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ABBREVIATIONS USED

KDIF, the Fund	—	“Kazakhstan Deposit Insurance Fund” JSC
National Bank, NBRK	—	The National Bank of the Republic of Kazakhstan
Financial Supervision Agency, FSA	—	The Agency of the Republic of Kazakhstan on regulation and supervision of financial market and financial organizations
FIAK	—	“Financial Institutions’ Association of Kazakhstan”
IADI, the Association	—	International Association of Deposit Insurers
DIS	—	Deposit Insurance System
Member-bank	—	Commercial bank which is a member of the Deposit Insurance System
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
DPS	—	Differential Premium System information database “BATA” designed to calculate differential premiums of member-banks transferred to the Fund
STB	—	Second-Tier Banks

Strategic Development Plan of the Fund for 2010-2012 is aimed at establishing the top-priority objectives and goals for further development of the deposit insurance system of Kazakhstan.

INTRODUCTION

Strategic Development Plan of Kazakhstan Deposit Insurance Fund for 2010-2012 defines strategies, objectives and priorities of the Fund for the next three years.

Our strategic direction is based on the analysis of the economic environment and the perceived risks during the scheduled period. The Fund is developing on the basis of the concept of a comprehensive strategic management that includes analysis of the most significant risks, development of effective measures and actions to mitigate risks, further improvement of the main activities of the Fund with a view to reach a qualitatively new stage of DIS development.

The Strategic Development Plan determines direction of effective implementation of our **mission**, as well as efforts to achieve our **vision** - to be an efficient deposit insurance system, accomplishing its mission and using achievements of the world's best practice.

Achievements of the Fund. Over a relatively short period of time, the Fund has achieved significant results by passing in its development from a "pay-box" system to a qualitatively new level - a system with tools to adequately assess and manage inherent risks.

State guarantee of deposits. Over the past three years, the general economic situation in the country and abroad has dramatically exacerbated which has brought complex challenges and uncertainties. Such changes in internal and external financial landscape provoked the adoption of a number of governmental and regulatory measures aimed at mitigating the impact of global financial crisis and paying close attention to the problems of financial stability.

Plans for the period ahead. Our focus during the scheduled period will be concentrated on maintaining public confidence in Kazakhstan's banking system through development of the following areas: (1) improvement of legislation in the sphere of compulsory deposit insurance and effective restructuring and liquidation of problem banks, (2) successful practical implementation of mentioned laws and regulations, (3) advancing the methodology of determination of member-banks' differential premium rates, (4) amplification of risk analysis and control of the Fund's activity, (5) provision of the Fund's operational readiness to accomplish its core functions. Activities aimed at raising awareness of depositors and their understanding of the DIS functioning principles will also be strengthened.

STRATEGIC MANAGEMENT CONCEPT

While planning its activities, the Fund predicated on the concept of multipronged strategic management, which includes analysis of the most significant risks using the system of internal risk management as a base.

Strategic planning process takes into account the following factors:

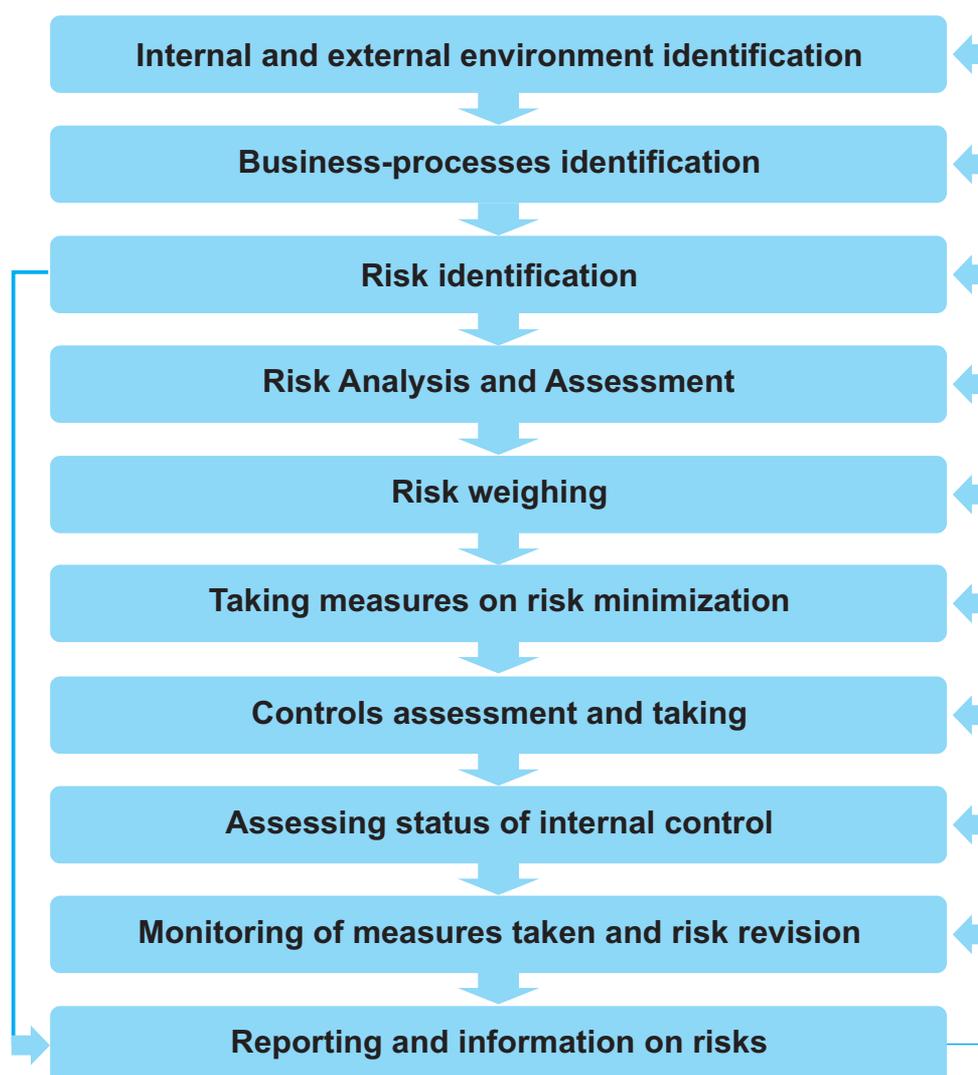
- environment in which DIS and the Fund operate;
- identification and classification of major risks and their effects;
- identification of key partners of the Fund;
- results that KDIF strives to achieve;
- strategy and activities aimed at reducing the risks of the Fund.



INTERNAL RISK MANAGEMENT SYSTEM

In order to operate in the most effective way the planning process of the Fund is integrated with the Fund's process of internal risk management. In 2008 the Fund developed and adopted its Principles of risk management (shareholder's decision #120 as of 31.07.08). On this basis the Fund established a system of internal risk management for detection of significant risks, affecting the Fund. This unification into one allows to define the strategic direction of the Fund and to establish priorities in accordance with those risks.

Internal Risk Management Process



With the help of risk management system KDIF assessed and determined significant risks that will affect the Fund in the planned period, the strengths and weaknesses of the Fund were also evaluated. This activity was carried out to develop an action plan aimed at minimizing the risks identified.

CORE STRATEGIC PRINCIPLES

While operating the Fund adheres to its main strategic principles:

Strong corporate management and partnership

- ensuring transparency and efficiency of financial activities and demonstration of the Fund's strong leadership and management. This also includes implementation of the Fund's accountability to its sole shareholder, National Bank of the Republic of Kazakhstan, as well as adequate and sufficient disclosure of information.

Effective work with our partners – the regulators, the member-banks, IADI and suppliers – helps in achieving our goals and effective accomplishment of the assigned functions.

Operational readiness

- readiness to accomplish assigned mission and functions efficiently and timely. This includes effective and smooth functioning of the systems and processes, possession of the necessary skills and knowledge of the Fund's staff, availability of opportunities to predict, assess and manage risks for implementation of the assigned tasks.

Effective public awareness

- establishing an effective system of public information designed to clarify the public benefits of the deposit insurance system, as well as terms and conditions of its activity.

KAZAKHSTAN DEPOSIT INSURANCE FUND

Established in November 1999, Kazakhstan deposit insurance system has repeatedly affirmed its importance in maintaining financial stability and public confidence in the domestic banking system. The legal basis for functioning of the deposit insurance system is Deposit Insurance Law of the Republic of Kazakhstan adopted on July 7, 2006.

