



Kazakhstan Deposit Insurance Fund Joint Stock Company is a non-commercial organization. The supreme agency of the KDIF administration is its sole shareholder, the National Bank of the Republic of Kazakhstan.

OUR MISSION

to protect depositors interests by insuring bank deposits and reimbursing losses occurred in case of the DIS member-bank forcible liquidation

OUR VISION

- to comply with the international principles of effective Deposit Insurance Systems;
- to accomplish our mission applying the world best practices

STRATEGIC TARGETS

- high-performed corporate management, including further improvement of partnership with the main Fund counteragents;
- readiness for insurance events (procedures developed availability);
- enhancement the awareness of the public and the KDIF partners on the Deposit Insurance System;
- development of the KDIF staff professionalism and qualification



ABBREVIATIONS USED

Deposit Insurance Law

- Law of the Republic of Kazakhstan on obligatory insurance of deposits placed in the second-tier banks of the Republic of Kazakhstan

DIS

- Deposit Insurance System

Financial Supervision Agency

- The Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations

IADI, the Association

- International Association of Deposit Insurers

KDIF, the Fund

- Kazakhstan Deposit Insurance Fund Joint Stock Company

National Bank, NBRK

- The National Bank of the Republic of Kazakhstan

Member-bank

- Bank which is a member of the Deposit Insurance System

DPS

- Differential Premium System

Core Principles

- Core Principles for Effective Deposit Insurance Systems (developed by International Association of Deposit Insurers and Basel Committee on Banking Supervision)

KZT

- Tenge, the national currency of the Republic of Kazakhstan



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MESSAGE FROM THE CHAIRPERSON

Dear Ladies and Gentlemen,

I am glad to present you the Annual Report on activities of the Kazakhstan Deposit Insurance Fund in 2009.

Over the year the KDIF held a strong financial standing: the net profit gained by the year ending composed over 10.5 billion KZT*, while the KDIF assets grew almost by 32% against the previous year.

In the reporting period the National Bank of Kazakhstan being the KDIF's sole shareholder extended the KDIF authorized capital up to 110 billion KZT. The measure taken was conditioned by an increase of deposit insurance coverage up to 5 million KZT at the end of 2008, as well as an influence of the global financial crisis which has considerably deteriorated the financial condition of several Kazakhstani banks. Although in 2009 there were no cases of bank failures, the KDIF's strengthened positions in the part of fulfillment of its obligations to depositors provided an ultimate guarantee of deposits' security.

In November, 2009 the Kazakhstan Deposit Insurance Fund has been operating for 10 years. Time showed significance and effectiveness of the Deposit Insurance System. During the current financial crisis when the countries without the properly established Deposit Insurance Systems were facing a severe bank run, Kazakhstan has not only succeeded in avoiding bank clients outflow but also has extended the bank deposit base.



During the period from July, 2007 to January, 2010 aggregate individuals deposit amount grew from 1369 bln. KZT to 1936 bln. KZT or by 42%.

A decade of consistent tenacious corporate activity of the KDIF and the State Authorities has contributed to achievement of highly favorable results in development of the Kazakhstani Deposit Insurance System.

As time goes by, goals of the System change. Initial objects aimed at the DIS organizational foundation and its promotion among banks and their clients gave a way to transit from a voluntary to compulsory bank membership in the System.

The procedures to determine the deposit insurance coverage were simplified as well. Moreover, a list of the instruments subject to be covered by the Fund's insurance has significantly extended. At the same time the mechanism for the member-banks premiums improved, which allowed the Fund to move to an advanced system of differential premiums and distinguish the member-banks by their financial soundness and risk degree.

The insurance coverage provided to the forcibly liquidated bank depositors is one of the core tools in preserving and sustaining stability of the Kazakhstani financial sector. In course of time the deposit insurance coverage increased from two hundred thousand to one million KZT per depositor. Since October 2008 as a response to the financial crisis each depositor receives the coverage in the amount of up to five million KZT till the end of

*The exchange of KZT/USD as per 31.12.09 was equal to 148.36 (Source: NBRK)



2011 according to the Legislation. Furthermore, since 2007 in order to avoid a so called adverse selection the Fund has started insuring all kinds of individuals' deposits and accounts.

Authorities of the Fund have been also revised and extended accordingly. In 2007 the Law "On Obligatory Insurance of Deposits, placed in the second-tier banks of Kazakhstan" came into effect. This Law is the legal basis for the Deposit Insurance System functioning. Following Core Principles, legislatively consolidated normative foundations of the Deposit Insurance System activity are the conditions of its efficient functioning. At this concern, goals, rights, authorities, functions and liabilities of any Deposit Insurer must be well-defined. At the same time relationship and coordination of actions as well as information sharing with the other safety net players should be properly specified.

The Fund's positions in the world community have also strengthened. Being a member of the International Association of Deposit Insurers, the Fund is shared with the experience of its foreign colleagues to improve the domestic deposit insurance system. In the reporting year the Fund

hosted the Annual Meeting and International Conference of the Asia Regional Committee of IADI which united more than 70 representatives of Deposit Insurers from 20 foreign countries.

Gradually we carry out our activity and follow the Strategic Development Plan to achieve the goals set. We are aimed at such strategic targets as readiness for the insurance event, efficient corporate management and partnership cooperation, increase of public awareness on the deposit insurance issues, the Fund employees' qualification upgrade.

Finally I would like to extend my particular gratitude to the Fund's Board of Directors, our colleagues and partners, Secretariat and members of the IADI for their continuous support to the development of the Deposit Insurance System and financial stability of Kazakhstan.

Today the Fund is on the new stage of its development and taking into account the experience accumulated for the last decade, the Fund is ready to accomplish tasks it is imposed at a high level.

Bakhyt Mazhenova



I. MAIN FUND ACHIEVEMENTS

In the reporting year the Fund has summed up its activity’s results for the past decade, which are briefly described in the table below.

| | |
|--|---|
| From “pay-box” to the “in-between” system | <p>The Fund authorities have extended. In the beginning of its activity the Fund carried out the functions on accumulating member-banks’ premiums and reimbursement of depositors in case of the forcible bank liquidation. Today the Fund is fully involved in the process of decision making with regard to problem banks and procedures of their liquidation. According to the legislation the Fund’s employees participate in temporary administration, the liquidation commission and the creditors’ committee of the forcibly liquidated member-banks. The Fund inspects member-banks depositors’ database for compliance with the established requirements, correctness and validity of the accounts’ sums, as well as determines the rates of calendar premiums to be transferred by the member-banks depending on their financial soundness.</p> |
| Legislation | <p>In January, 2007 the Law “On Obligatory Insurance of Deposits, placed in the second-tier banks of Kazakhstan” came into effect; it determines the legislative foundation for the deposit insurance system’s functioning, as well as activity of the Kazakhstan Deposit Insurance Fund and the membership of the commercial banks in the obligatory deposit insurance system.</p> |
| Amount of Deposit Insurance Coverage | <p>For the last 10 years the deposit insurance coverage paid out by the Fund in case of member-banks’ forcible liquidation has been raised from two hundred thousand to one million KZT per depositor. In October 2008 the Law was adopted according to which in case of forcible member-bank liquidation prior to January 1, 2012 each depositor will be reimbursed by the deposit insurance coverage in the amount of up to five million KZT. This amount allows fully covering 98% of all individuals’ accounts in the Kazakhstanian banks.</p> |
| Obligatory bank membership in DIS | <p>In order to avoid an adverse selection among depositors, since January 1, 2004 membership in the Kazakhstanian Deposit Insurance System is mandatory for all banks that have obtained the License to accept deposits, open and conduct individuals’ bank accounts. Since 2007 all types of individuals’ deposits and accounts are under the state insurance.</p> |
| Transparency increase | <p>The Fund implemented an internal control system and a risk management system. The Corporate Management Code and other documents that contribute to improvement of the Fund’s corporate and risk management quality were adopted. Number of independent directors was introduced into the Board of Directors.</p> |
| Pay-out of Deposit Insurance Coverage | <p>The Fund has paid out the coverage to the depositors of three forcibly liquidated member-banks which were “Komir Bank” JSC, “Nauryz Bank” JSC and “Valut-Tranzit Bank” JSC. Total 70 thousand of the banks depositors applied to the Fund for reimbursements. Total sum of the coverage paid by the Fund amounted to approximately 15 billion KZT.</p> |
| Member-banks’ calendar premiums | <p>Until 2007 flat rate system of the member-banks’ calendar premiums was in the effect and varied only according to the membership terms in the Deposit Insurance System: less than two years – 0.25% of the total individuals’ deposit portfolio per quarter and more than two years – 0.16%.</p> <p>In 2007 the Fund has implemented a differential premiums system “BATA”, according to which calculation of premiums takes into account member-banks’ financial soundness and risk profile.</p> |



Scorecard of the Fund's Strategic Targets fulfillment as of December 31, 2009

Notations used:

