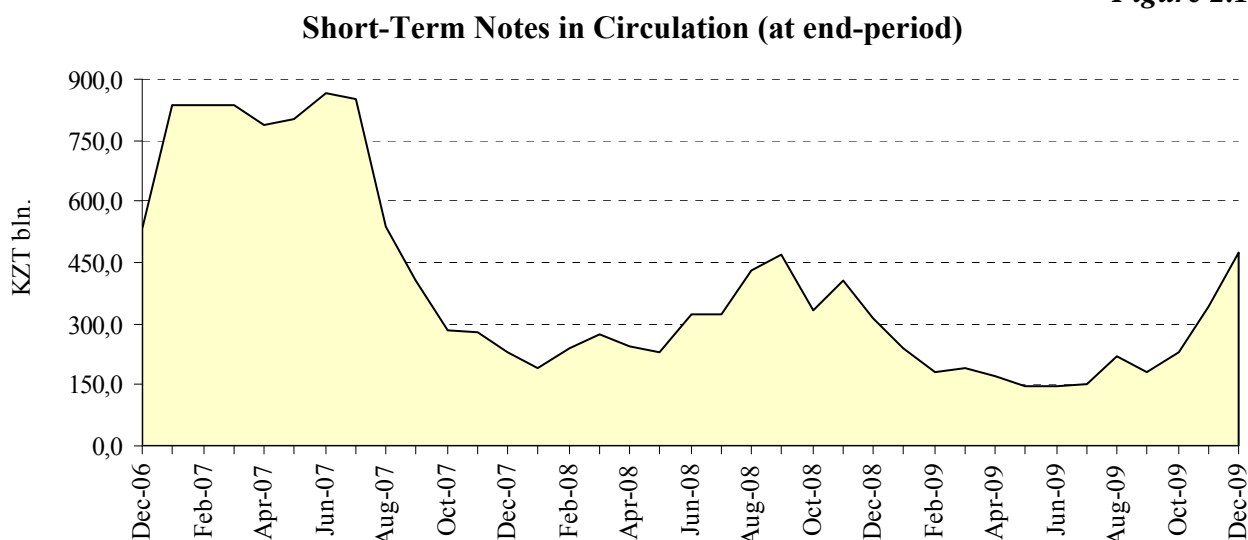
**Outstanding Amount on Bank Refinancing Loans (at end-period)**



The list of collateral used when engaging in reverse REPO operations was adjusted, it includes government securities, bonds of national companies of Kazakhstan, of foreign states, international financial organizations, Kazakhstan Mortgage Company, Development Bank of Kazakhstan, Eurasian Development Bank as well as debt securities of banks whose issuers are 100%-owned by the state or the National Welfare Fund “Samruk-Kazyna” or the National Management Holding Company “KazAgro”.

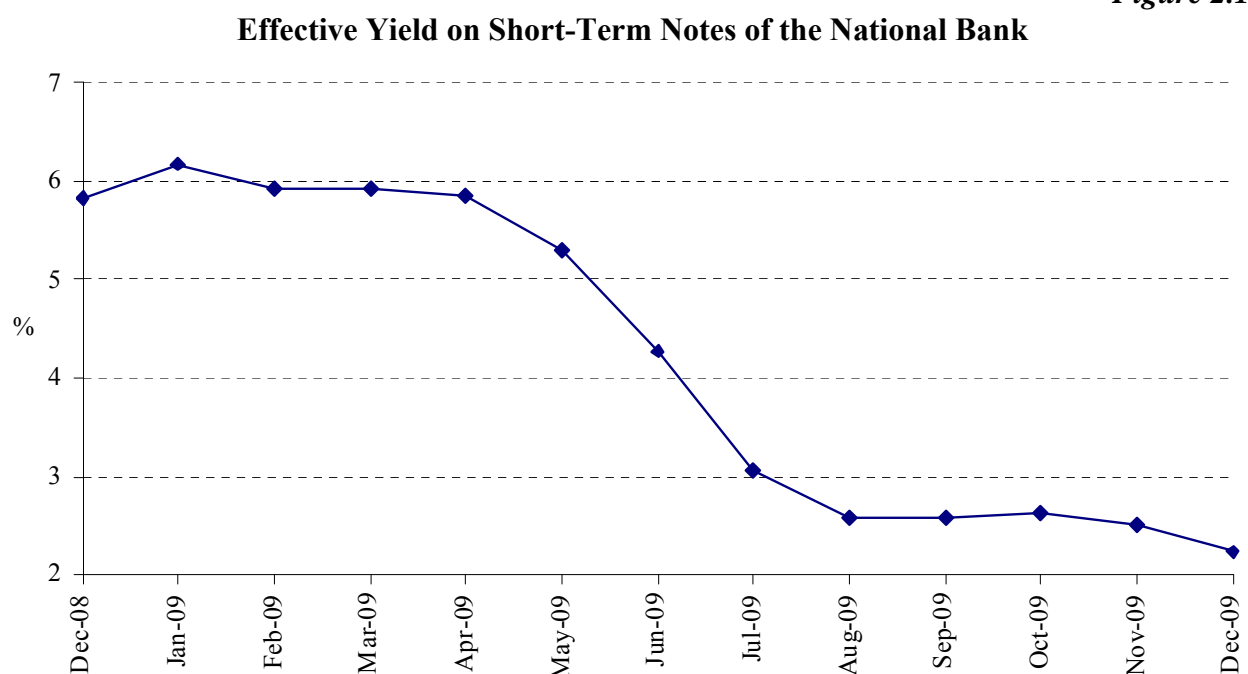
As a result of measures taken by the National Bank during 2008-2009 to ensure financial stability of the financial sector the situation with the Tenge liquidity in the banking sector improved significantly. As a result, in the second half of 2009 the demand from banks for the National Bank's operations on the withdrawal of the Tenge liquidity increased. Despite the fact that in 2009 the volume of issue of short-term notes decreased as compared to 2008 by 2.0 times and amounted to KZT 1.4 trln., their volume in circulation in 2009 increased by 51.6% to KZT 473.3 bln. (figure 2.1.4).

**Figure 2.1.4**



The average-weighted yield on notes decreased from 5.82% in December 2008 to 2.23% in December 2009 (figure 2.1.5).

**Figure 2.1.5**



Since August 10, 2009 the National Bank suspended placing short-term notes with the maturity of one month and started issuing notes with maturities of 3 and 6 months.



Deposits of KZT 16.3 trln. were taken from banks in 2009, which exceeds the amount taken in 2008 by 2.7 times. Balances of the bank deposits with the National Bank grew up from KZT 33.0 bln. at end-2008 to KZT 488.9 bln. at end-2009, i.e by 14.8 times.

The result of the National Bank's operations in the domestic market was the withdrawal of the bank liquidity of KZT 1.3 trln. over 2009 (Table 2.1.1).

Also, the National Bank attracted deposits of the Ministry of Finance in the Tenge in the total amount of KZT 5 732.8 bln. at the average rate of 0.25% pa, with the average maturity of 7 days.

**Table 2.1.1**

**Balance of the National Bank's Operations in the Domestic Market**

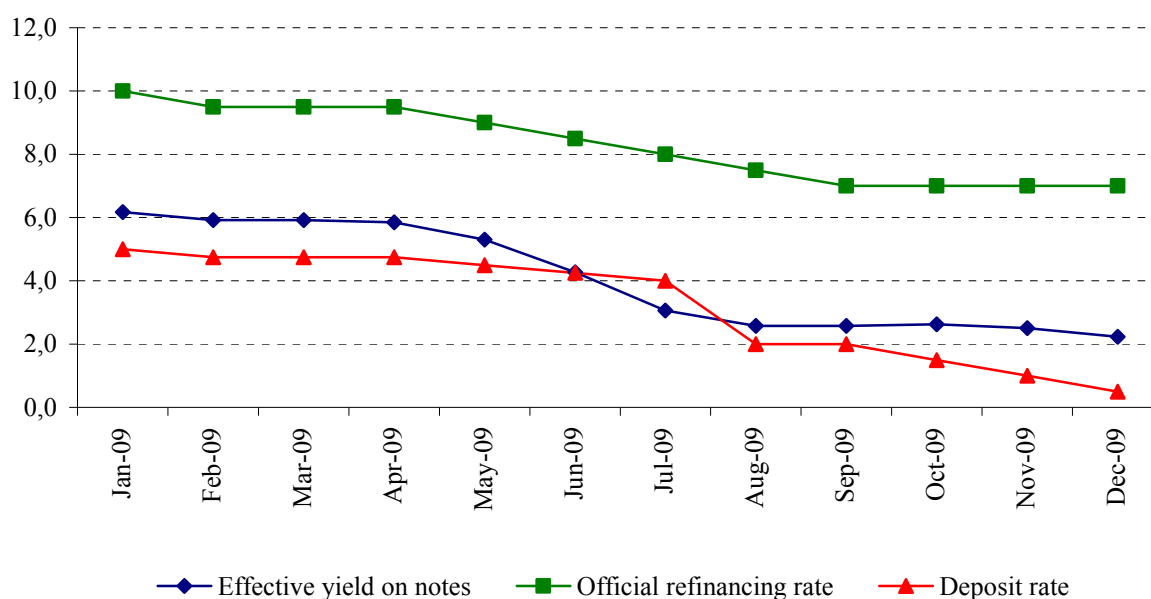
KZT bln.

	Balance of the National Bank's operations in the domestic market («-» – withdrawal, «+» – increase of the Tenge liquidity)	National Bank's participation in the foreign exchange market («-» – FX net sale, «+» – FX net purchase)	Net liquidity withdrawal («-» – liquidity withdrawal, «+» – increase of the Tenge liquidity)
2004	-303.5	478.0	174.5
2005	211.2	-48.6	162.6
2006	-997.8	1271.0	273.2
2007	644.5	-771.8	-127.3
2008	447.4	404.8	852.1
2009	-596.1	-729.9	-1326.0

In 2009 the National Bank has been gradually lowering its official refinancing rate from 10.5% to the historical minimum – 7.0%. From August 10, 2009 the National Bank has been taking deposits from banks for the term of 7 days and 1 month. The rates on these deposits were originally set at 2.0% and 2.5%, respectively, and have been gradually decreasing. From December 1, 2009 the rates on 7-day deposits taken from banks have been 0.5%, and on 1-month deposits – 1.0% (figure 2.1.5).

**Figure 2.1.5**

**Rates on the National Bank's Operations**



**Minimum reserve requirements.** From March 3, 2009 the minimum reserve requirements for banks were lowered from 2% to 1.5% on domestic liabilities of a bank and from 3% to 2.5% on other liabilities of a bank. Such decrease in requirements released about KZT 50 bln. of liquidity, according to estimates. Since November 30, 2009, with a view to regulate short-term liquidity for banks undergoing the restructuring process, individual minimum reserve requirements have been established of 0% for domestic liabilities and 0% for other liabilities of a bank.

In 2009 **bills** were not **eligible for discount**. In the National Bank's portfolio there were no bills at January 1, 2010.

**Monetary aggregates.** Dynamics of the money supply indicators in 2009 demonstrated growth: money supply increased by 17.9%, cash in circulation increased by 6.5%, and expansion of the reserve money was 60.7%.

Over 2009 **net international reserves of the National Bank** increased by 14.2% to US\$ 22.7 bln.

The increased balances of bank correspondent accounts in foreign currency with the National Bank and foreign exchange proceeds to the Government's accounts with the National Bank were partially neutralized by foreign exchange sales in the domestic foreign exchange market and operations on the Government's external debt servicing. As a result, net foreign currency reserves (FCR) in 2009 increased by 13.0%. Gold-denominated assets increased by 25.0% as a result of the increase in the price for gold in the global markets.

Over 2009 **international reserves** of the country as a whole (in current prices) including assets of the National Fund denominated in foreign currency (US\$ 24.4 bln.) increased insignificantly – by 0.5% to US\$ 47.6 bln. Assets of the National Fund denominated in the domestic currency amounted to KZT 750 bln. at end-2009 (bonds of the National Welfare Fund “Samruk-Kazyna” and the National Management Holding Company “KazAgro” at par).

In 2009 the **reserve money** expanded by 60.7% to KZT 2 451.2 bln. (in 2008 – by 4.2%). The main reason for the expansion of reserve money appeared to be the growth both in net domestic assets (mainly because of the growth in claims on banks and state-owned non-financial organizations), and net foreign assets of the National Bank.

Narrow reserve money that is the reserve money not including term deposits of banks in the National Bank extended by 31.5% to KZT 1 962.1 bln.

Over 2009 net domestic assets of the National Bank (excluding assets of the National Fund) increased by 167.0%. In their structure, net claims on the Government decreased by 9 times owing to increase of balances of the Government's accounts, other net domestic assets of the National Bank – by 2.1 times. At the same time, claims on the financial organizations grew by 184.3% as a result of refinancing loans provided to banks. Claims on the rest of the economy increased from KZT 0.4 bln. to KZT 181.4 bln., the main reason for such significant growth being the increase in claims on state-owned non-financial organizations.

Over 2009 **money supply** increased by 17.9% and amounted to KZT 7 386.5 bln. The main reason for its growth was the increase in net foreign assets of the banking system.

In the structure of net foreign assets of the banking system, in December 2009 as compared to December 2008, both net international reserves of the National Bank and net foreign assets of banks increased. The increase in the foreign assets of banks (by 58.0%) was mainly associated with the decrease in the liabilities of banks to non-residents.

In the structure of domestic assets of the banking system claims on non-bank financial institutions increased by 16.9%, claims on the Government decreased by 2.4 times, whereas claims on non-bank financial institutions increased insignificantly (growth by 2.6%), and claims on households decreased by 3.0%.

The level of monetization of the economy increased from 39.0% at end-2008 to 46.5% at end-2009.