The highest authority of KDIF is its sole shareholder – the National Bank of the Republic of Kazakhstan. KDIF's governing body is the Board of Directors of the Fund. The Fund's Board of Directors consists of eight members - Vice-Governor of the National Bank, Vice-Chairperson of the Financial Supervision Agency, three heads of departments of the National Bank, two independent directors, one of whom is a representative of the Financial Institutions' Association of Kazakhstan, and Chairperson of the Fund. Vice-Governor of the National Bank is the Chairperson of the Board of Directors of the Fund.

The Board of Directors controls the execution of the corporate plan of the Fund. The principle of continuity is the basis for the Fund's strategic development planning whereby the document is reviewed annually to refine the Fund's strategic development plan for the next 3 years.

VISION

- ✓ to comply with international principles of effective deposit insurance systems;
- ✓ to accomplish our Mission applying the achievements of the world's best practices.

MISSION

- ✓ Primary mission of the Fund is to protect individual depositors' interests by insuring individual bank deposits and reimbursing losses occurred in case of DIS member-banks' forcible liquidation.
- ✓ For effective execution of its mission the Fund strives to fulfil its basic tasks associated with implementation of deposit insurance of the individuals and participation in ensuring the stability of the banking sector of Kazakhstan at the professional level. The main efforts of the Fund in fulfilling its tasks are aimed at simultaneous mitigating of its risks and potential losses.

MAIN FUND AUTHORITIES

The main authorities of the Fund are the following:

- reimburse depositors of a forcibly liquidated member-bank;
- generating and accumulating a special Reserve for reimbursements;
- efficient asset investment;
- establishing requirements for the member-banks by determining conditions of the membership contract;
- defining member-banks' premium payment process;
- identifying Compliance Principles of the member-banks' computer database of insured deposits with the Fund's requirements;
- participating in the temporary administration of a member-bank assigned for the period of member-bank's conservatorship;
- participating in the temporary administration of a member-bank assigned for the period of delicensing for carrying out any bank activity;
- participating in the liquidation commission and committee of creditors of the member-bank under forcible liquidation.

MAIN FUND ACHIEVEMENTS IN 2007-2009

2007

- Enactment of the Deposit Insurance Law of Kazakhstan;
- Introduction of Differential Premium System of required calendar premiums transferred by the member-banks;
- Empowerment of the Fund in the form of mandatory 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 operations, the liquidation commission and the committee of creditors of the bank under forcible liquidation;
- Management of interim administration introduced in Valyut-Tranzit Bank JSC in connection with bank de-licensing for carrying out all bank operations;
- Participation in liquidation commission and creditors' committee of Valyut-Tranzit Bank;
- Reimbursement of more than 90% of Valyut-Tranzit Bank's depositors.

2008

- Adoption of the Risk Management Principles of the Fund;
- Approval of the corporate governance code, governing the relationship between shareholders, Board of Directors and executive bodies of the Fund;
- Increase of the deposit insurance coverage amount payable by the Fund in the event of forcible liquidation of the member-bank;
- Increase in authorized capital of the Fund;
- Improvement of the methodology of differential premium rates, aimed at reducing the financial burden on the member-banks on the one hand, and taking into account new significant risks that the banking system faces, on the other hand;
- Adoption of information system "BATA";
- Approval of the Compliance Principles of DIS member-banks' computer database of insured deposits with the Fund's requirements.

2009

- Hosting International Conference on "The Primary Responsibilities of Deposit Insurer in the Case of Bank Failure" and the Annual Meeting of the International Association of Deposit Insurers Asia Regional Committee;
- Conducting research on "Failed bank's depositors' claims and payouts" within the frame of the IADI Asia Regional Committee;
- Re-election of the Chairperson of the Fund for the position of Treasurer of IADI;
- Beginning work on compliance identification of the computer database of the member-banks' depositors with the requirements of the Fund;
- Further development of the Differential Premium System introducing a new qualitative indicator for assessing the bank's management quality;
- Implementation of the second phase of the "BATA" information system;
- Starting the software development for the register of the forcibly liquidated bank's depositors.