D – At the process of development

I – Implemented but still needs further development

N – Needs development

| Fund's Goals | Fund's Initiatives | Level of fulfillment |
|---------------------------|---|---|
| OPERATING ACTIVITIES | 1. Compliance of the Fund internal control system | D |
| | 2. Fund's strategic business processes: | |
| | a Determination of the Contract of Adhesion terms | I |
| | b Development of the pay-out mechanism to the depositors of the forcibly liquidated bank through: | I |
| | - setting of requirements to the depositors' records in the member-banks and formation of the depositors' database | I |
| | - opportunity to submit depositors' data by the member-banks in a standardized form | I |
| | - inspection of the computer depositors' database of member-banks | N |
| | c Effective management of Fund Investment Portfolio | I |
| | d Studying alternative approaches to cover the Fund's Special Reserve's shortage and preparing proposals on amending the RK legislation | D |
| | e developing procedures on implementation of OBA, Bridge bank and P&A operations as effective problem-banks resolution methods that based on least cost principle including: | D |
| | - appraisal of the problem-banks assets | D |
| | f Implementation of the Fund's functions related to the Special Reserve recovery through: | |
| | - participation in the temporary administration assigned for the period of member-bank conservatorship and/or for the period of de-licensing for carrying out any bank activity | I |
| | - participation in the liquidation commission of the member-bank under forcible liquidation | I |
| | - participation in the committee of creditors of the member-bank under forcible liquidation | I |
| | g Identification of the Fund's main risk areas and risk management | I |
| | h Improving the methodology of the DPS | |
| | - Advancing the DPS | I |
| | - Developing informational system "BATA" | I |
| | i Enhancement of public awareness | I |
| HUMAN RESOURCE MANAGEMENT | 1. Professional Development System | |
| | a Participating in seminars and conferences organized by regulating bodies | I |
| | 2. Attracting experts for projects development | |
| | a Attracting an expert for improvement of the differential system | N |
| | b Attracting an expert for implementation of the quality management system and ISO standards | N |
| | 3. Principles of KDIF employees' salary payment | I |



CALENDAR OF ACTIVITIES IN 2009

During the year

The Fund continued paying out to depositors of Nauryz Bank and Valut-Tranzit Bank and checking depositors' documents with regard to the claims terms, accuracy and justification. In 2009 the Fund has reimbursed 158 depositors of Valut-Tranzit Bank to the total amount equal to 10.3 million KZT and 2 depositors of Nauryz Bank with 16.3 thousand KZT.

The Fund participated in the Creditors Committees' meetings of Nauryz Bank and Valut-Tranzit Bank.

Inspection of the member-banks' computer database of insured deposits for compliance with the Fund's requirements; in total there were four bank inspections during the year.

Contribution to development of researches and guidelines in the frame of IADI Research and Guidance Committee and Subcommittees.

Providing free public consultations on deposit insurance issues; about one and a half thousand phone calls a year through a hotline were received.

Seven Board of Directors' and eight Advisory Council meetings were carried out.

January

Approval of the Fund's Strategic Development Plan for 2009-2011.

"Comparative Analysis on Depositors' Claims Process and Payout Mechanisms in the countries of the IADI Asia Regional Committee" research was conducted by the Fund.

February

A visit of Mr. Zhirgalbek Kassymov, Executive Director of Deposit Protection Agency of the Kyrgyz Republic. Memorandum of mutual understanding and collaboration between the Kazakhstan Deposit Insurance Fund and the Deposit Protection Agency of Kyrgyz Republic was signed.

The Fund started working on ensuring the compliance of the member-banks' computer database of insured deposits with the Fund's requirements.

Decrease of interest rate for deposits in foreign currencies from 10% to 8%.

April

Contract of Adhesion amendment

The Fund carried out an intermediate mutual settlement check up with an agent-bank regarding deposit insurance coverage paid to the Valut-Tranzit Bank depositors.

May

The Seventh Annual Meeting of the Asia Regional Committee IADI and the International Conference were hosted by the Fund in Almaty.

Joining of Bank VTB (Kazakhstan) JSC the Deposit Insurance System

July

Reorganization of Express Bank JSC to a microcredit organization and its exclusion from the Deposit Insurance System.

Number of important by-laws were approved by the Fund's Board of Directors.

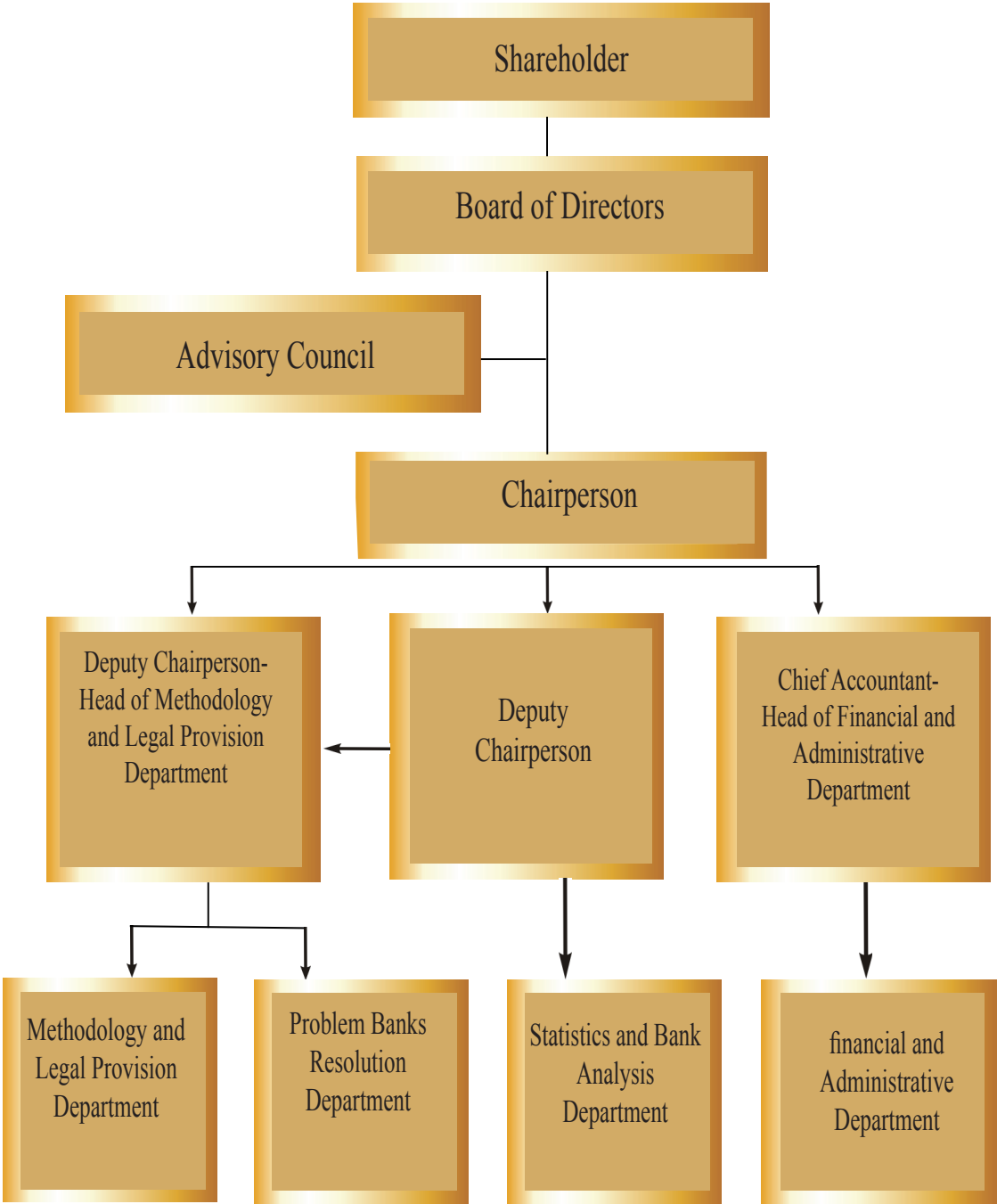


| | |
|------------------|---|
| August | <p>Growth of the Fund's authorized capital up to 110 billion KZT.</p> <p>Contribution to the development of the Rules of the second-tier banks' conservatorship, the Rules on simultaneous purchase of assets and assumption of liabilities of a problem bank, Rules on Bridge Bank establishment.</p> <p>The audit of the financial statements, Fund accounting and internal control systems carried out by PricewaterhouseCoopers JSC.</p> |
| September | <p>Participation of the Fund's representatives in the Eights Annual General Meeting of IADI in Basel, Switzerland.</p> <p>Introduction of new qualitative indicators to the DPS "BATA".</p> <p>Decrease of interest rate of the deposits in national currencies from 13.5% to 11.5%.</p> <p>Participation of the Fund's representatives in the seminars on problem banks resolution provided by US Treasury.</p> <p>Amendments to the Rules on obligatory calendar, additional and extraordinary premiums' amount determination and payment procedures.</p> |
| October | <p>The Fund's contribution to the IADI research on "Funding Mechanisms for Deposit Insurance Systems in Asia".</p> |
| November | <p>10-year anniversary of Kazakhstan Deposit Insurance System.</p> <p>Contribution to development of the Rules on forcible bank liquidation.</p> <p>Assessment of the Fund's risk management system.</p> <p>Development of informational system BATA</p> <p>The Fund's representatives participated in IADI working group on Islamic Banking</p> |
| December | <p>The Fund has reimbursed 98% of the planned amount of deposit insurance coverage to the depositors of Valut-Tranzit Bank.</p> <p>The Fund's claims to the Valut-Tranzit Bank liquidation commission were satisfied by 25% and the claims to the Nauryz Bank liquidation commission were satisfied by 88%.</p> |



II. ADMINISTRATION AND
RISK MANAGEMENT

Organizational Structure





The National Bank of Kazakhstan is the founder and the shareholder of the KDIF.

Pursuant to the order of the Governor of the National Bank from 20 March 2009 Ms. Dina Galiyeva, the Deputy Governor of the National Bank, has been empowered by the authority of decisions regarding to Shareholder issues.