Money multiplier decreased from 4.11 in December 2008 to 3.01 in December 2009 as a result of the outstripping rate of the reserve money extension versus the rates of the money supply

growth. This was caused by the increase of cash reserve ratio because of accumulation by banks of significant excessive reserves with the National Bank.

In the structure of money supply, **cash in circulation** (M0) over 2009 has grown by 6.5% to KZT 913.5 bln., and deposits of residents – by 19.7% to KZT 6473.0 bln. The positive trend of the increasing percentage of deposits in the money supply structure was retained owing to the outstripping growth rate of deposits of residents versus cash in circulation. During 2009 this indicator increased from 86.3% to 87.6%.

The growth of cash in circulation is related to the increase and growth in payments of wages, retirement benefits and allowances. Nonetheless, in 2009 the growth rates of cash in circulation contracted from 16.0% in 2008 to 6.5%. Low credit activity of banks, increased volumes of sales of foreign cash by exchange offices, receipt of cash to the banks' cashiers departments from sales of goods, works and services as well as receipts of cash to time deposits of the population shall be pointed out among the factors which kept down the cash in circulation.

## **2.2. Gold and Foreign Currency Assets of the National Bank and Their Management**

***Trends in the gold and foreign currency assets.*** The total amount of gross gold and foreign currency assets of the National Bank at the end of 2009 amounted to US\$ 23 218.5 mln., which exceeds the same indicator at end-2008 by US\$ 3 346.4 mln. The change in the amount of gross gold and foreign currency assets was affected by the increase in assets denominated in freely convertible currency and SDR by US\$ 2 846.4 mln., and assets denominated in precious metals increased by US\$ 500.0 mln.

The change in the foreign currency portion of assets in 2009 was caused by the following factors.

The receipt of US\$ 5 416.6 mln. in favor of the Ministry of Finance from oil and gas companies in the form of tax payments. Alongside with that, a part of proceeds in the amount of US\$ 3 585.4 mln. has been converted into the National Fund's stabilization portfolio.

In 2009 foreign exchange market of Kazakhstan was influenced by the excess of demand for freely convertible currency over its supply. Net sales by the National Bank amounted to US\$ 5 441.3 mln., of which US\$ 5 815.2 mln. – a net sale by the National Bank in the Kazakhstan Stock Exchange (KASE), US\$ 373.9 mln. – a net purchase by the National Bank in the off-exchange market.

In line with the re-conversion of a part of foreign currency assets of the National Fund, the National Bank purchased assets in foreign currency for the total amount of about US\$ 7 850.3 mln.

In 2009 the National Bank made payments of the Ministry of Finance under the external debt for the total amount of US\$ 121.7 mln.

Thus, based on transactions performed by the National Bank in 2009, net gold and foreign currency assets increased as compared to January 1, 2009 by US\$ 2 814.3 mln. and amounted to US\$ 22 658.6 mln. (Appendix 1 to Section II Sub-section 2.2, Table 2.2.1).

***Management of Gold and Foreign Currency Assets of the National Bank and the National Fund.*** In line with the implementation of the Joint Action Plan, the National Bank entered into the agreements on the purchase and sale of bonds of the National Welfare Fund "Samruk-Kazyna" of February 2, 2009 and the "National Management Holding Company "KazAgro" of February 18, 2009 and repurchased those bonds in the amount of KZT 480 bln. and KZT 120 bln., respectively. Also, under paragraph 1 of the Minutes of the Meeting of the Board for the National Fund's management No.01-7.14 of November 23, 2009, the National Bank entered into the agreement on the purchase and sale of bonds of the NWF "Samruk-Kazyna" of December 8, 2009 and repurchased those bonds in the amount of KZT 150 bln.

Pursuant to the National Bank's Resolution dated January 28, 2009 No. 6 "On amendments to the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 65 «On approval of the Regulation on investment operations of the National Fund of the Republic of Kazakhstan», with a view to minimize risks as well as to increase liquidity of the National Fund's assets, from April c 1, 2009 the average maturity of securities comprising the benchmark portfolio for the bond portfolio was reduced.

So, it was changed from:

Merrill Lynch US Treasury (G0Q0) – 45%,  
Merrill Lynch EMU Direct Governments (EG00) – 30%,  
Merrill Lynch UK Gilts (G0L0) – 10%,  
Merrill Lynch Japan Governments (G0Y0) – 10%,  
Merrill Lynch Australian Governments (G0T0) – 5%

to:

Merrill Lynch U.S. Treasuries, 1-5 Yrs (GVQ0) – 45%,  
Merrill Lynch EMU Direct Governments, 1-10 Yrs (EG05) – 30%,  
Merrill Lynch U.K. Gilts, 1-10 Yrs (G5L0) – 10%,  
Merrill Lynch Japan Governments, 1-10 Yrs (G5Y0) – 10%,  
Merrill Lynch Australian Governments, 1-10 Yrs (G5T0) – 5%.

Pursuant to the Presidential Edict of March 27, 2009 No. 777 with the view to promote employment, prevention of significant rise of unemployment and create conditions for sustainable post-crisis development in 2009 KZT 261.5 bln. was withdrawn from the National Fund as a target transfer during 2009.

Given the uncertainty in the global financial markets, with a view to minimize financial risks, and at the initiative of the National Bank as well as based on the approval from the Board for the National Fund's management<sup>6</sup>, the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated November 30, 2009 No. 107 "On amendments to the Resolution of the Management Board of the National Bank of the Republic of Kazakhstan dated July 25, 2006 No. 65 «On approval of the Regulation on investment operations of the National Fund of the Republic of Kazakhstan», amendments were made providing for the change in the tactical distribution of the savings portfolio of the National Fund for the index which is composed of 80% of bonds and 20% of shares, as well as decrease in the percentage of US Dollars in the benchmark foreign currency distribution of the savings portfolio of the National Fund from 45% to 40% at the expense of the increased percentage of the Euro from 30% to 35%. The foreign currency distribution of gold and foreign currency assets was changed in a similar way under the Resolution of the Management Board of the National Bank dated November 30, 2009 No. 104.

***The performance of the National Bank's gold and foreign currency assets management. Investment portfolio of gold and foreign currency assets.*** The market value of the investment portfolio of gold and foreign currency assets at the start of 2009 was US\$ 6 041.0 mln., and at end-2009 the market value of the investment portfolio was US\$ 9 329.1 mln. During 2009 an investment return of US\$ 298.3 mln. (realized and unrealized) was accumulated in the investment GCA portfolio, calculated in the US Dollars.

Return on the investment portfolio of GCA for 2009 denominated in the currency basket was 2.47%. Given the return on the benchmark portfolio of 2.15%, excess returns comprised 32 basis points.

Return on the investment portfolio of GCA for 2009 denominated in the US Dollars was 8.45%. Given the return on the benchmark portfolio of 8.10% excess returns comprised 35 basis points.

At end-2009 the distribution of assets in the investment portfolio by instruments had the following structure: cash and cash equivalents – 0.76%, government securities – 92.96%, agency

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<sup>6</sup>Pursuant to paragraphs 2, 3 of the Minutes of the Meeting of the Board for the National Fund's management No.01-7.14 of November 23, 2009

securities – 4.84%, securities of IFOs – 0.32%, asset-backed securities – 0.00%, corporate securities – 1.12%. The distribution of assets in the investment portfolio on the yield curve had the following structure: less than 1 year – 11.99%, 1-2 years – 51.81%, 2-3 years – 33.56%, 3-4 years – 2.21%, 4-5 years – 0.44%, over 5 years – 0.00%.

Under the Resolution of the National Bank’s Management Board of February 27, 2009 No.13 “On Amendments to the Resolution of the National Bank’s Management Board of October 27, 2006 No.105 “On Approval of the Investment Strategy for Management of Gold and Foreign Currency Assets of the National Bank of the Republic of Kazakhstan”, the investment horizon of the benchmark portfolio was reduced from 1-5 to 1-3 years.

Also, with a view to improve the efficiency of the GCA management in line with the Implementing Order of the National Bank’s Governor No. 96 of October 22, 2009 a transfer of assets from the liquidity portfolio to the investment portfolio was made for the total amount of about US\$ 3 bln.

In December 2009, in pursuance of the decision No. 104 of November 30, 2009 made by the National Bank’s Management Board, transactions were conducted in order to change the foreign currency distribution of the investment portfolio to reduce the US Dollar component from 45% to 40% and in favor of the increase in the Euro component from 30% to 35%.

**Absolute Yield Portfolio.** The market value of the absolute yield portfolio of gold and foreign currency assets amounted to US\$ 391.1 mln. at the beginning of the year and US\$ 390.8 million – at the end of 2009.

The return on portfolio of the absolute yield portfolio of gold and foreign currency assets for 2009 was (-)0.09%. With the benchmark returns of 0.70%, excess returns were (-)79 basis points. Investment return (realized and unrealized) was US\$ (-)337.6 thous.

**Liquidity portfolio of gold and foreign currency assets.** The market value of the liquidity portfolio of gold and foreign currency assets was US\$ 9 905.7 mln. at the beginning of 2009 and US\$ 9 772.1 mln. – at the end of 2009.

Liquidity portfolio of gold and foreign currency assets is intended for monetary policy and all flows and various payments are also performed through this portfolio. This portfolio is not included in the evaluation of returns on portfolios of gold and foreign currency assets and doesn’t have a benchmark portfolio.

**Gold portfolio.** The market value of the gold portfolio of gold and foreign currency assets was US\$ 2 000.6 mln. at the beginning of 2009 and US\$ 2 500.7 mln. – at the end of 2009. The growth in price for gold over the year from US\$ 869.8 to US\$ 1 087.5 per an ounce affected the change in the portfolio volume (Appendix 2 to Section II Sub-section 2.2, Table 2.2.2).

### **2.3. Foreign Currency Regulation and Control**

On July 4, 2009 the Law of the Republic of Kazakhstan “On amendments to certain legislative acts of the Republic of Kazakhstan on the matters of foreign currency regulation and control” (“the Law”) was passed, which was drafted for the purposes of further improvements in the system of foreign currency regulation and control. The Law which had come into effect on August 11, 2009 provides for:

1) further liberalization of foreign currency regulation and simplification of administrative procedures;

2) simplification of requirements to repatriation of foreign currency proceeds and increased responsibility for non-compliance with the repatriation requirement;

3) extension of the set of measures of foreign currency regulation which can be applied in case of a threat to the country’s security and stability of its financial system.

With a view to liberalize foreign currency regulation and simplify the procedures of foreign currency control, the Law provides for:

- 1) excluding licensing activity for engaging in retail trade and provision of services against foreign cash (duty free shops, sales of goods and services to passengers in international operations);
- 2) removing restrictions for transactions with refined gold between residents;
- 3) canceling the requirement for notification about bank accounts in foreign banks opened for individuals;
- 4) possibility of increasing thresholds for registration, notification and certification by passing by-laws and regulations;
- 5) possibility of reducing the list of transactions subject to registration and notification by passing by-laws and regulations;
- 6) simplifying the procedure for notification about customer operations for banks and professional participants in the securities market.

With a view to improve the administrative procedures and increase responsibility for non-compliance with the repatriation requirement, the Law:

- 1) specified the definitions of “repatriation requirement” and “repatriation period”;
- 2) granted the right to a resident as a party of a foreign trade contract calculate the repatriation period independently based on the contractual terms and conditions;
- 3) established a comprehensive list of instances which do not imply crediting the proceeds to accounts in the Kazakh banks but are treated as the execution of the repatriation requirement;
- 4) specified the responsibility for non-repayment of foreign currency under foreign trade contracts. In particular, administrative responsibility commences when the amount of non-repayment equivalent to US\$ 50 000 (previously – US\$ 10 000) is exceeded, and criminal responsibility – if the amount of non-repayment exceeds 10 000 MCIs (previously – 5 000 MCIs).

The Law expanded and provided a more specific definition of anti-crisis measures with regard to the introduction of currency restrictions which may be introduced by the Head of State in order to eliminate the threats to security of the Republic of Kazakhstan and stability of its financial system. A concept of “special foreign currency regime” provided a precise list of measures which may be applied in line with the special foreign currency regime, the duration of its validity is restricted and the responsibility for violation of the requirements of the special exchange arrangement is established.

In addition, with a view to protect the interests of the population as the financial service consumers, the Law introduced a provision entitling the National Bank to establish a maximum allowed margin on transactions conducted by exchange offices.

Thus, the passed Law, on the one hand, contains provisions simplifying the conduct of business, and, on the other hand, increasing the efficiency of anti-crisis measures, in the event if an economic situation requires their implementation.

Over the recent years together with a consistent cancellation of currency restrictions the improvement of the system of statistical monitoring of foreign currency transactions has become one of the objectives of liberalization, as well as increasing the efficiency of controlling procedures to ensure compliance with the requirements of currency legislation by the residents including increasing administrative responsibility.

As part of the licensing of activities related to the use of currency valuables 47 licenses were issued in 2009 authorizing the setup of foreign exchange transactions, at the same time authorized organizations returned 231 licenses on a voluntary basis.

As part of the registration of foreign currency transactions 2 148 registration certificates were issued by the National Bank’s regional branches, as part of the notification of FX transactions, 799 certificates of notification were issued by the National Bank’s regional branches and the head office.

With a view to improve the competitive environment in the organized foreign currencies exchange market, protect interests of the population and prevent foreign exchange transactions outside the organized foreign exchange market, the National Bank had taken the following measures:

- increasing capital requirements due to the growth in volumes of foreign exchange transactions conducted in the exchange offices of authorized organizations and, accordingly, due to the increased pertinent risks. The increase in the authorized capital reflects the need in increasing the technical equipment of exchange offices, enhancing transparency in the activities of authorized organizations as well as providing services to the population at a higher quality level.

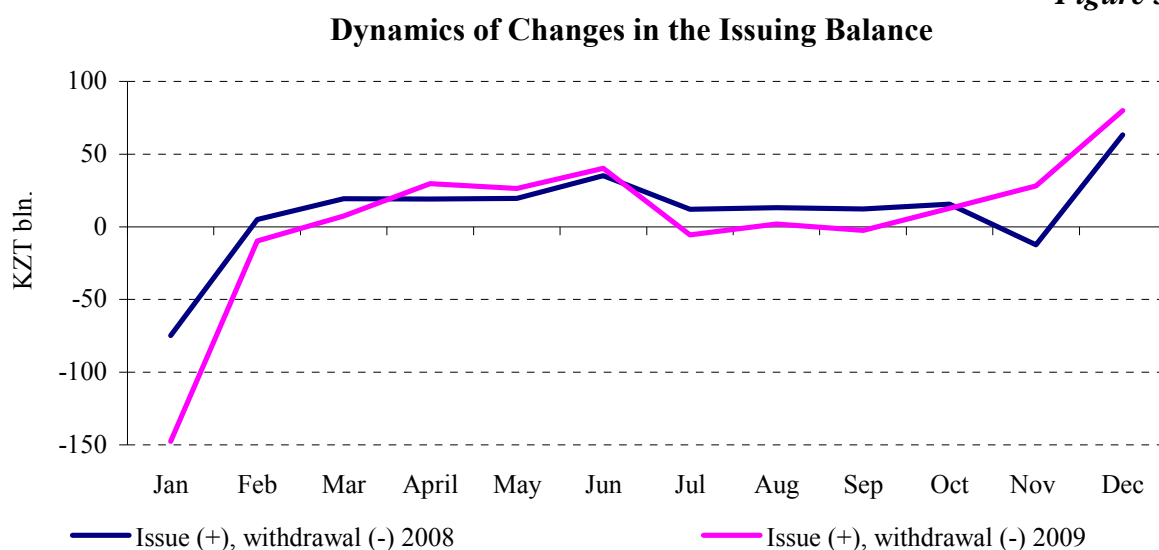
- establishing the National Bank’s right to introduce margins for divergences of the buying and selling rate of foreign exchange against the Tenge. Such divergence is expected to be introduced in the period of feverish demand by the population for foreign exchange with a view to protect interests of the population as the consumers of financial services provided by the authorized banks and authorized organizations in the organized foreign exchange market as well as to prevent the expansion of the “shadow” market.

- holding responsible for violation of provisions of the foreign currency exchange legislation when conducting exchange transactions providing for application of administrative sanctions.

### III. ISSUING OPERATIONS AND CASH CIRCULATION

2009 was characterized by the reduced needs in cash by the economic entities, as compared to the previous year. During 2009, KZT 1 476.2 bln. was issued into circulation from the National Bank’s reserve funds, which is by 19.1% greater than the 2008 cash issue. The volume of cash withdrawn from circulation increased by 27.2% and amounted to KZT 1 415.2 bln. Thus, there was a positive issuing balance of KZT 61.0 bln., which is by 2.1% less than in 2008 (KZT 126.9 bln.) (figure 3.1.1.).

*Figure 3.1.1.*



Thus, over the past year the issuing balance was less than that of the previous year as a result of a significant growth in the withdrawal amount in January and the contraction of cash issue into circulation during the period from February to March and from July to October.

The contraction in the issuing balance was affected by the domestic currency devaluation which resulted in a significant withdrawal of cash from circulation in connection with the increased volumes of payouts from individuals’ deposits as well as proceeds from foreign exchange sales to the bank cashiers departments.

## IV. FINANCIAL MARKET

### 4.1. Foreign Exchange Market

The domestic foreign exchange market in 2009 was developing under the influence of the National Bank's active policy aimed at the maintenance of the Tenge exchange rate within the foreign currency band fixed in February.

During the period of January-September 2009, the situation in the domestic foreign exchange market was evolving in the environment of low supply of foreign exchange whose volume was not able to satisfy the foreign exchange demand. The main reason for insufficient foreign exchange supply were reduced proceeds from commodity exports due to low world prices for energy as well as limited access for the banking sector to borrowings in the international capital markets. The growth in foreign exchange demand was caused by devaluation expectations in the beginning of the year, expectations for another devaluation in February-March as well as the rumors about "the second wave" of devaluation in Q3.

As a result of measures taken by the National Bank as well as restored growth in prices for the major items of Kazakhstan's exports the situation in the domestic foreign exchange market had stabilized and the tendency for the domestic currency appreciation was showing from November 2009.

The average weighted exchange rate of the Tenge for 2009 was KZT 147.51 per US\$. The stock exchange rate was KZT 148.46 per US\$. Over the year the Tenge had depreciated versus the US Dollar in nominal terms by 22.9%.

Over 2009 the official exchange rate of the Tenge versus the Euro depreciated by 24.5%, versus the Russian ruble – by 19.7%.

In 2009 there was a decrease in the volume of foreign currency transactions, both in the stock exchange and in the interbank market. So, the volume of exchange auctions in the US Dollar position amounted to US\$ 47.0 bln., having decreased by 29.5% as compared to 2009. In the off-exchange FX market the volume of transactions conducted by resident banks decreased by 52.2% as compared to 2008 and amounted to US\$ 49.5 bln.

As in the past years, the preference in the foreign cash market was made to the US Dollar. During 2009 the volumes of net sales by exchange offices amounted to US\$ 8.4 bln., having decreased by 9.5% as compared to 2008. The volumes of net sales of the Russian ruble by exchange offices increased by 47.0% to RUR 8.4 bln., and in respect of the Euro – decreased by 12.1% to Euro 1.0 bln.

The devaluation of domestic currencies in a number of countries – major trading partners of the Republic of Kazakhstan in 2008 – beginning of 2009 resulted in the accelerated rates of the real appreciation of the Tenge starting from the second half of 2008. The devaluation of the Tenge ensured that the real exchange rate of the Tenge was restored virtually at the level of December 2000 which was accepted as a benchmark for competitive performance. As a result, at end-2009 the depreciation of the real effective exchange rate of the Tenge versus currencies of the trading partners was 19.1%, and versus the basic value of the REER index the appreciation of the Tenge real exchange rate was 0.5%.

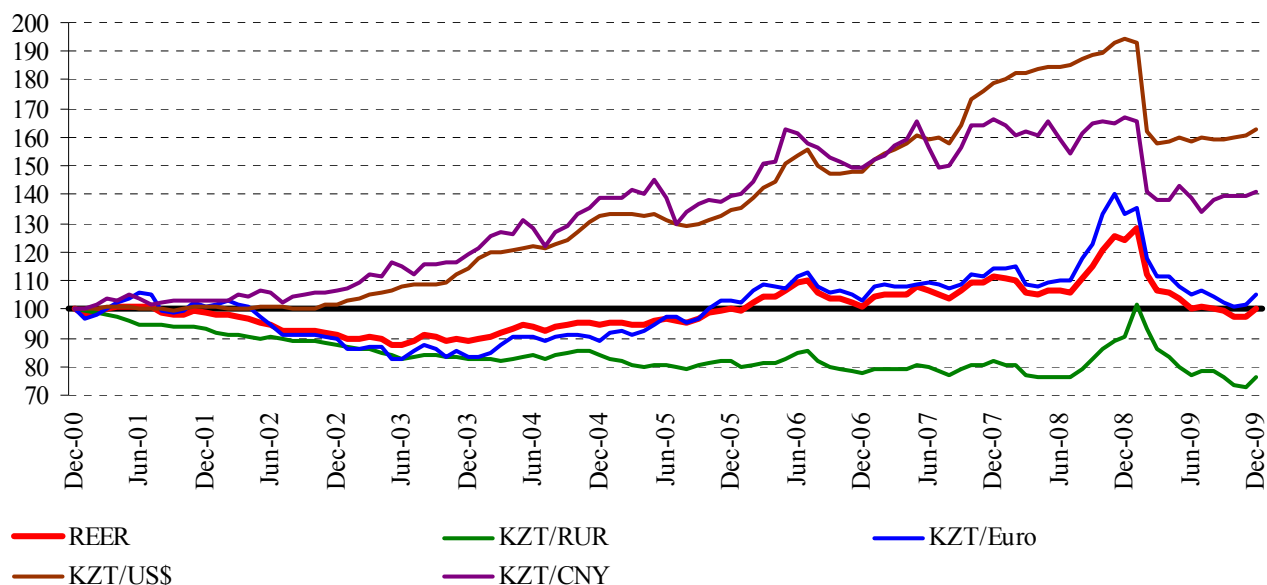
At end-2009 the REER index calculated against the CIS-currency basket was by 15.5% lower than that at end-December 2008. The Tenge had depreciated in real terms versus currencies of other countries by 20.4%. (figure 4.1.1).



**Figure 4.1.1**

**Indices of Real Exchange Rates of Tenge**

(December 2000 = 100%)



**4.2. Interbank Money Market**

In 2009 the total amount of interbank deposits placed decreased by 52.3% as compared to 2008 and made up an equivalent of KZT 41.4 trln.

The amount of placed interbank deposits in Tenge grew by 97.5%, reaching KZT 16.7 trln. (40.4% of the total amount of interbank deposits placed in 2009). The average weighted interest rate on placed interbank Tenge deposits was 0.64% in December 2009 (in December 2008 - 6.81%).

Deposits taken by the National Bank from the banks in 2009 increased by 2.6 times and amounted to KZT 16.2 trln.

In 2009 the volume of placed deposits in the US Dollar amounted to US\$ 113 bln., showing four-fold decrease over the year (39.6 % of the total deposits placed in 2009). The average weighted interest rate on placed US Dollar deposits was 0.31% in December 2009 whereas in December 2008 it was 0.53%.

The volume of placed deposits in Euro decreased by 66% as compared to 2008 and amounted to Euro 40.5 bln. (19.4% of the total volume of deposits placed in 2009). The average weighted interest rate on placed Euro deposits decreased from 2.20% in December 2008 to 0.28% in December 2009.

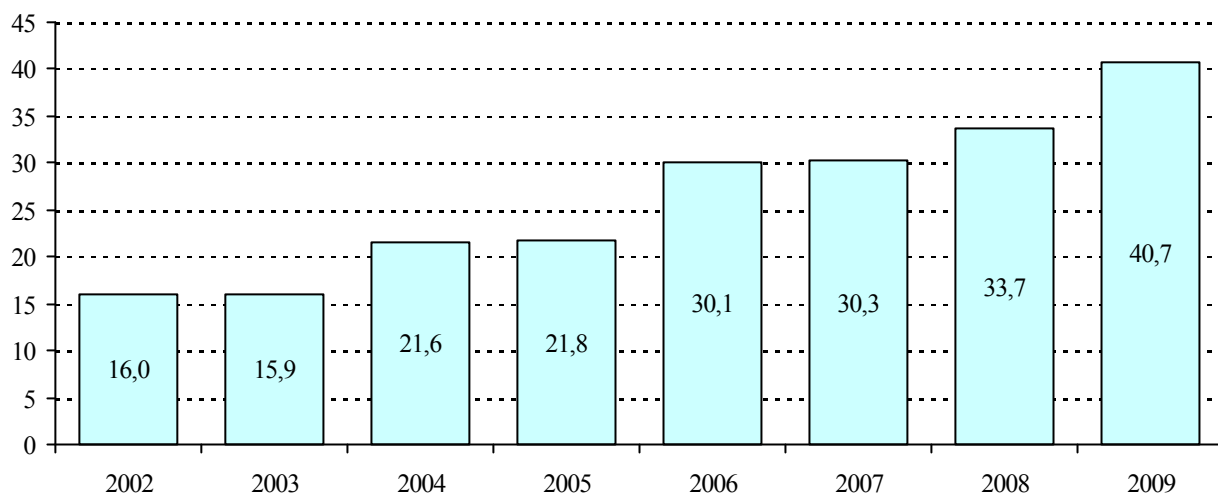
The placements in Ruble deposits remain insignificant – less than 1% of the total deposits placed.

As a whole, the share of interbank deposits in foreign currency remains high – 59.6% of the total deposits placed, although a steady downward trend has existed in the most recent year. At the same time, the major portion of foreign currency deposits (58.9%) is placed with non-resident banks.

**4.3. Deposit Market**

In 2009 deposits of residents with depository institutions increased by 19.7% and amounted to KZT 6 473.0 bln. or KZT 43.6 bln. in the foreign currency equivalent (figure 4.3.1).

**Figure 4.3.1**  
**Dynamics in the Deposits of Residents with Depository institutions**  
as % of GDP



In 2009 there was active growth both in the deposits of natural persons that increased by 28.5% amounting to KZT 1 893.1 bln., and corporate deposits - by 16.3% amounting to KZT 4 579.9 bln. (figure 4.3.2).

In 2009 in the deposit mix deposits in foreign currency outgrew deposits in the domestic currency. So, foreign currency deposits grew up by 47.6% to KZT 2 828.3 bln, while deposits in the domestic currency grew up by 4.4% to KZT 3 644.7 bln. As a result, the percentage of the Tenge deposits within total deposits decreased from 64.6% to 56.3%.

During 2008 the growth rate of retail deposits (including non-residents) with banks accelerated. As a result, in 2009 retail deposits grew up by 29.1% to KZT 1 936.3 bln., whereas in 2008 – by 3.6%.

In the structure of deposits of the population there was a significant growth of foreign currency deposits and insignificant decrease in deposits denominated in the domestic currency. Foreign currency deposits of the population increased by 74.4% over the year, deposits denominated in the domestic currency decreased by 3.5%. As a result, the percentage of the Tenge deposits of the population decreased from 58.1% to 43.4%.

In 2009 the average weighted interest rate on time deposits of individuals denominated in the Tenge decreased from 11.3% to 10.0%, in foreign currency – from 9.3% to 6.7% (figure 4.3.3).