Ms. Dina Galiyeva

Deputy Governor of the National Bank of Kazakhstan



Kazakhstan Deposit Insurance Fund's employees



BOARD OF DIRECTORS



Mr. Daniyar Akishev
*Chairperson of the Board,
Deputy Governor
of the National Bank of Kazakhstan*



Ms. Bakhyt Mazhenova
*Chairperson
of the Kazakhstan Deposit Insurance Fund*



Mr. Kuat Kozhakhmetov
*Deputy Chairperson
of the Financial Supervision Agency*



Mr. Uriy Gerasimenko
*Director
of the Monetary Operations Department
of the National Bank of Kazakhstan*



Ms. Gulfayruz Shaykakova
*Director
of the Research and Statistics Department
of the National Bank of Kazakhstan*



Ms. Yuliya Yakupbayeva
Independent Director



Mr. Oleg Smolyakov
*Head
of the Financial Stability Division
of the National Bank of Kazakhstan*



Mr. Zhanat Kurmanov
Independent Director



The Board of Directors consists of the Chairperson and seven members including two independent directors. In the reporting year seven meetings of the Board have taken place. The following issues were discussed:

- approval of the KDIF's Strategic Development Plan for 2009-2011;
- amendments to:
 - the Rules on obligatory calendar, additional and extraordinary premiums amount determination and payment procedures;
 - Contract of Adhesion;
- adjustments to the Budget to the extent of cost cutting;
- approval of the Fund's internal documents including:
 - Compliance Principles of DIS member-banks' computer database of insured deposits with the Fund's requirements stipulated by the Contract of Adhesion,

- Principles of arranging and conducting a contest of commercial proposals for sale of forcibly liquidated member-banks' property provided to the Fund as a claims' satisfaction in amount of reimbursement provided by the Fund,
- the Principles of employees' salary and bonuses payment, as well as the Fund's financial statements, staff schedule and the Business Plan.

In 2009 the Board of Directors endorsed the decisions of the Fund's Advisory Council on changing the recommended individuals' deposit rates for newly attracted DIS member-banks. In February the interest rate of the deposits in foreign currencies decreased from 10% to 8% and in September the interest rate of deposits in national currencies decreased from 13.5% to 11.5%.



ADVISORY COUNCIL

ADVISORY COUNCIL MEMBERS

“ATFBank” JSC

“Bank CenterCredit” JSC

“BTA Bank” JSC

“Eurasian Bank” JSC

“Halyk Savings Bank of Kazakhstan” JSC

“House Construction Savings Bank of Kazakhstan” JSC

“Kaspi Bank” JSC

“Kazkommertsbank” JSC

Subsidiary bank “HSBC Bank of Kazakhstan” JSC

Subsidiary bank “Sberbank of Russia” JSC

The Advisory Council consists of member-banks’ representatives selected by voting at member-banks’ general meeting and is subject to annual re-election. Advisory Council Chairperson is elected from among the Advisory Council members.

Advisory Council submits proposals, recommendations to the Fund, provides consultations and contributes to development of the Fund documentation on the obligatory deposit insurance. Decisions of the Advisory Council are of recommendation nature.

In the reporting year a representative of Bank CenterCredit JSC was elected as Chairperson of the Fund’s Advisory Council. A number of issues were discussed at the meetings, decisions on which were endorsed by the Board of Directors, including:

- 1) decrease of rate of the deposits in foreign currencies from 10% to 8% and in national currency from 13.5% to 11.5%;
- 2) amendments to Contract of Adhesion with account of member-banks proposals;
- 3) consideration of member-banks’ proposals concerning the DPS improvement;
- 4) amendments to the Rules on obligatory calendar, additional and extraordinary premiums’ amount determination and payment procedures;
- 5) amendments to the Statute on the Advisory Council.



RISK MANAGEMENT SYSTEM

The Fund follows the Principles of risk management approved by the Board of Directors in 2008 in order to provide a unique approach in risk management while performing its activity.

Under the current Principles a special Committee for risk management, collegial body, was assigned and managed by the Fund Chairperson. The Committee includes the Fund department heads assigned as risk controllers and Deputy Fund Chairmen.

Business processes of the Fund are divided into sub-processes and procedures. Fund departments can appear as business process participants, i.e. they can be involved in carrying out one of the sub-processes of the business process, and can own the business process which means they can manage the business process/sub-process and take responsibility for its performance and effectiveness.

Identification of the Fund's typical risks revealed the following types: a systemic risk, a strategic risk, a financial risk and an operational risk.

Risk controllers prepare and renew the process matrixes on an annual basis, test them for effectiveness, prepare pre-proposals for minimizing the risks having significantly high, high and middle levels. Information on business processes of the Fund is annually presented to the Risk Management Committee.

The functions of the Committee include:

1) annual final risk assessment of the Fund's business processes;

2) annual preparation of a unique risk map that reflects information on significantly high, high and middle risks existing through the Fund activity;

3) preparation of final proposals related to measures for minimizing risk degree typical to the Fund's business-process having significantly high, high and middle risk levels;

4) monitoring of the measures taken by the Fund's departments to mitigate risks typical to the Fund's business processes/sub-processes.

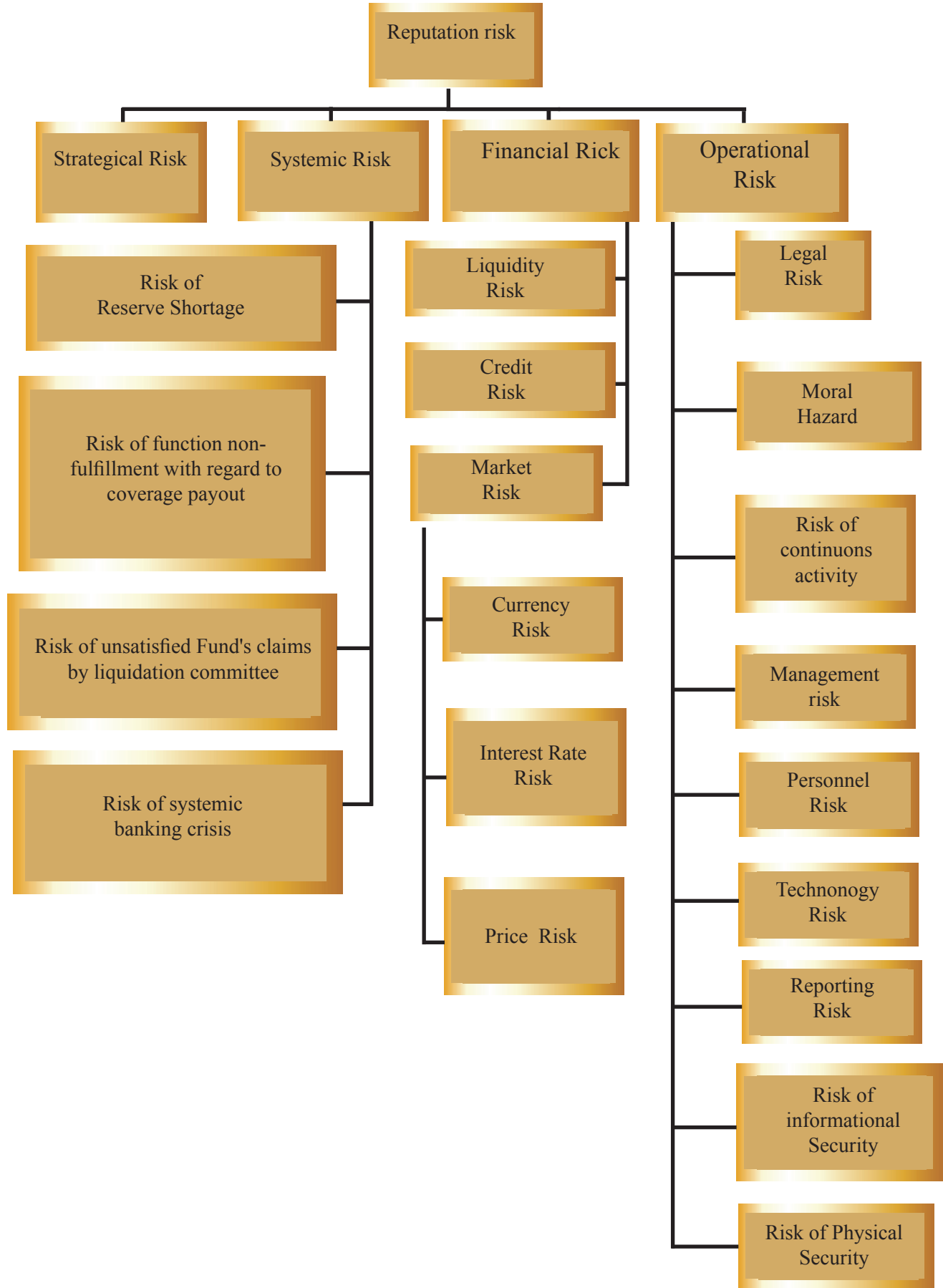
An independent assessment of the risks typical to the Fund's activity as well as internal control system that monitors business processes' fulfillment is conducted by an independent Audit Company on an annual basis.

The Risk Management Committee prepares a unique risk map as per the information provided by the risk controllers and Auditor report and annually presents it to the Board of Directors for review, then submits it to the Internal Audit Department of the National Bank of Kazakhstan.

The process of internal risk management directly relates to the Fund's activity planning. This allows the Fund determining its further development with account of the measures on elimination (or minimization) of the risks that appear as a result of changes of external and/or internal factors impacting the Fund's activity. In this way the strategic directions of the Fund can be promptly corrected depending on the macroeconomic environment changes.

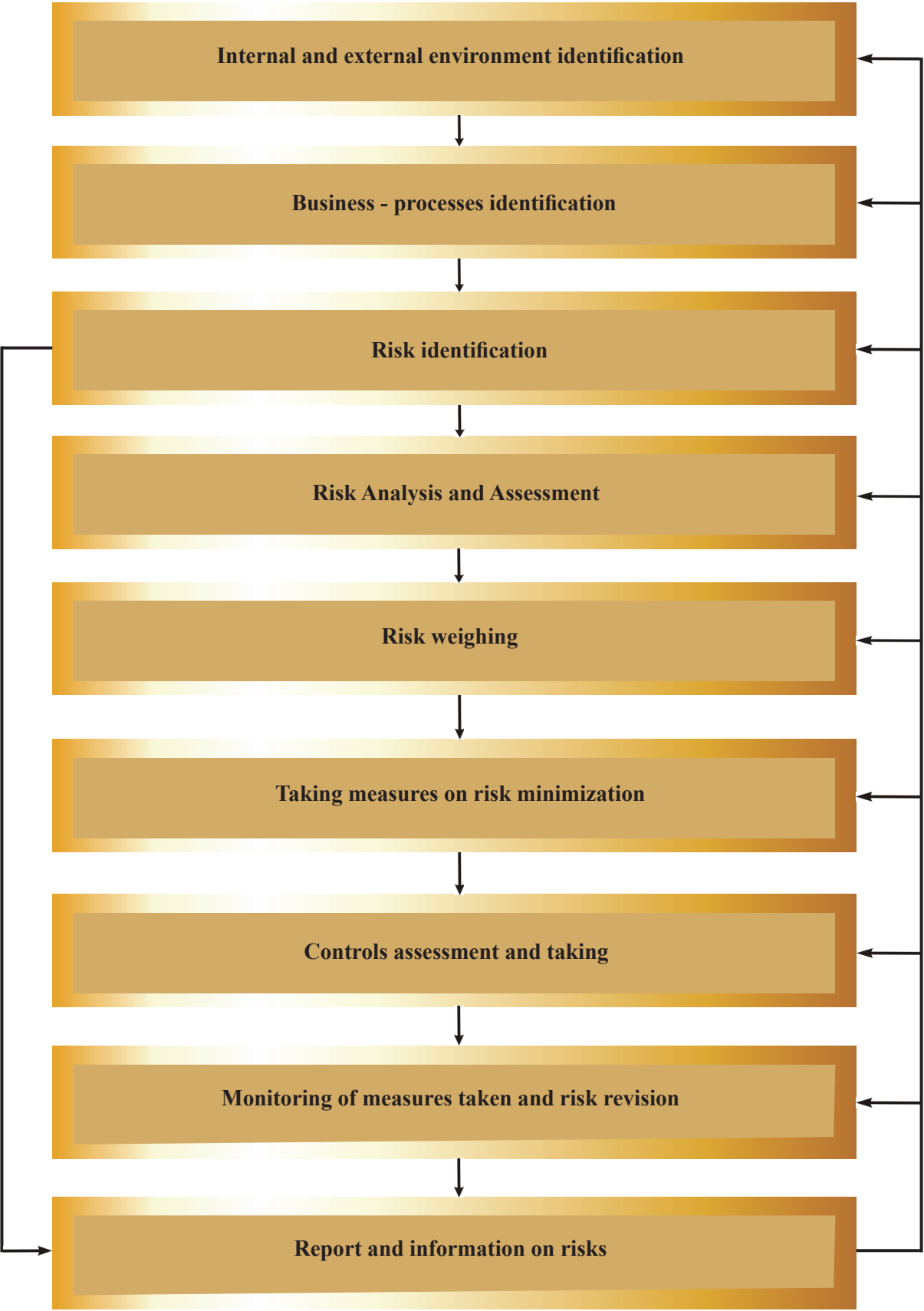


KDIF's risks tree





Internal risk management





A number of actions were taken by the Fund to prevent and mitigate the risks.

| Risk type | Preventive measures |
|---|---|
| Risk of Reserve shortage | The Fund's shareholder has increased the amount of the authorized capital to 110 billion KZT. |
| | The Fund participates in development and improvement of by-laws related to methods of satisfying depositors claims that are alternative to direct payouts. |
| | The Fund looks for alternative resources for covering the Special Reserve shortage (without consideration of the authorized capital appropriation and loans from the National Bank). |
| Risk of function non-fulfillment with regard to coverage payout | At the end of 2008 Compliance Principles were established for the DIS member-banks computer database of insured deposits with the Fund requirements stipulated by the Contract of Adhesion. Since February 2009 the Fund has inspected four banks. |
| Risk of uncollected Reserve by liquidation mass | The Fund participates in the liquidation commissions and the creditors committee of the liquidated banks. |
| | The Fund participates in improvement of by-laws related to the forcible member-bank liquidation. |
| Risk of systemic banking crisis | The Fund regularly monitors situation on the financial market and consults with the Financial Supervision Agency and the National Bank. |
| Liquidity Risk | The Fund annually analyzes and if necessary adjusts its Investment Strategy. Risk assessment and decision making are carried out by the Fund Investment Committee. |
| Legal Risk | Monitoring of amendments made to the current legislation. Analysis is carried out and necessary amendments to the Fund Statutes, Emissions Prospect and Contract of Adhesion are made. |
| Credit Risk | All contracts and agreements with the Fund counterparties including suppliers of goods and services pass a required juridical expertise with respect to protect ability of the Fund's interests and risk minimization. Monitoring of contracts and agreements accomplishment is carried out by the interested Fund departments. |
| Personnel Risk | Internal documents related to the Fund's personnel salary are improved. Motivation is increased. |
| | Employees are regularly trained. |

In 2009 PricewaterhouseCoopers carried out an audit of the Fund's accounting and internal control and the Fund's risk management system which was recognized as adequate. The auditor provided recommendations to improve the systems.

Recommendations are presented to the Board of Directors for review and follow-up to make decisions on their expediency, efficiency and ways of their implementation.



III. DEPOSIT INSURANCE SYSTEM MEMBER- BANKS

From 2000 to 2009 the number of the Deposit Insurance System's member-banks has increased from 16 to 36.

Number of the Deposit Insurance System's member-banks (as of the year ending)

| year | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|-----------------|------|------|------|------|------|------|------|------|------|------|
| number of banks | 16 | 21 | 22 | 31 | 34 | 33 | 33 | 33 | 36 | 36 |

In 2009 Bank VTB (Kazakhstan) became a member of the Deposit Insurance System. At the same time Express Bank was reorganized from the bank into a microcredit organization and as a result was excluded from the System.

As of the end of the year 36 banks out of total 38 second-tier banks are the members of the Deposit Insurance System*.

List of Deposit Insurance System's member-banks as of 31.12.2009

1. "AsiaCredit Bank" joint stock company
2. "Alliance Bank" joint stock company
3. "ATFBank" joint stock company
4. "Bank "Astana-Finance" joint stock company
5. "BankPositive Kazakhstan (Subsidiary Bank of Bank Hapoalim B. M.)" joint stock company
6. "Bank CenterCredit" joint stock company
7. "BTA Bank" joint stock company
8. "Citibank Kazakhstan" joint stock company
9. "DANABANK" joint stock company
10. "Delta Bank" joint stock company
11. "Eurasian Bank" joint stock company
12. "Halyk Savings Bank of Kazakhstan" joint stock company
13. "Home Credit Bank" joint stock company
14. "House Construction Savings Bank of Kazakhstan" joint stock company
15. "Industrial and Commercial Bank of China in Almaty" joint stock company
16. "Kaspi Bank" joint stock company
17. "Kazakhstan Innovational Commercial Bank" joint stock company
18. "Kazinvestbank" joint stock company
19. "Kazkommertsbank" joint stock company
20. "Masterbank" joint stock company
21. "METROKOMBANK" joint stock company
22. "Nurbank" joint stock company
23. "SENIM-BANK" joint stock company
24. "Tsesnabank" joint stock company
25. "Shinhan Bank Kazakhstan" joint stock company
26. Subsidiary Bank "RBS (KAZAKHSTAN)" joint stock company
27. Subsidiary Bank "Alfa-Bank" joint stock company
28. Subsidiary Bank "Bank of China in Kazakhstan" joint stock company
29. Subsidiary Bank "Kazakhstan-Ziraat International Bank" joint stock company
30. Subsidiary Bank "National Bank of Pakistan" in Kazakhstan joint stock company
31. Subsidiary Bank "Taib Kazakh Bank" joint stock company
32. Subsidiary Bank "HSBC Bank Kazakhstan" joint stock company
33. Subsidiary Bank "Sberbank of Russia" joint stock company
34. Subsidiary joint stock company "Bank VTB (Kazakhstan)"
35. "Temirbank" joint stock company, Subsidiary Organization of "BTA Bank" joint stock company
36. "Zaman-Bank" joint stock company