#### 4.4. Credit Market

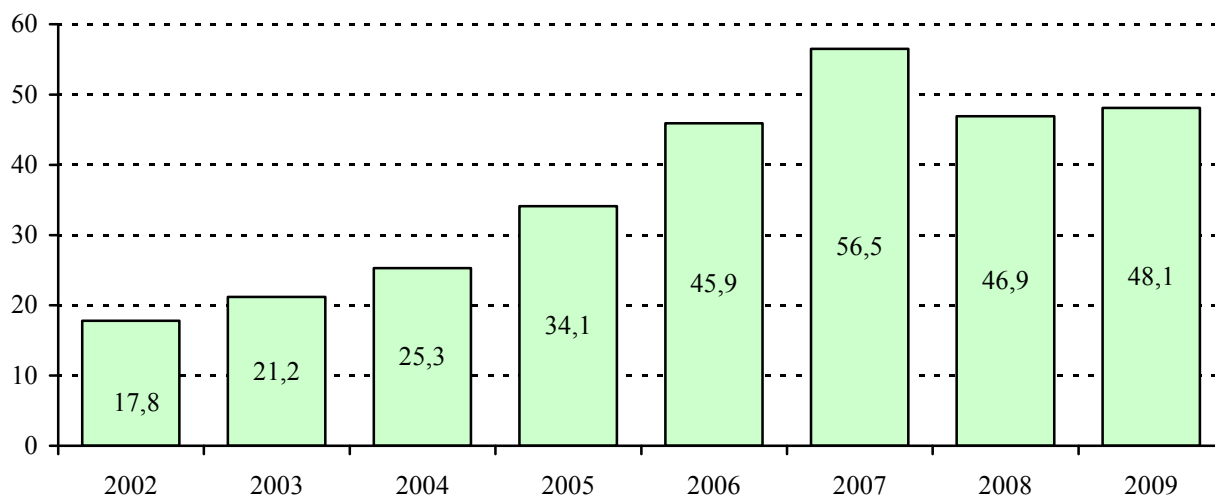
Because of aggravation of the global financial crisis in 2009 the credit market was in stagnation. Over 2009 the volumes of credits to the economy increased by 2.5% to KZT 7 644.0 bln. (US\$ 51.5 bln.). The ratio of credits to the economy to GDP in 2009 as compared to 2008 increased from 46.9% to 48.1%. (figure 4.4.1).

During 2009 credits denominated in foreign currency increased by 12.2% to KZT 3 699.8 bln. (US\$ 24.9 bln.), in the domestic currency – decreased by 5.2% to KZT 3 944.3 bln. As a result, the percentage of the Tenge credits decreased from 55.8% to 51.6% in 2009.

In 2009 long-term credits increased by 8.3% to KZT 6 430.6 bln, short-term credits decreased by 20.2% to KZT 1 213.5 bln. Accordingly, the percentage of long-term credits increased from 79.6% to 84.1%.

**Figure 4.4.1****Dynamics of Credits**

as % of GDP



In 2009 the volume of credits to enterprises of the real sector/GDP increased as compared to 2008 from 32.2% to 34.1%, volume of credits to individuals/GDP decreased from 14.7% to 14.0%.

In 2009 consumer credits decreased by 12.7% to KZT 928.1 bln., mortgage loans increased – by 6.1% to KZT 690.2 bln.

Over 2009 the volume of bank credits to small businesses grew up by 8.8% to KZT 1708.2 bln. or 22.3% of the total volume of credits to the economy.

The average weighted interest rates on the Tenge credits to individuals in December 2009 as compared to December 2008 increased from 18.8% to 21.6%, and on credits to legal entities – decreased from 16.1% to 14.3%.

**4.5. Government Securities Market**

There were 67 auctions on government securities of the Ministry of Finance in 2009. The volume of the issue increased as compared to 2008 by 50.0% and amounted to KZT 707.6 bln., including short-term securities – KZT 146.4 bln., medium-term – KZT 224.2 bln., long-term – KZT 337 bln.

As of January 1, 2010 the volume of outstanding government securities of the Ministry of Finance denominated in the domestic currency amounted to KZT 1 288.2 bln. at a discounted price, having increased by 57.9% over 2009, including: short-term – KZT 146.4 bln., medium-term – KZT 446.6 bln., and long-term – KZT 695.2 bln.

The volume of placed short-term notes decreased by 50.9% in 2009 and amounted to KZT 1 446.5 bln. (in 2008 – KZT 2 946.5 bln). The average weighted yield of short-term notes of the National Bank issued during 2009 was at 3.24% pa (in 2008 – 6.29%) with the average-weighted maturity of 63.63 days (in 2008 – 40.4 days). As of January 1, 2010 there were short-term notes in circulation of KZT 473.3 bln. (at a discounted price).

**V. PAYMENT SYSTEMS**

In 2009 the activity of the National Bank in the payment systems area was focused on the improvement of regulations governing the area of payments and money transfers and the modernization of the payment system technical infrastructure.

With a view to enhance operational reliability and production efficiency of the payments systems, during 2009 a large-scale effort was made for the payment systems migration to a new

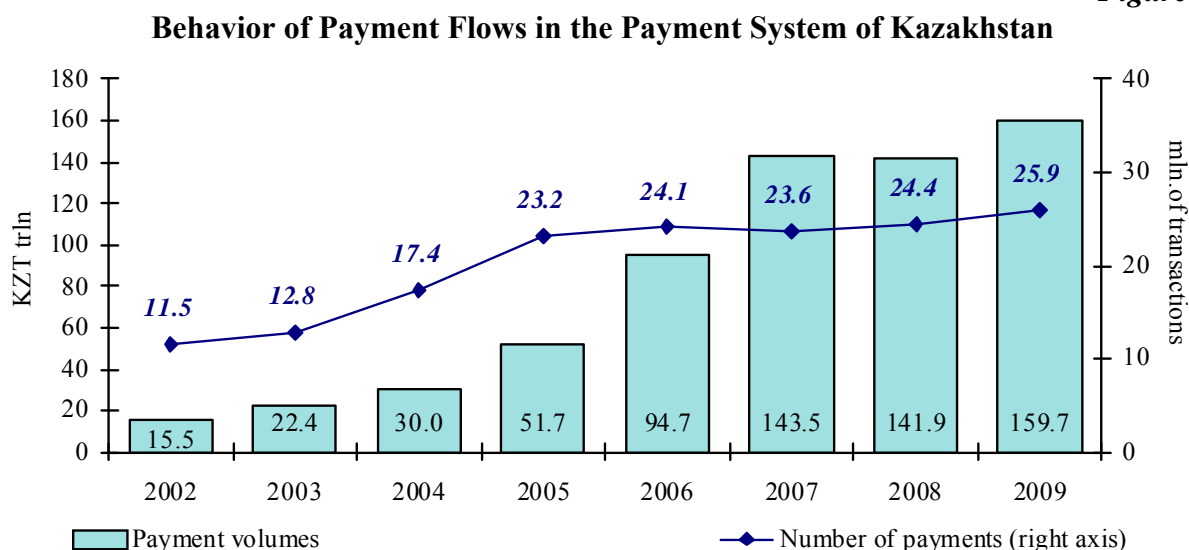
hardware and software platform, all components of the platform were designed based on the economizing requirements and the maximum use of resources, ensuring the required level of security and accessibility.

In line with the transition of payments systems of Kazakhstan to the use of a new structure of a customer bank account number based on the international standard ISO 13616:1997 IBAN and a Bank Identifier Code, arrangements were made during 2009 to organize and coordinate the activity of all market participants (banks and institutions engaged in certain types of banking operations), the payment systems operator – Kazakhstan Interbank Settlements Center (KISC) and stakeholders – the government authorities of the Republic of Kazakhstan. The implementation of a new bank account structure and a Bank Identifier Code will be effected from June 7, 2010.

With a view to formulate a consistent policy on high-priority areas in the development of payment systems and efficient interaction in the implementation of the nation-wide projects related to the infrastructure of payment systems in Kazakhstan, an advisory body was established with the National Bank – National Payment Board.

On the whole, 25.9 million of transactions amounting to KZT 159.7 trln. (or US\$ 1083.0 bln.) were transferred through the payment systems of Kazakhstan in 2009. As compared to 2008, the number of payments in the payment systems increased by 6.1% (by 1.5 mln. of transactions), the amount of payments increased by 12.6% (by KZT 17.9 trln.).

**Figure 5.1.**



Large-volume and urgent payments on the financial sector operations are effected through the Interbank System of Money Transfers (ISMT), a systemically important payment system of the country. And the Interbank Clearing System (ICS) is mainly used for payments which are not of high priority and not-urgent retail payments for small amounts.

In 2009, 10.0 mln. transactions were passed through the ISMT amounting to KZT 157.0 trln. (or US\$ 1 064.4 bln.), as compared to 2008 a number of payments increased by 4.1%, the amount of payments - by 12.5%. 15.9 mln. payment documents were transferred through the ICS amounting to KZT 2 742.3 bln. (or US\$ 18.6 bln.), the number of payment documents in the clearing system increased by 7.3%, and the amount of payments – by 19.5% as compared to 2008.

The Kazakh market of payment cards being one of the most dynamic and advanced segments in the financial sector of Kazakhstan. At January 1, 2010 the total number of payment cards in circulation was 7.6 mln., this exceeding the respective period of 2009 by 6.2%. The number of card holders increased by 7.4% and totaled 7.2 mln. individuals at January 1, 2010.

The payment card service net in Kazakhstan is represented as follows: 22 913 Post-terminals, 6 956 ATMs and 831 imprinters. There are 10 089 sales outlets that accept payment cards for payments.

During 2009 there were 1189 mln. transactions with the use of payment cards of Kazakhstan's issuers conducted in Kazakhstan and abroad amounting to KZT 2.6 trln. (or US\$ 18.0 bln.). As compared to 2008, the number of transactions increased by 14.8%, and the amount – by 14.4%.

## **VI. REGULATORY ACTIVITY**

In order to regulate the activity, functions and powers of the National Bank, other government authorities and financial organizations as well as to specify the procedure and terms and conditions for payments and money transfers, and to determine the order of priority in the execution of orders of competent government authorities entitled to suspend debit operations on customer bank accounts and the decisions of competent government authorities or officials entitled to seize customer's money on his/her bank accounts, the National Bank elaborated a draftlaw "On amendments to certain legislative acts of the Republic of Kazakhstan related to improvements in the legislation of the Republic of Kazakhstan on payments and money transfers, accounting and financial reporting of financial organizations and activity of the National Bank of the Republic of Kazakhstan". The Law was passed on July 11, 2009.

With a view to further liberalize foreign currency regulation, to significantly simplify procedures related to foreign currency regulation regimes and repatriation of the domestic and foreign currency, the National Bank elaborated a draftlaw "On amendments to certain legislative acts of the Republic of Kazakhstan related to foreign currency regulation and control". The Law was passed on July 4, 2009.

For the purposes of implementing the above laws the Presidential Edict "On amendments to the Presidential Edict of the Republic of Kazakhstan as dated December 31, 2003 No. 1271" was passed on November 9, 2009.

To ensure that the status of "electronic money" is legally recognized and legal relationship arising in their issue and use for payments are regulated, the National Bank elaborated the draftlaw of the Republic of Kazakhstan "On Amendments to Certain Legislative Acts of the Republic of Kazakhstan Regarding "Electronic Money". The draftlaw was submitted to the Parliament of the Republic of Kazakhstan by the Governmental Decree No. 2215 of December 29, 2009.

## **VII. NATIONAL BANK'S INTERNATIONAL COOPERATION AND PUBLIC AWARENESS EFFORTS**

### **7.1. International Cooperation**

During May 28 – 31, 2009, in Astana, the National Bank held the 21<sup>st</sup> Meeting of the Central Bank Governors' Club of the Central Asia, Black Sea Region and Balkan countries with participation of the central bank governors of the region. The meeting of the Central Bank Governors' Club allowed the Club members to interactively share their experience in monetary policy implementation and measures undertaken in the environment of global financial instability.

On September 3-4, 2009 the 5<sup>th</sup> Meeting of the Sino-Kazakhstani Subcommittee on financial cooperation was organized and held in the town of Aktau.

During 2009 the National Bank was elaborating the framework for establishing and functioning of the SCO special account.

The meeting of the ministers of finance and heads of central (national) banks of the SCO member states was held on December 8-9, 2009. The main objective of the Meeting was to discuss the joint actions of the SCO member states in the financial sphere as well as participation of the SCO member states in the process of reconstruction of the global financial architecture with a view to sustain the global financial crisis and ensure healthy development of financial environment in the

region. As a result of the Meeting a Joint Statement of the ministers of finance and heads of central (national) banks of the SCO member states was made.

In 2009 the mission of international rating agencies Moody's Investors Service, Standard & Poor's, Fitch Ratings visited Kazakhstan. Moody's Investors Service assigned the sovereign credit rating to the Republic of Kazakhstan for long-term government bonds in foreign currency – «Baa2», in the domestic currency – «Baa2», for long-term government bonds and notes in foreign currency – «A3» with the “negative” forecast. Standard & Poor's changed its forecast on ratings of the Republic of Kazakhstan from the “Negative” to “Stable”. Fitch Ratings changed its forecast on ratings of the Republic of Kazakhstan: long-term issuer default rating (“IDR”) in foreign currency «BBB-» and long-term IRD in the domestic currency «BBB» the “Negative” to “Stable”.

**Cooperation with the CIS-countries.** On October, 15 2009 in Almaty the 11<sup>th</sup> Meeting of the Sub-commission on interbank and investment cooperation between the Republic of Kazakhstan and the Russian Federation took place.

As part of the Sub-commission an issue was discussed regarding the Draft Agreement between the central depositories of the Republic of Kazakhstan and the Russian Federation prepared by the Central Securities Depository in order to solve the problem of the recognition of rights of foreign investors for nominal holding of securities of the Russian issuers. In the course of the Meeting the participants of the Sub-commission discussed a number of issues of mutual cooperation, reached mutual understanding and unanimous opinion in respect of most of the issues as well as identified the areas for further prospective development of relations between financial community of Kazakhstan and Russia.