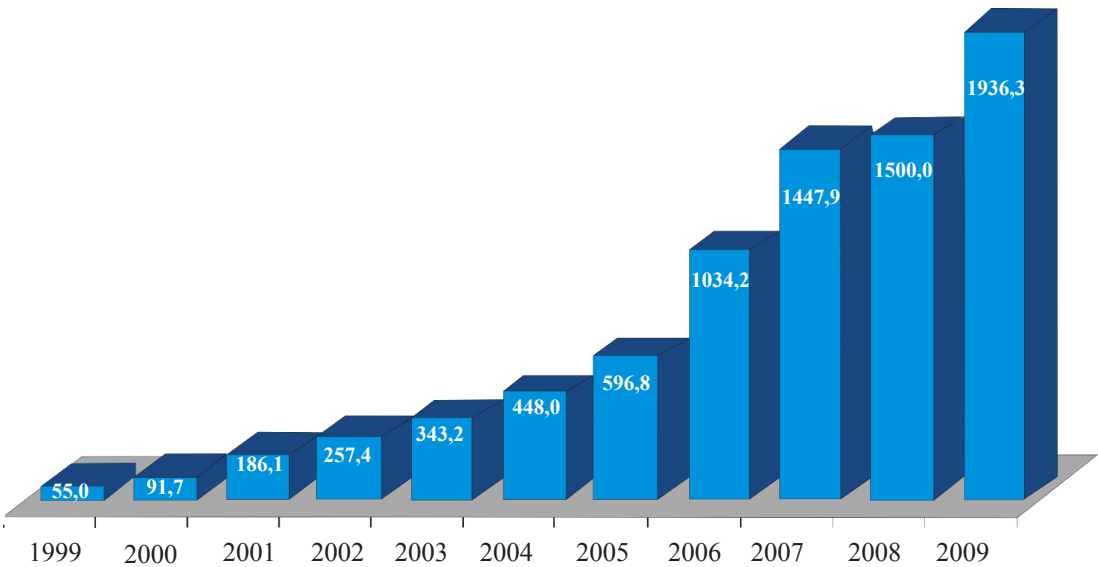
* Eximbank Kazakhstan JSC and Bank Kassa Nova JSC do not have a license for opening and conducting any type of operations with individuals' deposits.



As the Financial Supervision Agency identified a negative capital of the two top banks of Kazakhstan, Alliance Bank JSC and BTA Bank JSC, the stocks of the banks were forcibly purchased by Samruk-Kazyna, National Welfare Fund. Currently these banks are under recapitalization while their debts to creditors are restructuring, and after fulfillment of which the banks' capital will be adequate to required prudential norm of the legislation of the Republic of Kazakhstan.

As a whole, the undertaken measures by the Government during the crisis have greatly supported avoidance of depositors run. In 2009 individuals deposit base of the Deposit Insurance System member - banks increased from 1500 billion to 1 936 billion KZT or by 29% while in 2008 the increase was equal to 4%.

Chart 1. Individuals' deposits in Kazakhstani banks in 1999-2009, bln. KZT (as of the year end)

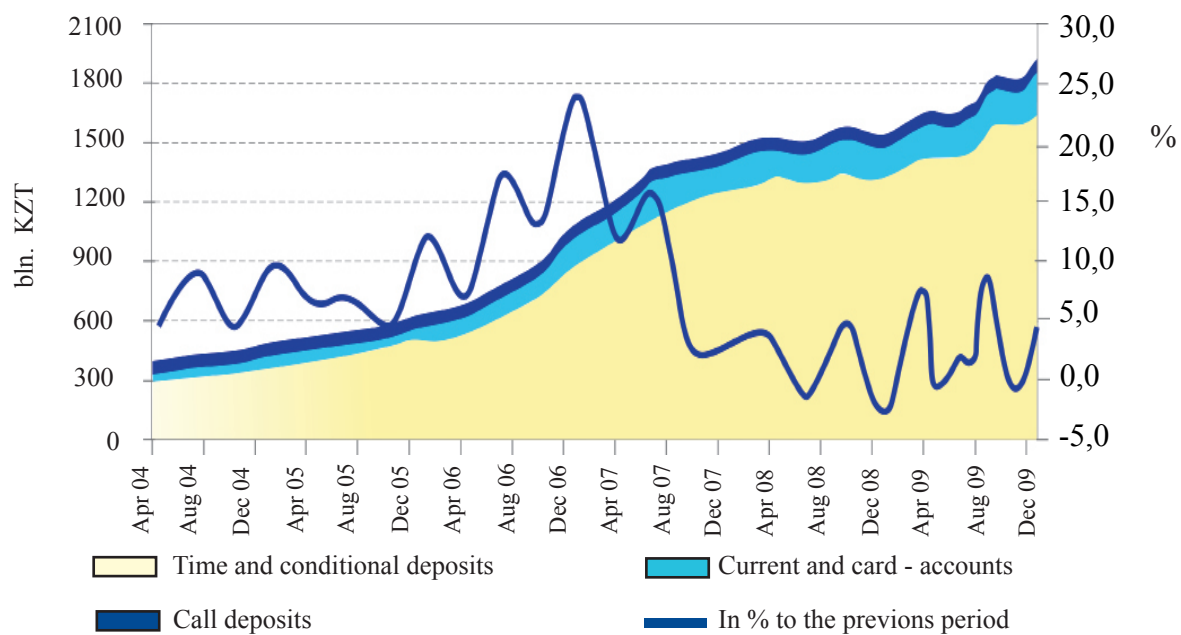


Following the dynamics of quarter change of the total individuals' deposits volume during the year there were two picks of its significant increase. The first pick (by almost 8%) was observed after devaluation of the national currency which resulted in a cross-flow of deposits in foreign currency.

Next increase (by 9%) was observed in August 2009 which was supported by expansion of deposit portfolios of certain banks.



Chart 2. Structure and growth dynamics of the aggregate deposits volume



The time and conditional deposits compose the main portion of the member-banks' aggregate deposit base which is 84.6% as well as residual amounts on the current and card-accounts of 12.5%. The annual increase of the deposit portfolio was mainly determined by positive changes in the volume of the time and conditional deposits each amount of which is greater than 15 million KZT: from 660 billion to 869 billion KZT or by 32%. Besides, time and conditional deposits in amount from 1 to 5 million KZT increased by 87 billion KZT. Furthermore, an important support to the deposit base expansion was made by residual amounts on the current and card-accounts increase, which amounted to approximately 65 billion KZT. As for the call deposits, during the year their volume increased by 33 billion KZT.

Increase of deposit insurance coverage up to 5 million KZT had a significant impact on the total deposit volume. To compare, after the increase

starting from the fourth quarter of 2008 an integrated volume of the individuals' time and conditional deposits in the amount of up to 5 million KZT increased by 19%. At the same time, a part of such deposits in the total amount of the time and conditional deposits decreased by 2.2%.

The share of the individuals' deposits which is fully covered, including time and conditional deposits, call deposits and residual amounts on the current and card-accounts, is 99.8% according to the number of accounts and 45.2% according to the sum.

During the year the amount of the total reimbursement to be paid by the Fund has increased from 678 billion to 852 billion KZT. The ratio of the Fund total insurance liability to the integrated deposit volume is equal to 44% while by the end of 2008 it amounted to 45%.



INSPECTION OF THE MEMBER-BANKS

Amendments to the Law on Banks and Banking Activity in the Republic of Kazakhstan gave the Fund access to bank secrecy in a part of individuals' deposits data. Whereby, the Fund was authorized to carry out bank inspections for the compliance with the Fund's requirements stipulated by the Contract of Adhesion. In the end of 2008 the Fund's Board of Directors adopted the Compliance Principles of the DIS member-banks computer database of insured deposits with the Fund's requirements stipulated by the Contract of Adhesion, which was also amended correspondingly.

Bank inspections aimed to minimize risk of inappropriate accomplishment of coverage payout started in February 2009. During the year inspections of four banks were carried out by the Fund (the actual number of inspections was greater than planned due to conducting inspections of each bank many times). The inspections were conducted of the following banks computer database of insured deposits for compliance with the Fund's requirements: Alliance Bank JSC, BTA Bank JSC, Temirbank JSC and Nurbank JSC. The main purposes of the inspections were obtaining information on accuracy in keeping records related to the banks' liabilities to their depositors and

ability to create a register of the banks' liabilities and claims to depositors as of any required date. Banks eliminated deficiencies and discrepancies revealed by the Fund's inspectors in the presented data on banks' liabilities/claims to depositors and banks' balance sheets regarding depositors' balances etc, total amount to be reimbursed.

In addition, rates offered by the banks for the individuals' deposits were checked for compliance with the rates recommended by the Fund. According to the Fund Advisory Council and the Board of Directors decisions the recommended annual rates of deposits placed in foreign currency was lowered from 10% to 8% in February 2009 and rates of deposits in national currency were decreased from 13.5% to 11.5% in September 2009. The decisions were made for the purpose of bringing DIS member-banks deposit policies in accordance with the market investment ability and monetary policy course. At the same time the lowered rates are imposed for deposits newly placed and do not apply to the contracts signed earlier. Facts of exceeding the deposit rates recommended by the Fund are taken into account while calculating the rates of the calendar premiums.

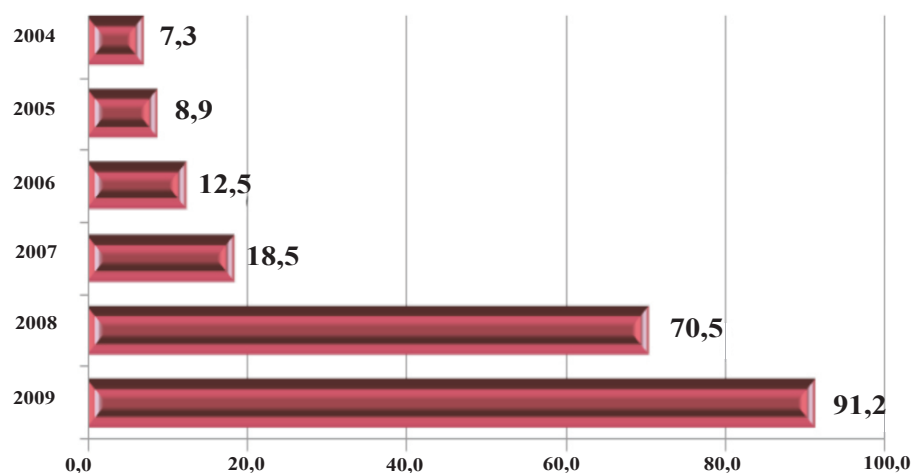


IV. SPECIAL RESERVE FORMATION

One of the core principles of DIS activity approved in the Kazakhstan Deposit Insurance Law is a formation of the Special Reserve on ex-ante base.

During the reporting year the Reserve has increased by 20.7 billion KZT (29%), and as of 31.12.2009 the Reserve composed 91.2 billion KZT.

Chart 3. Special Reserve (as of the year ending), bln. KZT



Aimed to be reimbursed as insurance deposit coverage in case of the member-bank forcible liquidation the Reserve is generated by means of:

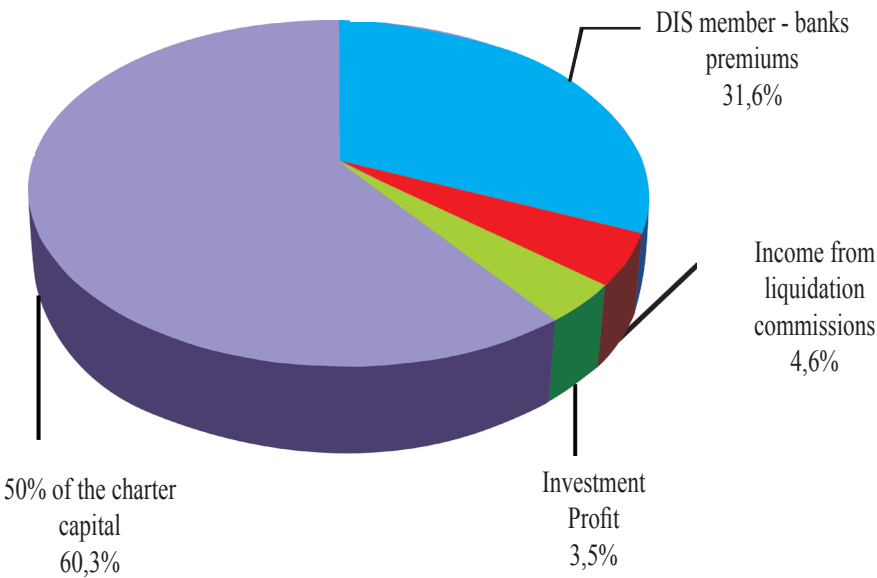
- member-banks' calendar premiums;
- fine applied to the member-banks failed to appropriately fulfill the Contract of Adhesion requirements;
- income received as satisfaction of the Fund's

claims regarding insurance deposit coverage paid to depositors of the forcibly liquidated member-banks;

- gain from the Fund's assets investments lowered by expenses determined by the Statute.
- the Fund's expenses in the amount of fifty percent of the Authorized Capital (according to the Shareholder decision).



*Chart 4. Structure of the Special Reserve
as of 31.12.2009*



MEMBER-BANKS PREMIUMS

The DIS member-banks transfer the obligatory calendar premiums differentially. Rates of the premiums are calculated by the Fund on the basis of “BATA” framework that was developed and implemented in 2007 and which calculates premiums taking into account the financial standing and the risk profile of the DIS member - banks. It uses quantitative and qualitative indicators

and as a result of estimations an accumulated total score is determined for each bank. Member-banks are divided into five classification groups according to the accumulated total score. Each group has its own rate of the calendar premium. The lower the levels of the financial soundness and higher the risk exposure of a member-bank are, the higher the rates of the calendar premiums will be.

| | | | | | |
|---|-------|-------|-------|-------|-------|
| DIS member-bank classification group | «A» | «B» | «C» | «D» | «E» |
| Rate of member-bank calendar premium (in % from all individuals’ deposits) | 0.04% | 0.08% | 0.11% | 0.19% | 0.38% |

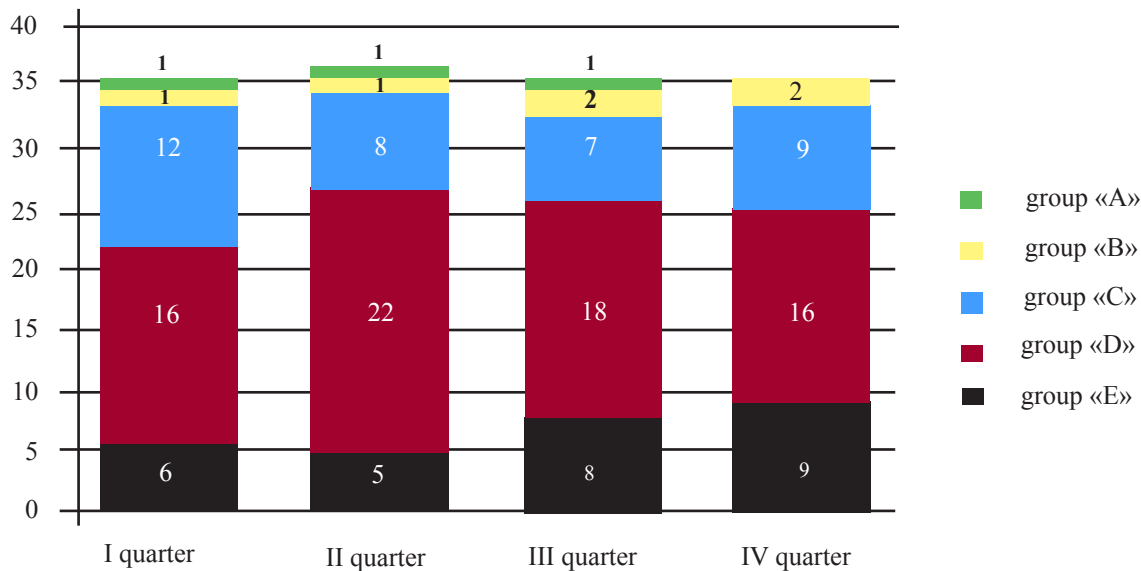




In 2009 a total volume of the calendar premiums of the member-banks transferred to the Fund amounted to 13.5 billion KZT.

The member-banks were classified to the following groups:

Chart 5. DIS member-banks classification according to the DPS “BATA” in 2009



In comparison with 2008 the total amount of the calendar premiums increased by 4.3 billion KZT as a consequence of increase in the banks deposit base and, as it was anticipated by the Fund, after worsening of the member-banks’ positions and their move to the groups with higher premiums rate.

That is why despite of the fact of decrease in the rates in 2008 by 25% for all of the classification

groups to support member - banks funding total premiums have increased by 47 % in comparison to the premiums received in 2008.

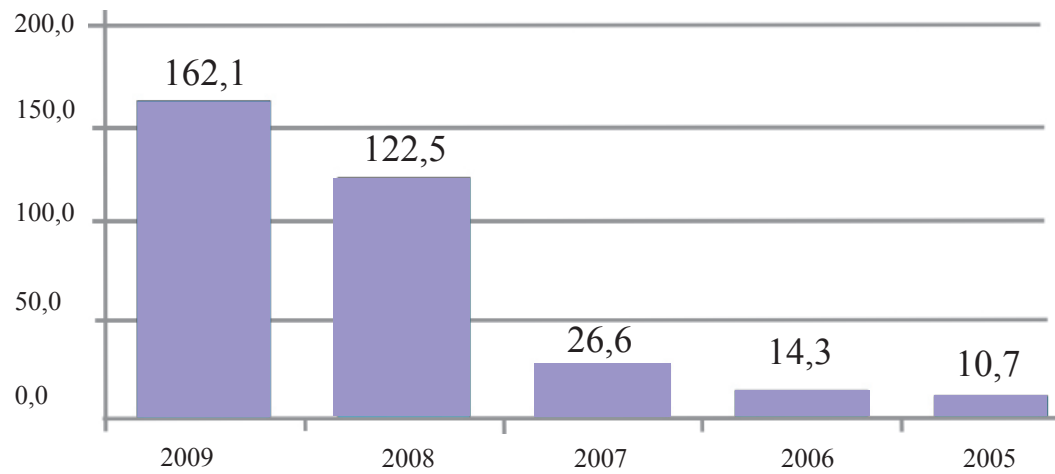
In September 2009 a new qualitative indicator Q-5, which assesses management quality by comparing quantitative indicators quarter change, the management structure and the number of credit ratings from the world rating agencies, was implemented by the Fund to the “BATA” system.



ASSETS INVESTMENTS

As of the end of the reporting year the Fund’s total assets composed 162.1 billion KZT and in comparison to the previous year it grew by 32%.