The National Bank's management took part in the 20<sup>th</sup> and 21<sup>st</sup> Meetings of the Board of Governors of central (national) banks of the EurAsEC member states, in the meetings of the Interstate Bank Board.

**Cooperation with International Financial Organizations.** The National Bank in 2009 took measures to service the “A” Account opened by the International Bank for Reconstruction and Development with the National Bank.

During the period of May 5-15, 2009 and October 21-28, 2009 representatives of the International Monetary Fund paid two visits to the Republic of Kazakhstan to discuss the current macroeconomic situation and economic policy of Kazakhstan, monetary and foreign exchange policies, policy in respect of the banking sector as well as key objectives in the area of structural reforms.

In line with the terms and conditions of the resolution No.63-2 of the Board of Governors of the International Monetary Fund of April 28, 2008 “Reform of Quota and Voice of the IMF Member States” and the resolution No.63-3 of the Board of Governors of the International Monetary Fund of May 5, 2008 “Proposed Amendment to the Articles of Agreement of the IMF to Expand its Investment Authority”, the increase in the quota of the Republic of Kazakhstan by SDR 62 100 000.00 i.e. to SDR 427 800 000.00 must be effected after the proposed amendments come into effect (“Proposed Amendments to the Articles of Agreement of the IMF to Enhance Voice and Participation in the International Monetary Fund”, “Proposed Amendment to the Articles of Agreement of the IMF to Expand its Investment Authority”) to the Articles of Agreement of the International Monetary Fund proposed to go with the Resolutions of the Board of Governors of the International Monetary Fund Nos. 63-2 and 63-3.

Under the Governmental Decree No. 790 of May 29, 2009 the National Bank issued a Promissory Note No.10309/990 of July 29, 2009 in the domestic currency in the equivalent of SDR 247 500 000.00, against the subscription for the IMF's authorized capital, instead of the Promissory Note No. 1 of February 27, 1995 issued by the Ministry of Finance on behalf of the Government.

## **7.2. Public Awareness Efforts by the National Bank**

To inform the general public about the National Bank's operations as a public body aimed

at achieving the National Bank's main goal – to ensure price stability, and to highlight the National Bank's proposals, initiatives and activities in the area of development and implementation of the state monetary policy; ensuring proper functioning of the payments systems; exercising foreign currency regulation and control; promoting stability of Kazakhstan's financial system and for unbiased coverage of the processes taking place in Kazakhstan's financial sector, in 2009 the National Bank continued a large-scale work on information and creation of awareness in different mass media (printed editions, on TV, via radio; hereinafter – mass media).

With a view to inform foreign and national government and financial authorities about the statistical data, monetary policy data, regulations of the National Bank, and analytical materials, the National Bank continued issuing its official periodicals in 2009: Newsletter of the National Bank of Kazakhstan, Statistical Bulletin, Balance of Payments and External Debt of the Republic of Kazakhstan, Economic Review, Inflation Report, Annual Report of the National Bank in the Kazakh, Russian and English languages, Financial Stability Report in the Kazakh, Russian and English languages, digest of the National Bank's regulations.

## **VIII. IMPROVING ACCOUNTING AND FINANCIAL REPORTING**

In 2009 the National Bank continued to further improve regulations and recommended practices in the area of accounting and financial reporting for financial organizations and special financial companies in line with the International Financial Reporting Standards (IFRS).

Specifically, it established requirements about the publication of annual consolidated statements and, in case of absence of subsidiaries, non-consolidated financial statements and auditors' report of financial organizations in the mass media. Thus, compared to earlier existing requirements, the list of published forms has been extended, as well as clarification was made that where an entity has subsidiaries consolidated financial statements should be published.

In 2009 the National Bank continued exercising control over compliance by all financial entities with the requirements to the systems that automate the subsidiary book-keeping and the General Ledger.

In addition to that, in connection with the enactment of the Law of the Republic of Kazakhstan of February 12, 2009 regarding Islamic Finance, regulations were drafted and approved concerning preparation of financial statements and the book-keeping procedure by Islamic special financial companies and Islamic banks including adding new accounts to the Standard Chart of Accounts required for Islamic entities to maintain their accounting.

## **IX. NATIONAL FUND MANAGEMENT**

The total market value of the National Fund's portfolio amounted to US\$ 26 216.8 mln. as of December 31, 2009, including foreign currency portfolio — US\$ 24 352.3 mln. (92.89%) and the portfolio of bonds of the National Welfare Fund “Samruk-“Kazyna” and the National Management Holding Company “KazAgro” — US\$ 1 864.6 mln. (7.11%). The market value of the stabilization and saving portfolios in the composition of the National Fund's foreign currency portfolio – US\$ 5 989.8 (24.60%) and US\$ 18 362.5 (75.40%), respectively.

The market value of securities and other financial instruments comprising the National Fund's foreign currency portfolio is based on the data of the custodian bank - BNY Mellon Asset Servicing.

According to the custodian bank BNY Mellon Asset Servicing, in 2009 an investment return was generated calculated in the baseline currency – US Dollars – which amounted to US\$ 1 464 mln.

***Performance Valuation of the National Fund's Assets.*** The return of the National Fund in 2009 was 7.31%. The return of the National Fund since its inception to December 31, 2009 was 54.98%, which makes 5.24% in annual terms. The return was calculated in the base currency of the

National Fund – US Dollars (Appendix 1 to Section IX, figure 9.1.1).

The return of the saving portfolio in 2009 was 10.19%, the return of the benchmark portfolio – 11.95%. Excess return of the saving portfolio for 2009 was negative and amounted to (-)1,76%, which was caused by the active position on the tactical distribution of assets in favor of the bond portfolio before 15.12.09<sup>7</sup>, amidst the growth of the global equity markets (Appendix 1 to Section IX, figure 9.1.2).

**The Global Fixed Income Mandate.** Management of assets in the savings portfolio for this type of mandate is performed both by the National Bank itself and by international investment managers (external managers). As of December 31, 2009 assets in the savings portfolio for this type of mandate managed by the National Bank itself amounted to 98.301% while the remaining 1.70% of assets in this sub-portfolio was in the external management (Appendix 2 to Section IX, figure 9.1.4).

The performance valuation of the bond sub-portfolio's assets of the savings portfolio, under the Global Fixed Income Mandate Type amounted to 5.76% in 2009. The return of the benchmark portfolio for this sub-portfolio was 5.96%. Thus, the excess return achieved as the result of the management of this mandate type was (-) 0.20%.

**The Global Equity Mandate.** Assets in the savings portfolio for this type of Mandate are managed both by the National Bank itself and by international investment management companies (external managers). As of December 31, 2009 assets in the savings portfolio under this type of mandate managed by the National Bank itself amounted to 5.14%, whereas the remaining 94.86% of assets in this sub-portfolio were in the foreign management. Performance valuation under this type of mandate was 30.81%, whereas return of the benchmark portfolio was 29.71%. Therefore, the result of the asset management under this mandate type against the benchmark portfolio was positive, with excess return of 1.10%.

**The Global Tactical Asset Allocation Mandate.** Assets in the savings portfolio for the Global tactical asset allocation mandate are managed by 2 international investment management companies (external managers). Performance valuation under of this type of mandate was 20.83% while the return on the benchmark was 11.95%. Thus, the result of the asset management of the savings portfolio for this mandate type was positive against the benchmark portfolio, with the excess return of 8.88%. (Appendix 3 to Section IX, Table 9.1.1)

## X. ORGANIZATION AND INTERNAL ACTIVITY

### 10.1. Organizational Structure

The structure and total staff numbers (3 580 units) of the National Bank were approved by the Presidential Edict of December 31, 2003 No.1271 “On the Approval of the Statute and the Structure of the National Bank of the Republic of Kazakhstan”.

Organizationally the National Bank (Appendix 1 to Section X Sub-section 10.1) at end-2009 consists of 12 departments (1 department in the city of Astana), 9 independent divisions of the head office, 18 branches, 1 representation office in the Russian Federation and 4 accountable organizations.

In addition, the National Bank is a sole founder of the JSC “Kazakhstan Deposit Insurance Fund” and JSC “Backup Center of the NBK «Q-BRO» and also one of the shareholders in the JSC “State Accumulation Pension Fund “GNPF” (90%).

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<sup>7</sup> Bringing to a neutral position in line with the resolution of the National Bank's Management Board No. 107 of November 30, 2009.



## **10.2. Internal Audit**

In 2009, 45 audits were conducted, of which 39 audits scheduled by the Audit Plan for 2009 which was approved by the Resolution of the National Bank's Management Board of December 22, 2008 No. 113, 2 audits were carried over from 2008, and 4 unscheduled audits. Based on the audits conducted 165 recommendations were made to the National Bank's departments on improvements in the internal control system, of which 38 recommendations were aimed at refinement of the National Bank's regulations.

## STATISTICAL APPENDICES

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## Appendix 1 to Section I Subsection 1.2

Figure 1.2.1

### Market Demand for the Final Products of Enterprises

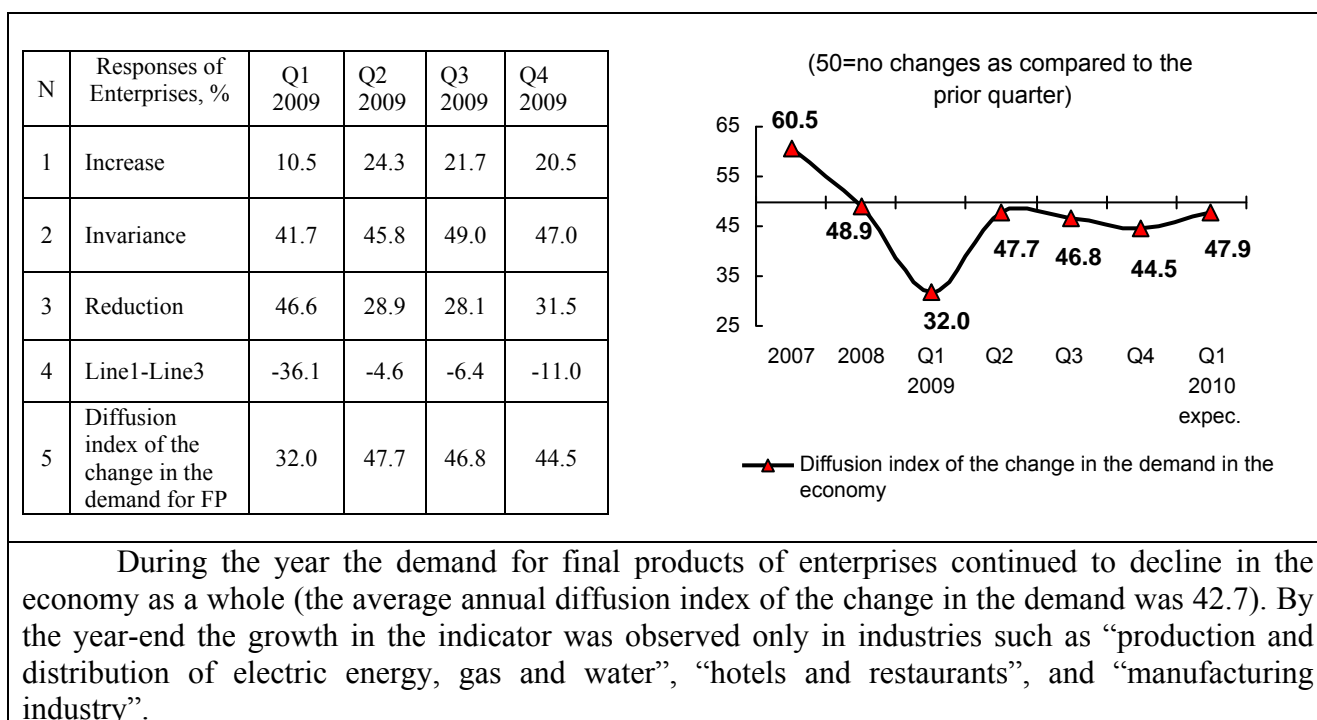
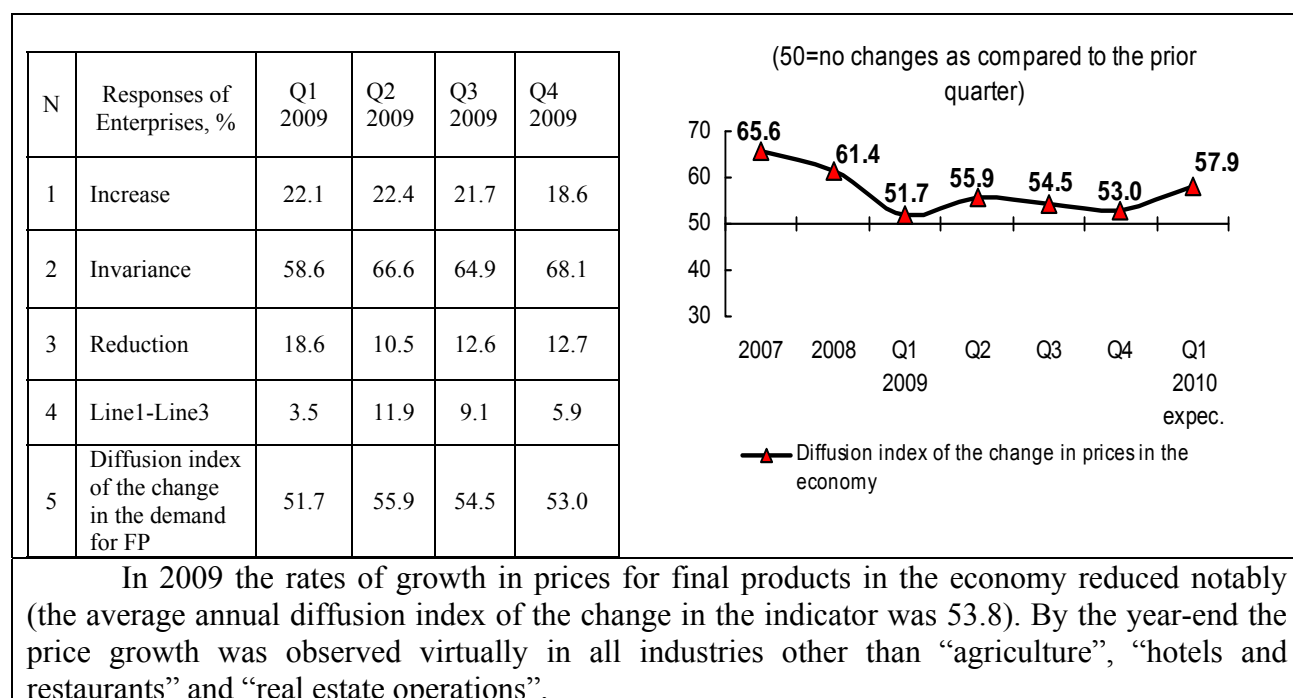