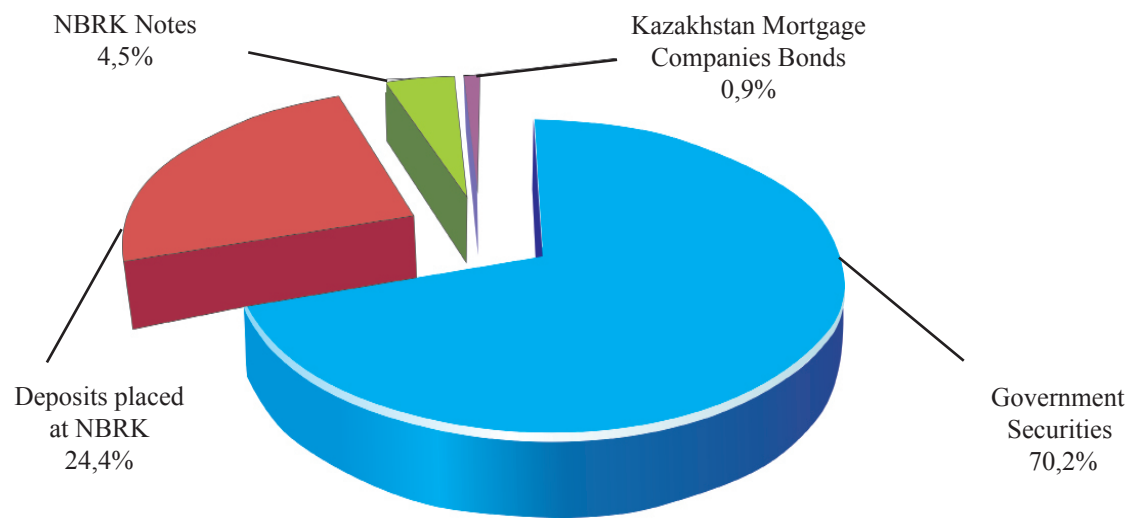
Chart 6. Fund Assets, bln. KZT



According to the KDIF Investment Strategy resources are invested into the financial instruments denominated in national and foreign currencies. Total assets managed by the National Bank as an attorney of the Fund as of December 31, 2009

composed 155.1 billion KZT. Income gained from investing activities of the Fund for the year totaled to 7.2 billion KZT. As of the year ending the Fund assets were placed in the financial instruments in the national currency.

Chart 7. Investment Portfolio Structure





FUND'S CLAIMS SETTLEMENT BY THE LIQUIDATION COMMISSIONS

The Fund's employees participate in the liquidation commissions and the creditors committee and thereby accomplish the Fund's function to recover the Special Reserve. The Head of the Fund's Problem Bank Resolution Department is assigned as a Chairperson of the Creditors Committee of Nauryz Bank and as a Deputy Chairperson of the Creditors Committee of Valut-Tranzit Bank. Two employees of the mentioned department enter

the liquidation commission of Valut-Tranzit bank and one of them holds the Commission Deputy Chairperson position. As of the year ending the liquidation commission of Nauryz Bank has satisfied the Fund claims for 88% which was 679.4 million KZT, while the liquidation commission of Valut-Tranzit Bank satisfied the claims for 25% which was 3.5 billion KZT.

ESTIMATING ADEQUACY OF THE SPECIAL RESERVE

According to the Deposit Insurance Law the Fund's Special Reserve shall be at least five percent of the total amount of the all individuals' deposits in the member-banks. In the reporting year this indicator was equal to 4.7%. The present variance appeared as a result of the coverage paid out to the depositors of Valut-Tranzit Bank liquidated in 2007.

According to the Fund's forecast the target level of the Reserve will be achieved in the first part of 2010 provided no insurance events.

The forecasted amount of the Reserve for 2010 is adequate to satisfy depositors' claims in case of forcible liquidation of two-three medium member-banks.





V. PAY-OUT OF THE DEPOSIT INSURANCE COVERAGE

In the reporting year the Fund continued to reimburse depositors of Nauryz Bank and Valut-Tranzit Bank that were forcibly liquidated in 2005 and 2007 correspondingly.

As of the year ending the deposit insurance coverage was provided to more than 63 thousand depositors of Valut-Tranzit Bank in the amount of approximately 14 billion KZT. In addition, approximately 4 thousand depositors of Nauryz Bank received their insurance coverage in the amount equal to 680 million KZT. Therefore the

Fund paid 98% of the planned reimbursement amount of Valut-Tranzit Bank and 88% of Nauryz Bank.

During 10 years of the Fund activity in Kazakhstan three banks were forcibly liquidated: Komirbank (in 2001), Nauryz-bank (in 2005) and Valut-Tranzit bank (in 2007). At this the total amount of the insured coverage provided by the Fund to depositors of the liquidated banks composed over 15 billion KZT with 70 thousand reimbursed depositors in total.

VI. INTERNATIONAL COOPERATION

KDIF MEMBERSHIP IN IADI

Since 2003 the Fund is a member of the International Association of Deposit Insurers, IADI. The main purpose of the Association is enhancement of the operating efficiency of the Deposit Insurance Systems through elaboration of recommendations and development of international cooperation. Currently IADI unites 60 organizations from more than 59 countries worldwide.

Within IADI's framework the Fund collaborates in activity of the Research, Finance and Planning and Audit Committees as well as of Asia and Eurasia Regional Committees. During the annual general meeting of IADI, on the 24th of September, 2009 in Basel (Switzerland), Chairperson of the Fund - Bakhyt Mazhenova - has been re-elected for the second time on the post of treasurer of IADI for the period of three years.





In the reporting year the Fund participated in preparation of the Core Principles for effective systems of deposit insurance that were developed and approved in June, 2009 by IADI jointly with the Basel Committee on Bank Supervision. The given Principles determine the organizational, legal and financial mechanisms, which provide effective functioning of DIS in the interests of the state and society.

Moreover, the Fund has put a lot of effort to study and generalize advanced international experience by participating in IADI researches, devoted to the issues of effective coverage payout mechanism, system of differentiated premiums, financing of the organizations focused on deposit insurance, etc.

THE SEVENTH ANNUAL MEETING OF THE IADI ASIA REGIONAL COMMITTEE



In May 2009 the Fund hosted the 7th annual meeting of the IADI Asia Regional Committee and International Conference in Almaty.

Conference's participants included the leaders from IADI and the Asia Regional Committee member-countries: Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Philippines, Russia, Singapore, Taiwan, Thailand, Vietnam, and the guests from Azerbaijan, Bulgaria, Jordan, Kyrgyz Republic, Poland, Tanzania, and the USA.

Furthermore, as speakers of the conference acted Mr. Gregory Marchenko, Governor of the National Bank of the Republic of Kazakhstan, Mr. Andrea Dall'Olio, the Coordinator of regional sector of regional office of the World Bank in the Central Asia, and Ms. Bakhyt Mazhenova the Chairperson of the Kazakhstan Deposit Insurance Fund.





Subject of the conference was “The Primary Responsibilities of Deposit Insurer in the Case of Bank Failure” Presentations and discussions by the Conference participants covered such issues as measures taken by the countries in coping with

financial crisis, including actions on enhancing depositors’ protection, experience of the countries on formation of the register of depositors’ claims, the mechanism of payout and recovery of deposit insurer assets and many others.

COOPERATION WITH CIS DEPOSIT INSURERS

The Fund pays close attention to cooperation with colleagues from the CIS countries. Mutual cooperation with the Deposit Insurance Agency of Russia, the Deposit Guarantee Fund of Ukraine, and Azerbaijan Deposit Insurance Fund has been developed.

The meeting of the Chairperson of the Fund, Ms. Bakhyt Mazhenova, and Executive Director of the Deposit Protection Agency of Kyrgyz Republic,

Zhyrgalbek Kassymov, took place on February, 2009 in Almaty.

As a result the parties signed Memorandum of mutual understanding and cooperation, which implies information, knowledge and experience sharing and organization of working meetings, consultations concerning deposit insurance issues and personnel training.





VII. PUBLIC AWARENESS

Taking into consideration that public awareness of the Deposit Insurance System contributes to maintenance of public confidence in domestic banking sector, the Fund pays close attention to such activity as public relations.

The Fund is aimed at continuous enhancement of public awareness of security of their savings. For this purpose the Fund applies various mass media sources.

Periodic printed publications

During the reporting year different articles and announcements explaining the basic principles of deposit insurance, procedure of coverage payouts to depositors of liquidated banks and other questions were published by the Fund in the central republican periodic printed publications and also in regional newspapers. As a whole the Fund has placed publications in total amount nearby 60000 sq cm in 40 printed editions during

the year. Besides with the purpose of image building of the Fund in the world community the information on the Kazakhstan Deposit Insurance System was published in the special international edition "Central Asia Finance".



"Hot Line"

In order to ensure permanent access of the population to the helpful information telephone number of the Fund "hot line" is operating, having called on which it is possible to receive consultation on deposit insurance from experts of the Fund. The calls on "hot line" number are paid by the Fund and are free-of-charge for the callers. During the reporting year "hot line" received around 1 500 calls with questions on procedures of coverage payouts to depositors of the liquidated banks from all regions of Kazakhstan, and on other various questions related to the Fund's activities.

ҚАЗАҚСТАННЫҢ ДЕПОЗИТТЕРГЕ КЕПІЛДІК БЕРУ ҚОҒАМЫ

КАЗАХСТАНСКИЙ ФОНД ГАРАНТИРОВАНИЯ ДЕПОЗИТОВ

Құрметті салымшылар!

Егер Сіздердің депозиттеріңізге кепілдік беру және өтем төлеу шарттары туралы сұрақтарыңыз болса

Мына телефон нөміріне хабарласыңыз

8 800 080 1020

Қазақстан бойынша байланыс ақысыз!