Figure 1.2.2

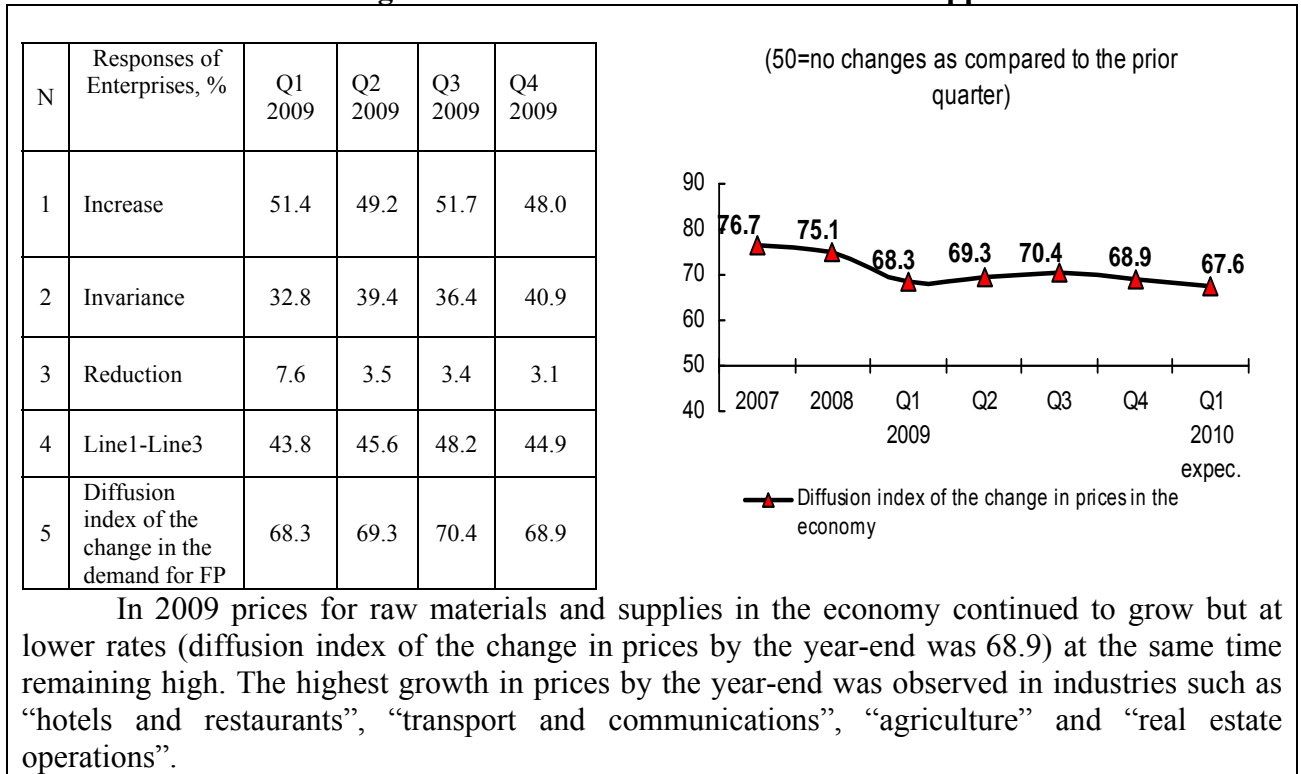
### Change in Prices for the Final Products of Enterprises



**Appendix 2 to Section I Subsection 1.2**

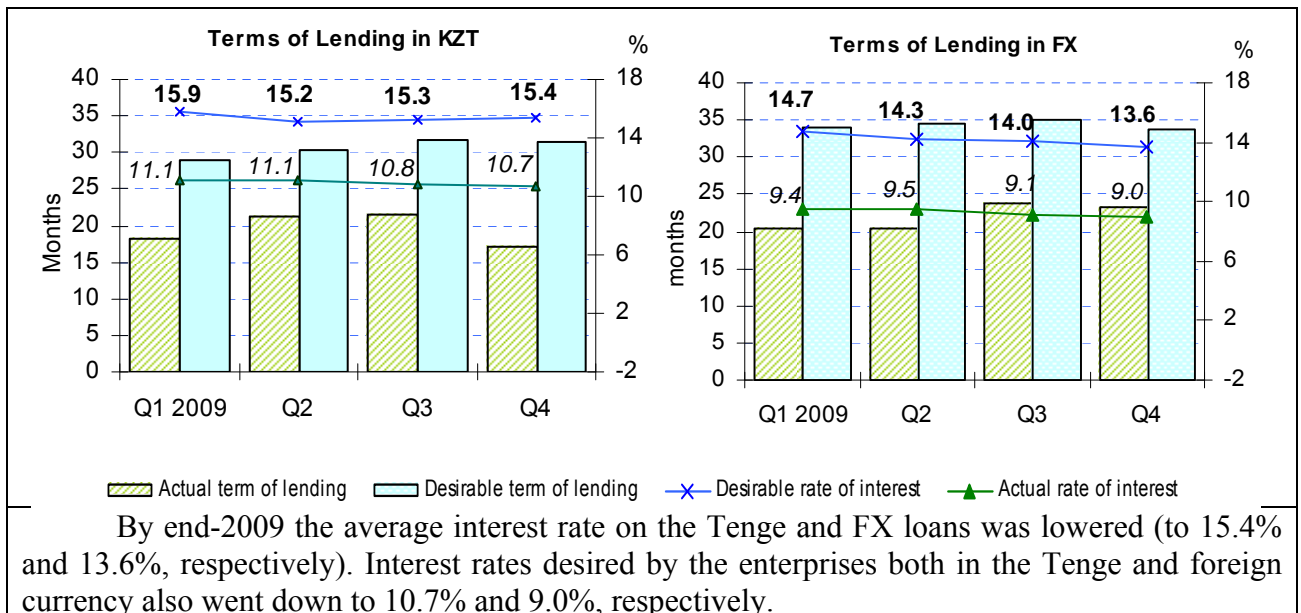
*Figure 1.2.3*

**Change in the Prices for Raw Materials and Supplies**



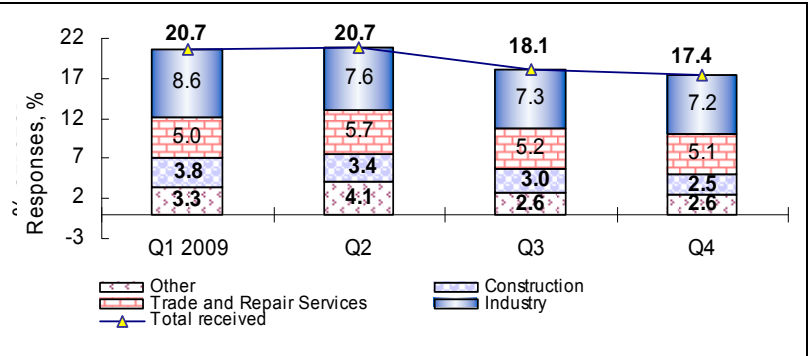
*Figure 1.2.4*

**Terms of Lending**



**Bank Loans**

By end-2009 the number of enterprises which received loans decreased (to 17.4% in Q4). As before, the major portion of provided loans falls on enterprises engaged in industry (7.2%), trade (5.1%) and construction (2.5%).



**\* Guiding comments to Figures 1.2.1, 1.2.2, 1.2.3, 1.2.4, 1.2.5:**

Indicators in the diagrams are presented by the following estimated data: percentage ratio between the response groups of enterprises, difference between the number of positive and negative answers, etc. The diffusion index that is presented in the tables and diagrams is derived as a sum of positive answers and half of the answers are “without any change”. This index is a generalized indicator that characterizes the trend of the indicator in question (based on the experience of VTB Bank Europe, England). If its positive value is higher than 50 – this means a positive change, if less than 50, then the change is negative. The larger the deviation from 50 (lower or higher) of the diffusion index, the higher are the rates of the change (increase or reduction) in the indicator.

## Appendix 1 to Section I Subsection 1.4

### Balance of Payments of the Republic of Kazakhstan: Analytic Presentation

US\$ mln.

	2007	2008	2009	2009			
				I	II	III	IV
<b>A. Current account</b>	<b>-8321.9</b>	<b>6279.5</b>	<b>-3404.7</b>	<b>-1151.9</b>	<b>-2350.1</b>	<b>-608.3</b>	<b>705.6</b>
Trade Balance	15091.0	33518.8	15187.3	2038.9	2066.5	4903.9	6178.1
Exports f.o.b.	48351.1	71970.8	43961.1	8154.2	9359.1	12424.2	14023.6
Imports f.o.b.	-33260.2	-38452.0	-28773.9	-6115.3	-7292.6	-7520.4	-7845.5
Services	-8165.5	-6690.7	-5800.2	-1094.0	-1436.6	-1732.5	-1537.2
Exports	3564.3	4428.4	4265.8	976.0	1053.8	1200.8	1035.2
Imports	-11729.8	-11119.2	-10066.0	-2070.0	-2490.3	-2933.3	-2572.3
Compensation of Employees Balance	-1203.2	-1452.0	-1304.8	-305.8	-318.7	-343.1	-337.2
Investment Income Balance	-11884.6	-18111.9	-10586.8	-1660.5	-2469.0	-3146.2	-3311.0
Credit	3452.4	3236.6	2492.5	750.3	622.1	576.7	543.4
Interest on reserves and assets of the National Fund	1461.1	1189.1	820.9	233.0	210.8	200.6	176.5
Income on direct investment abroad, net	59.4	-188.8	-469.9	-94.5	-105.0	-145.6	-124.9
Other investment income	1931.9	2236.3	2141.5	611.8	516.3	521.7	491.7
Debit	-15337.0	-21348.6	-13079.3	-2410.8	-3091.1	-3722.9	-3854.4
Income on direct investment in Kazakhstan, net	-11304.9	-17003.7	-9754.3	-1458.5	-2278.4	-2919.8	-3097.7
Income on debt (interest)	-3931.7	-4318.7	-3303.5	-952.2	-810.9	-788.3	-752.1
Dividends from portfolio investments	-100.4	-26.2	-21.5	-0.2	-1.8	-14.8	-4.7
Current Transfers Balance	-2159.5	-984.7	-900.1	-130.4	-192.3	-290.4	-287.0
<b>B. Capital and Financial Account</b>	<b>8259.6</b>	<b>3296.7</b>	<b>7188.7</b>	<b>3318.1</b>	<b>385.8</b>	<b>2407.0</b>	<b>1077.8</b>
Capital Account Balance	24.6	-12.6	-29.5	13.6	-8.6	-21.1	-13.3
Financial Account	8235.0	3309.2	7218.2	3304.5	394.4	2428.1	1091.1
Direct investment balance	7965.9	14783.1	9525.7	2304.2	1735.8	2658.3	2827.4
Direct investment abroad	-3153.1	-996.6	-3075.1	-236.7	-697.0	-1503.7	-637.7
Assets	-2327.7	-3919.7	-4373.8	-233.9	-513.7	-3123.0	-503.2
Liabilities	-825.4	2923.1	1298.8	-2.8	-183.2	1619.3	-134.5
Direct Investment in Kazakhstan	11119.0	15779.8	12600.8	2540.8	2432.8	4162.0	3465.1
Assets	-1679.3	1755.2	268.5	156.6	-16.0	-37.8	165.6
Liabilities	12798.3	14024.5	12332.2	2384.2	2448.8	4199.8	3299.5
Portfolio Investment Balance	-4583.1	-9322.6	3074.7	3436.2	92.7	-618.1	163.8
Assets	-4101.3	-7222.7	1855.5	3756.0	-1131.2	-719.6	-49.7
Central Bank and General Government	-6144.8	-6408.8	3315.3	4962.9	-743.3	-555.6	-348.8
Banks	1875.5	335.6	-183.8	-163.8	101.8	-128.1	6.3
Other sectors	168.0	-1149.5	-1275.9	-1043.1	-489.7	-35.9	292.8
Liabilities	-481.8	-2099.9	1219.1	-319.8	1223.9	101.5	213.5
Central Bank and General Government	-2111.4	-136.3	334.8	-32.2	4.8	-7.9	370.0
Banks	610.2	-1540.7	431.3	-278.9	1015.5	-0.6	-304.9
Other sectors	1019.4	-422.9	453.1	-8.8	203.5	109.9	148.3
Financial Derivatives (net)	-366.6	180.8	56.8	188.0	58.6	-108.2	-81.6
Medium- and long-term loans and credits	11364.2	1290.9	-3188.5	-951.1	-2258.6	184.7	-163.4
Assets	-4947.4	-2055.4	779.8	-48.3	14.1	12.5	801.4
Central Bank and General Government	-189.6	-94.0	1.2	0.3	0.3	0.3	0.3