Телефон нөмірі демалыс күндерінен басқа уақытта 9.00-дан бастап 18.00-ға дейін жұмыс істейді.

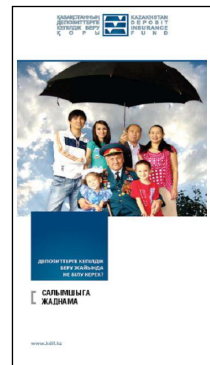
Қазақстан Республикасы, 050040, Алматы қаласы, Көктем-3, 21 үй, телефон +7 (727) 272 11 22, www.kdif.kz



TV and radio

With intention to promote the Fund's "hot line" specially prepared video clips and audio clips were placed on air of three republican TV channels and two radio stations, by total of 300 broadcasts. Moreover, executive management of the Fund participated as expert in TV programs like "Alphabet of the capital" on the republican "Kazakhstan" TV channel and "Business news" on the republican "Khabar" TV channel. In addition to this news items and interviews regarding topical questions on deposit insurance were issued on TV channels and radio stations.

Instruction guide to the depositors



We have selected questions frequently asked by public through the Fund "hot line", e-mail, letters, etc. On their basis special instruction guide "That you should know about deposit insurance" was prepared and forwarded to the DIS member-banks for further distribution among their depositors.

Internet

Official website of the Fund www.kdif.kz contains information about the Deposit Insurance System, including legislative, normative and legal acts, answers to frequently asked questions, the register of the DIS member-banks as well as news and other data which can be useful for both depositors and the DIS member-banks.

As practice shows, one of the most frequently asked question is "whether a particular bank is a member of the Deposit Insurance System". The given fact confirms efficiency and effectiveness of the Deposit Insurance System performing the function on sustaining stability of the financial system of Kazakhstan.



Results of the outreach activities of the Fund can be observed through dynamic growth of a depositary base in the DIS member-banks: for the period from 1999 to 2009 the sum of individuals deposits in the banks has increased 35 times, which indicates increasing public confidence in domestic banking sector.



VIII. AUDITOR'S REPORT AND FINANCIAL STATEMENTS



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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Kazakhstan Deposit Insurance Fund JSC

We have audited the accompanying financial statements of Kazakhstan Deposit Insurance Fund JSC (the "Fund") which comprise the statement of financial position as of 31 December 2009 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Almaty, Kazakhstan
5 March 2010

Approved by:

Zhanbota T. Bekenov
General Director of PricewaterhouseCoopers LLP
(General State License of the Ministry of Finance of the
Republic of Kazakhstan ¹ 0000005 dated 21 October 1999)

Signed by:

Peter Wilkin
Audit Partner

Signed by:

Irina Taskayeva
Auditor in charge
(Qualified Auditor's Certificate
№ 465 dated 14 November 1998)



Statement of Financial Position

| (In thousands of Tenge) | Note | 31 December 2009 | 31 December 2008 |
|--|------|---------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | 7 | 53,589,335 | 101,225,199 |
| Investment securities available for sale | 8 | 106,752,550 | 19,410,090 |
| Repurchase receivable | 9 | - | 1,001,138 |
| Deferred income tax assets | 20 | 3,101 | 1,380 |
| Intangible assets | 10 | 9,782 | 2,292 |
| Office equipment | 10 | 6,232 | 4,762 |
| Other financial assets | 11 | 1,755,150 | 889,738 |
| Other assets | 12 | 5,637 | 6,456 |
| TOTAL ASSETS | | 162,121,787 | 122,541,055 |
| LIABILITIES | | | |
| Current income tax liability | 20 | 860,607 | 2,820 |
| Other financial liabilities | 13 | 375,893 | 41,733 |
| Other liabilities | 14 | 30,004 | 13,251 |
| TOTAL LIABILITIES | | 1,266,504 | 57,804 |
| EQUITY | | | |
| Share capital | 15 | 110,000,000 | 100,000,000 |
| Retained earnings | | 10,542,084 | 1,659,662 |
| Other reserves | 16 | 4,109,767 | 320,216 |
| Guarantee reserve | 16 | 36,203,432 | 20,503,373 |
| TOTAL EQUITY | | 160,855,283 | 122,483,251 |
| TOTAL LIABILITIES AND EQUITY | | 162,121,787 | 122,541,055 |



Statement of Comprehensive Income

| (In thousands of Tenge) | Note | 2009 | 2008 |
|---|-----------|-------------------|-------------------|
| Interest income | 17 | 7,215,091 | 1,777,242 |
| Interest expense | 17 | (31,019) | (37) |
| Net interest income | | 7,184,072 | 1,777,205 |
| Income from contribution of participating banks and proceeds from the liquidation committee | 16 | 14,890,738 | 9,793,066 |
| Foreign exchange translation gains less losses | | 4,439,850 | 110,889 |
| Gains less losses from disposals of investment securities available for sale | | 55,532 | |
| Other operating income | 18 | 1,864 | 188,405 |
| Administrative and other operating expenses | 19 | (280,348) | (378,597) |
| Profit before tax | 20 | 26,291,708 | 11,490,968 |
| Income tax expense | 20 | (858,886) | (38,240) |
| PROFIT FOR THE YEAR | | 25,432,822 | 11,452,728 |
| Mandatory profit allocation to guarantee reserve | 16 | (14,890,738) | (9,793,066) |
| PROFIT AFTER MANDATORY ALLOCATION | | 10,542,084 | 1,659,662 |
| Other comprehensive income: | | | |
| Available-for-sale investments: | | | |
| Gains less losses arising during the year | 8 | 2,949,570 | 563,980 |
| Gains less losses from disposal of equipment | 16 | (19) | (81) |
| OTHER COMPREHENSIVE INCOME FOR THE YEAR | | 2,949,551 | 563,899 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 13,491,635 | 2,223,561 |
| Profit attributable to Shareholders | | 10,542,084 | 1,659,662 |
| PROFIT FOR THE YEAR | | 13,491,635 | 2,223,561 |
| Total comprehensive income attributable to Shareholders | | 13,491,635 | 2,223,561 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 13,491,635 | 2,223,561 |

*Statement of Changes in Equity*

| (In thousands of Tenge) | Note | Share capital | Other reserves | Retained earnings | Total equity |
|-------------------------------------|------|--------------------|-------------------|-------------------|--------------------|
| Balance at 31 December 2007 | | 16,000,000 | 10,085,200 | 449,851 | 26,535,051 |
| Total comprehensive income for 2008 | | - | - | 2,223,561 | 2,223,561 |
| Share issue | 15 | 84,000,000 | - | - | 84,000,000 |
| Allocation of reserve capital | 16 | - | 150,000 | (150,000) | - |
| Allocation of guarantee reserve | 16 | - | 299,851 | (299,851) | - |
| Increase of guarantee reserve | 16 | - | 9,724,639 | - | 9,724,639 |
| Balance at 31 December 2008 | | 100,000,000 | 20,259,690 | 2,223,561 | 122,483,251 |
| Total comprehensive income for 2009 | | - | - | 13,491,635 | 13,491,635 |
| Share issue | 15 | 10,000,000 | - | - | 10,000,000 |
| Allocation of reserve capital | 16 | - | 840,000 | (840,000) | - |
| Allocation of guarantee reserve | 16 | - | 819,662 | (819,662) | - |
| Increase of guarantee reserve | 16 | - | 14,880,397 | - | 14,880,397 |
| B alance at 31 December 2009 | | 110,000,000 | 36,799,749 | 14,055,534 | 160,855,283 |

Statement of Cash Flows

| (In thousands of Tenge) | 2009 | 2008 |
|--|---------------------|--------------------|
| Cash flows from operating activities | | |
| Interest received | 2,805,784 | 153,561 |
| Other operating income received | 57,396 | 126,132 |
| Staff costs paid | (90,271) | 10,147 |
| Administrative and other operating expenses paid | (184,244) | (249,862) |
| Income tax paid | (3,267) | (676) |
| Contributions to guarantee reserve received | 14,880,397 | 9,724,639 |
| Cash flows from operating activities before changes in operating assets and liabilities | 17,465,795 | 9,763,941 |
| Changes in operating assets and liabilities | | |
| Net decrease in repurchase receivable | 1,001,138 | - |
| Net increase in other financial assets | (865,412) | - |
| Net (increase)/decrease in other assets | 819 | 310,865 |
| Net increase in other financial liabilities | 334,160 | 21,479 |
| Net cash from operating activities | 470,705 | 332,344 |
| Cash flows from investing activities | | |
| Acquisition of investment securities available for sale | (226,631,989) | (129,449,580) |
| Proceeds from disposal of investment securities available for sale | 151,068,585 | 122,399,396 |
| Acquisition of office equipment | (2,017) | (2,610) |
| Proceeds from disposal of office equipment | 547 | 3,015 |
| Acquisition of intangible assets | (7,521) | (2,766) |
| Proceeds from disposal of intangible assets | 31 | 1,293 |
| Net cash used in investing activities | (75,572,364) | (7,051,252) |
| Cash flows from financing activities | | |
| Issue of ordinary shares | 10,000,000 | 84,000,000 |
| Net cash from financing activities | 10,000,000 | 84,000,000 |
| Net decrease in cash and cash equivalents | (47,635,864) | 87,045,033 |
| Cash and cash equivalents at the beginning of the year | 101,225,199 | 14,180,166 |
| Cash and cash equivalents at the end of the year | 53,589,335 | 101,225,199 |