Banks	-3751.3	-1131.8	1414.9	22.2	78.3	117.7	1196.7
Other sectors	-1006.6	-829.5	-636.2	-70.7	-64.5	-105.5	-395.6
Liabilities	16311.6	3346.3	-3968.3	-902.8	-2272.8	172.1	-964.9
Central Bank and General Government	-57.9	33.6	1148.5	1.8	0.9	545.2	600.5
Banks	12155.8	-2736.6	-9965.5	-2767.3	-3801.8	-1604.8	-1791.5
Other sectors	4213.6	6049.3	4848.7	1862.7	1528.1	1231.7	226.1
Other Short-Term Capital	-6145.4	-3623.1	-2250.5	-1672.8	765.8	311.5	-1655.1
Assets	-6963.6	-1499.2	-1556.7	-246.4	-274.1	417.9	-1454.1
Liabilities	818.2	-2123.9	-693.8	-1426.3	1039.9	-106.5	-201.0
<b>C. Errors and Omissions</b>	<b>-2966.4</b>	<b>-7387.4</b>	<b>-1322.3</b>	<b>-2717.6</b>	<b>1019.3</b>	<b>-43.0</b>	<b>419.0</b>
<b>D. Overall Balance</b>	<b>-3028.7</b>	<b>2188.8</b>	<b>2461.8</b>	<b>-551.4</b>	<b>-945.0</b>	<b>1755.7</b>	<b>2202.4</b>
<b>E. Financing</b>	<b>3028.7</b>	<b>-2188.8</b>	<b>-2461.8</b>	<b>551.4</b>	<b>945.0</b>	<b>-1755.7</b>	<b>-2202.4</b>
Reserve Assets of the NBK	3028.7	-2188.8	-2461.8	551.4	945.0	-1755.7	-2202.4
IMF credits	0.0	0.0	0.0	0.0	0.0	0.0	0.0

## Appendix 2 to Section I Subsection 1.4

### Standard Presentation of Gross External Debt

US\$ mln.

	31.12.2004	31.12.2005	31.12.2006	31.12.2007	31.12.2008	31.12.2009
<b>TOTAL</b>	<b>32 713.2</b>	<b>43 428.5</b>	<b>74 014.1</b>	<b>96 893.0</b>	<b>107 712.6</b>	<b>111 729.8</b>
<i>Short-term</i>	3 942.8	8 151.4	12 660.9	11 953.1	9 992.5	9 777.2
<i>Long-term</i>	28 770.4	35 277.1	61 353.2	84 939.9	97 720.1	101 952.6
<b>General Government</b>	<b>2 496.1</b>	<b>1 478.9</b>	<b>1 495.2</b>	<b>1 491.5</b>	<b>1 641.9</b>	<b>2 218.1</b>
<i>Short-term</i>	<b>0.0</b>	<b>0.0</b>	<b>38.8</b>	<b>60.3</b>	<b>23.8</b>	<b>0.0</b>
Money Market Instruments	0.0	0.0	38.8	60.3	23.8	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Trade Credits	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<i>Long-term</i>	<b>2 496.1</b>	<b>1 478.9</b>	<b>1 456.4</b>	<b>1 431.2</b>	<b>1 618.1</b>	<b>2 218.1</b>
Bonds and other debt securities	113.4	52.3	14.3	0.0	0.0	0.0
Loans	2 382.7	1 426.6	1 442.1	1 431.2	1 618.1	2 218.1
Trade Credits	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Monetary Authorities</b>	<b>3.5</b>	<b>103.5</b>	<b>1 076.8</b>	<b>106.9</b>	<b>12.1</b>	<b>1 017.7</b>
<i>Short-term</i>	<b>1.6</b>	<b>101.6</b>	<b>1 074.9</b>	<b>105.0</b>	<b>10.2</b>	<b>479.7</b>
Money Market Instruments	0.0	99.8	1 073.0	104.8	10.0	376.1
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Trade Credits	0.3	1.0	0.8	0.0	0.3	103.6
Other Liabilities	1.2	0.9	1.2	0.2	0.0	0.0
<i>Long-term</i>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>538.0</b>
Bonds and other debt securities	0.0	0.0	0.0	0.0	0.0	0.0
Loans	0.0	0.0	0.0	0.0	0.0	0.0
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities	1.9	1.9	1.9	1.9	1.9	538.0
<b>Banks</b>	<b>7 681.5</b>	<b>15 316.3</b>	<b>33 323.4</b>	<b>45 946.2</b>	<b>39 221.1</b>	<b>30 073.9</b>
<i>Short-term</i>	<b>2 290.2</b>	<b>6 297.2</b>	<b>7 465.5</b>	<b>6 102.8</b>	<b>3 093.3</b>	<b>3 938.4</b>
Money Market Instruments	0.0	0.0	0.0	0.0	0.0	0.0
Loans	1 728.7	5 318.2	5 801.4	3 747.5	2 010.9	353.1
Currency and Deposits	386.5	804.2	1 297.9	1 863.9	702.7	837.6



Other Liabilities	174.9	174.8	366.2	491.4	379.7	2 747.7
<b>Long-term</b>	<b>5 391.3</b>	<b>9 019.1</b>	<b>25 857.9</b>	<b>39 843.4</b>	<b>36 127.8</b>	<b>26 135.5</b>
Bonds and other debt securities	754.1	1 824.8	2 984.1	3 266.2	2 518.3	2 743.5
Loans	4 436.5	6 885.9	22 386.5	35 875.9	33 082.0	23 102.4
Currency and Deposits	200.8	308.3	487.3	701.4	527.6	289.6
Other Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Other Sectors</b>	<b>22 532.1</b>	<b>26 529.8</b>	<b>38 118.7</b>	<b>49 348.4</b>	<b>66 837.4</b>	<b>78 420.1</b>
<b>Short-term</b>	<b>1 651.0</b>	<b>1 752.6</b>	<b>4 081.7</b>	<b>5 685.0</b>	<b>6 865.2</b>	<b>5 359.1</b>
Money Market Instruments	4.0	4.2	1.6	0.3	0.1	0.1
Loans	275.0	369.2	1 162.7	1 437.3	2 255.0	975.4
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade Credits	1 216.0	1 259.4	2 684.0	3 704.2	4 003.4	3 722.5
Other Liabilities	156.0	119.9	233.5	543.1	606.7	661.0
<b>Long-term</b>	<b>20 881.1</b>	<b>24 777.2</b>	<b>34 037.0</b>	<b>43 663.4</b>	<b>59 972.2</b>	<b>73 061.0</b>
Bonds and other debt securities	149.7	148.7	89.7	671.4	604.6	839.0
Loans	19 003.5	22 637.1	31 699.4	40 156.4	56 213.5	69 168.0
Currency and Deposits	0.0	0.0	0.0	0.0	0.0	0.0
Trade Credits	1 727.8	1 991.4	2 247.9	2 835.6	3 154.1	3 054.0
Other Liabilities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Memo Items: Direct Investments: Intercompany Debt</b>	<b>16 675.0</b>	<b>19 228.1</b>	<b>25 513.0</b>	<b>30 080.6</b>	<b>40 114.5</b>	<b>48 644.9</b>
Liabilities to affiliated entities	1 701.7	2 047.0	3 283.5	2 458.8	5 337.6	6 643.7
Liabilities to direct investors	14 973.3	17 181.1	22 229.5	27 621.9	34 776.9	42 001.2

### Appendix 3 to Section I Subsection 1.4

#### Absolute and Relative Indicators of External Debt

Item	2004	2005	2006	2007	2008	2009
<b>A. Absolute indicators (US\$ mln.)</b>						
1. Gross external debt (at end-period)	32 713.2	43 428.5	74 014.1	96 914.3	108 130.4	111 326.3
<i>Of which, intercompany debt</i>	16 675.0	19 228.1	25 513.0	30 088.5	37 002.3	43 450.5
2. Gross external debt excl. intercompany debt (at end-period)	16 038.2	24 200.5	48 501.1	66 825.8	71 128.0	67 875.8
3. Payments for debt extinction and servicing (including i/c debt)*	8 185.3	11 053.8	11 847.5	25 088.1	31 136.7	6 225.6
4. Payments for debt extinction and servicing (excluding i/c debt)*:	3 519.5	5 495.1	5 817.1	16 926.2	22 831.2	4 368.4
5. Export of goods and non-factor services for the period (EGNFSp) **	22 612.3	30 529.0	41 580.8	51 906.1	76 353.8	13 476.2
6. Export of goods and non-factor services for the year (EGNFSy) **	22 612.3	30 529.0	41 580.8	51 906.1	76 353.8	49 373.3
<b>B. Relative Parameters</b>						
1. Gross external debt per capita (US\$, excl. intercompany debt)	1 063.9	1 590.3	3 150.5	4 293.2	4 508.0	4 314.9
2. Gross external debt to GDP (as %, incl. intercompany debt)	75.7	76.0	91.4	92.1	81.6	100.8
3. Gross external debt to GDP (as %, excl. intercompany debt)	37.1	42.4	59.9	63.5	53.7	61.4
4. Gross external debt to EGNFSy (as %, incl. intercompany debt)	144.7	142.3	178.0	186.7	141.6	225.5
5. Gross external debt to EGNFSy (as %, excl. intercompany debt)	70.9	79.3	116.6	128.7	93.2	137.5
6. Payments for debt extinction and servicing to EGNFSp (as %, incl. intercompany debt)	36.2	36.2	28.5	48.3	40.8	46.2
7. Payments for debt extinction and servicing to EGNFSp (as %, excl. intercompany debt)	15.6	18.0	14.0	32.6	29.9	32.4
8. Interest payments to EGNFSp (%)	4.2	5.6	6.5	10.2	7.5	9.0
9. International reserves to short-term external debt, %	235.3	86.7	151.1	147.4	186.9	192.8
10. International reserves to short-term external debt on remaining maturity basis (Guidotti Rule)	0.0	0.0	77.1	56.1	64.5	73.4
<b>For reference:</b>						
Population (thousand individuals) ***	15 074.8	15 217.7	15 394.6	15 565.6	15 778.2	15 730.5
GDP (KZT billion), for the period***	5 870.1	7 591.0	10 213.6	12 849.8	15 937.0	4 756.3
GDP for 12 months (US\$ bln.)	43.2	57.1	81.0	105.2	132.5	110.5

**Appendix 1 to Section II Subsection 2.2**

**Table 2.2.1**

**Gold and Foreign Currency Reserves of the National Bank**

US\$ mln.

	Items	Amount	
		01.01.09	01.01.10
1.	Gross GCR, total	19 872.118	23 218.481
	Including:		
1.1.	Monetary gold	2 000.657	2 500.667
1.2.	Assets in freely convertible currency and SDR	17 871.462	20 717.813
	Foreign cash (FCC)	92.352	234.136
	Transferable deposits (FCC)	6 294.577	8 636.970
	Other deposits (FCC)	161.900	538.254
	Credits (FCC)	2 287.437	0.000
	Securities other than shares (FCC)	8 947.800	11 300.233
	Financial derivatives and other accounts	87.395	8.22
2.	Foreign liabilities (FCC)	27.858	559.924
	including:		
2.1.	Transferable deposits of non-residents and IMF credits	1.556	0.022
2.2.	SDR distribution	0.000	536.776
2.3.	Medium-and long-term credits	1.903	0.989
2.4.	Other deposits	0.000	5.332
2.5.	Financial derivatives	24.400	16.805
3.	Net international reserves (1-2), total	19 844.260	22 658.556

## Appendix 2 to Section II Subsection 2.2

### Comparative Table of Excess Returns of the GCR Portfolio Managers for 2009 (returns are calculated in own currency of each sub-portfolio)

*Table 2.2.2*

Manager	Market Value (in US\$ mln.)	Return of Portfolio	Return of the Benchmark Portfolio	Excess Returns
<b><i>Investment portfolio of foreign currency assets</i></b>				
Total*	9 329.06	2.47%	2.15%	0.33%
<i>Sub-portfolio denominated in US\$</i>				
NBRK	3 730.79	1.23%	0.96%	0.27%
<i>Sub-portfolio denominated in Euro</i>				
NBRK	3 260.39	4.41%	4.18%	0.23%
<i>Sub-portfolio denominated in Pound of Sterling</i>				
NBRK	948.12	3.12%	3.02%	0.10%
<i>Sub-portfolio denominated in Australian Dollars</i>				
NBRK	468.87	1.76	1.58%	0.18%
<i>Sub-portfolio denominated in Japanese Yen</i>				
NBRK	920.94	0.76%	0.82%	-0.06%
<b><i>Portfolio of Absolute Returns</i></b>				
Total	390.76	(-)0.09%	0.70%	(-)0.78%

\*Returns are calculated in the currency basket

Appendix 1 to Section IX

Figure 9.1.1

Returns of the National Fund Since its Inception, in US Dollars

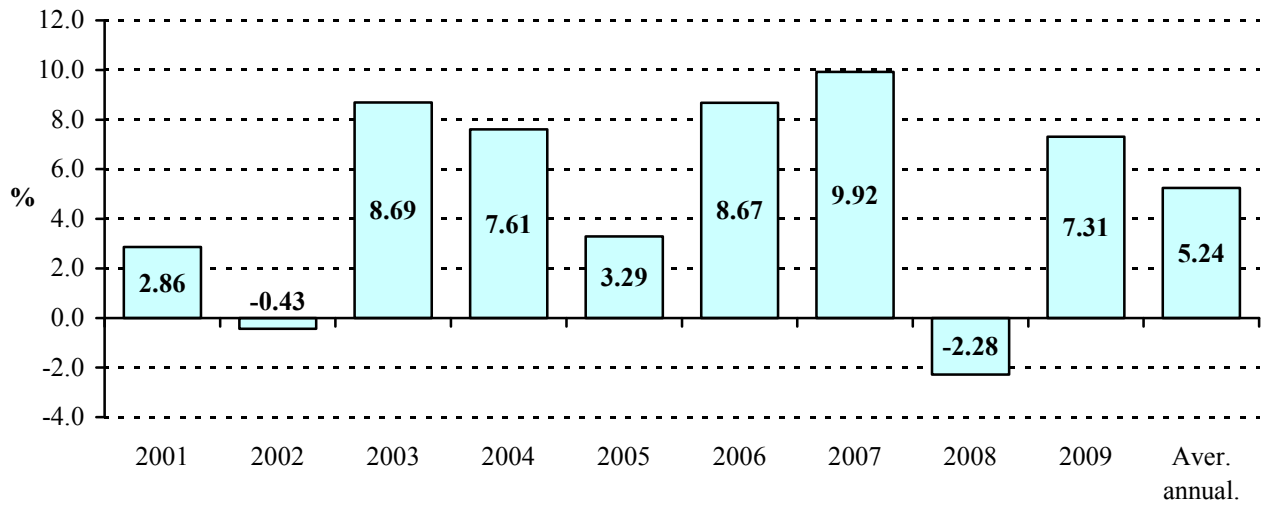


Figure 9.1.2

Returns of the Savings Portfolio in 2009

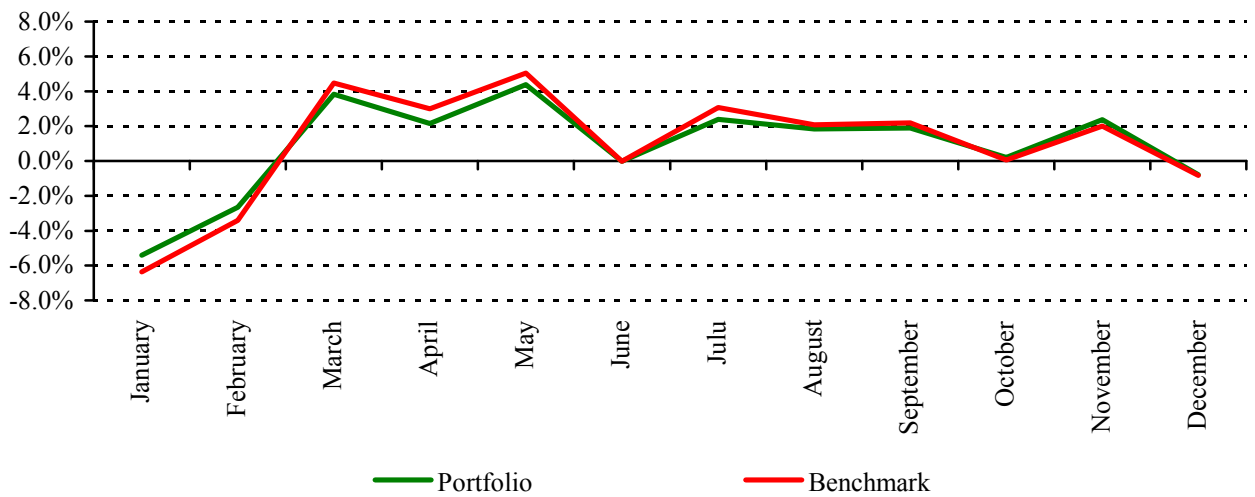


Figure 9.1.3

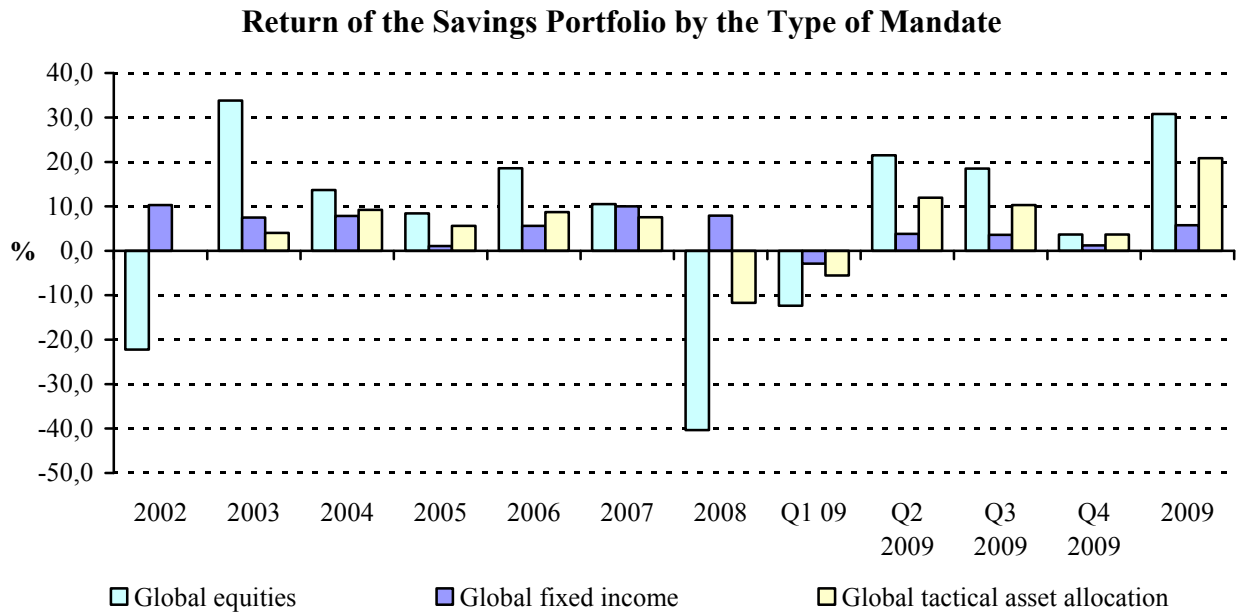
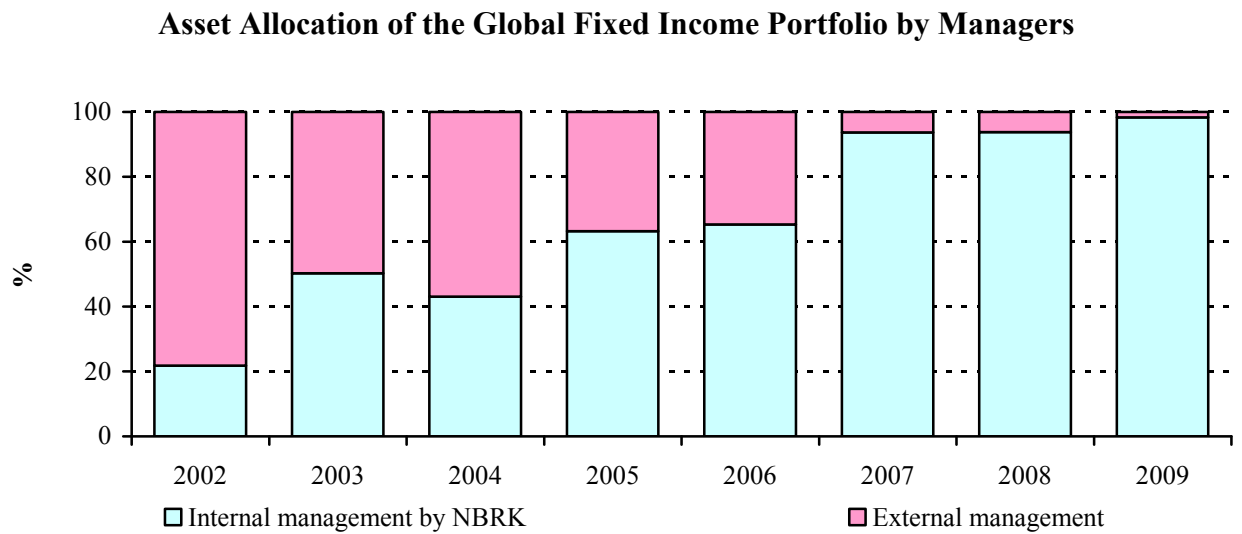


Figure 9.1.4



**Comparative Table on the Excess Returns  
of the Savings Portfolio Managers in 2009.**

US\$ mln.

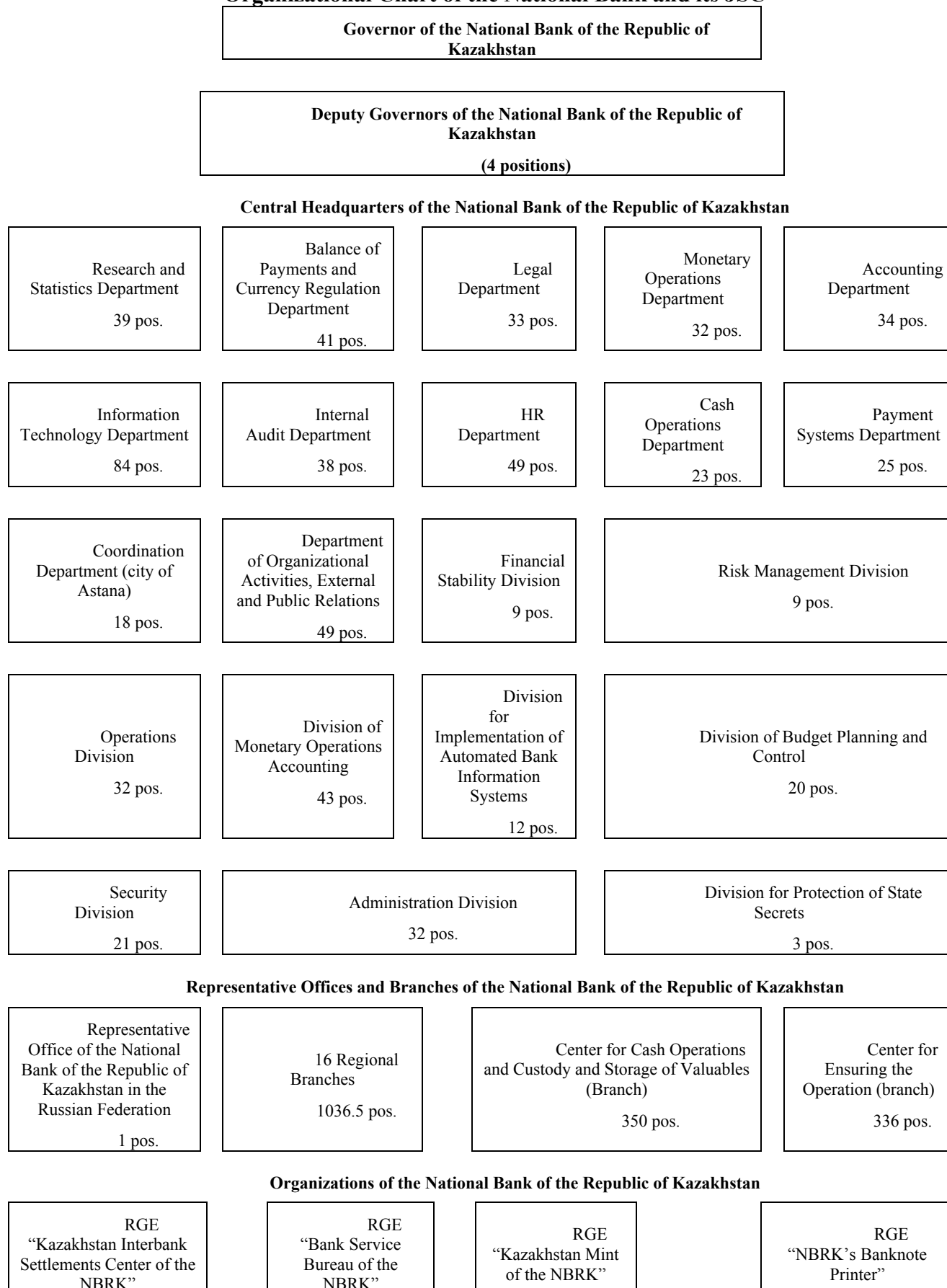
Manager	Market value at end-2009	Return of Portfolio	Return of the Benchmark Portfolio	Excess Returns
Global fixed income bonds				
Manager 1	239 635 205	6.44%	5.96%	<b>0.48%</b>
National Bank	13 891 613 612	8.10%*	7.95%	<b>0.15%</b>
Global bonds				
Manager 2	1 410 799 480	29.91%*	25.95%	<b>3.96%</b>
National Bank	171 091 771	33.05%	29.71%	<b>3.34%</b>
Manager 3	862 460 868	29.88%	29.71%	<b>0.17%</b>
Manager 4	886 177 979	29.80%	29.71%	<b>0.09%</b>
Global tactical asset allocation				
Manager 5	616 123 018	22.54%	11.95%	<b>10.59%</b>
Manager 6	284 554 700	17.87%	11.95%	<b>5.92%</b>

\* based on transaction periods

**Appendix 1 to Section X Subsection 10.1**

*Figure 10.1.1*

**Organizational Chart of the National Bank and its JSC**





107.5 pos.	65 pos.	341 pos.	426 pos.
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**Joint Stock Companies**

JSC “Kazakhstan Deposit Insurance Fund”  26 pos.	JSC “Backup Center of the NBRK “Q-BRO”  30 pos.	JSC “Accumulation Pension Fund “GNPF”*  494 pos.	JSC “National Analytical Center with the Government and the National Bank of the Republic of Kazakhstan”**  65 pos.
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\* The National Bank of the Republic of Kazakhstan is one of the shareholders of JSC “Accumulation Pension Fund “GNPF”.

\*\* The National Analytical Center with the Government and the National Bank of the Republic of Kazakhstan was included in the list of organizations under the jurisdiction of the Secretariat of the Prime Minister of the Republic of Kazakhstan based on the Governmental Decree of the Republic of Kazakhstan of September 3, 2007 No. 762.