CURRENT CONDITION OF THE KAZAKHSTANI FINANCIAL MARKET AND PROSPECTS OF DEPOSIT MARKET DEVELOPMENT IN 2010-2012

Kazakhstan economy overview

The previous two years for the Kazakhstani financial sector and economy as a whole were a period of the ongoing crisis, characterized by turmoil in the global economy and instability on the world financial and commodity markets, recession of the economy and domestic demand, falling prices for the main export commodities and on real estate markets. Significant fluctuations of the world commodity prices exacerbated the situation of liquidity shortage. For example, in July 2008, the price of Brent oil averaged around \$147 per barrel and by the end of the same 2008 price of oil has fallen by 3.7 times and amounted to only about \$40 per barrel.

In 2009-2010 prices for major exports of the country began to recover gradually. Fiscal and monetary measures, taken in majority of countries to combat the effects of the crisis, have led to some recovery of their economies during the second half of 2009. Increase of prices on commodity markets, particularly energy prices, was of major importance in restoring growth in many developing countries. Thus, in April 2010, the price of oil exceeded \$85 per barrel, and according to forecasts, commodity prices will be maintained in the medium term, which allows to expect increase in export earnings of Kazakhstan in the near future.

The growth of the world commodity prices, as well as one-stage devaluation of the national currency carried out by the National Bank in the beginning of 2009, supported the country's export-oriented industries, which from the second half of the last year show the dynamics of production recovery and improvement of financial performance.

Overall, in 2009, the country's GDP growth composed about 1.2%. The State's significant support and improved price situation on world commodity markets since the second half of last year essentially contributed to maintenance of the country's economic growth.

State anti-crisis program and its outcomes

The current global financial crisis has seriously affected the economy of Kazakhstan for several reasons, among which are:

- high dependence of the country's banking sector on external sources of funding. The market was characterized by the country's high integration into the global economy, and lower interest rates on foreign loans have increased the dependence of domestic banks on external sources of funding. The high level of external borrowing by the banks has become a threat to the stability of the country's financial system;
- a high degree of involvement of the banking sector in the construction sector of the economy. As a result of the started credit default in the USA and reduced possibility for Kazakhstani banks to attract new foreign loans, the need to reduce lending volumes, many of which were occupied by the construction sector and mortgage loans to the public at that time, has arisen.
- dominance of the raw materials component in the total exports of the country explaining quite high risk of substantial decline in exports in value terms from sharp price fluctuations in commodity products.

Reduction of the credit activity of the banks impacted mostly the construction industry, and subsequently "dominoes" effect began to turn up through the links between different sectors of the economy. Such negative economy dynamics required a complex financial and regulatory intervention from the state in order to maintain financial stability.

The Government of Kazakhstan has carried out, mostly through banks, substantial injection of funds into the most problematic segments of the country's economy in order to reduce the negative impact of the crisis on the most important and most vulnerable sectors of the economy.

Joint action plan of the Government, the National Bank and the Financial Supervision Agency for stabilizing the economy and the financial sector in 2009-2010, adopted on November 25, 2008, provided for the allocation of 1.2 trillion tenge. 480 billion tenge of this amount were aimed at stabilizing the financial sector, 360 million tenge – at developing the housing sector, 120 billion tenge were designed to support small and medium sized enterprises, agricultural business, and to implement infrastructural and breakthrough projects.

Emphasis of the anti-crisis program was put on measures aimed at maintaining the country's financial sector since a sharp drop in the level of external borrowing and the limited level of liquidity in the domestic market, as well as maturing of the banks' external liabilities, have become a threat to the stability of the country's financial system. Among the measures taken it is worth to emphasize the following:

- additional capitalization of the four big systemic banks through the state buyout of ordinary and preference shares, as well as providing them with subordinated loans;
- increase of individuals' deposit insurance coverage up to 5 mln. tenge.

The current crisis was aggravated by the problems of two systemic banks –“Alliance Bank” JSC and “BTA Bank” JSC. During 2009, the government was forced to buy out a controlling stake in BTA Bank, as well as a full stake in Alliance Bank. Both banks are currently completing the process of external debt restructuring.

As part of the anti-crisis program the government obtained a stake in two other leading banks: “Halyk Bank Kazakhstan” JSC and “Kazkommertsbank” JSC, by buying their shares of supplementary issue.

During the crisis period there have been no bankruptcies in the Kazakhstani banking system, and the banks themselves are gradually rebuilding their credit activity. Thus, Kazakhstani banking system is reasonably well recovering after the crisis.

Overall, realization of the operational anti-crisis measures by the Government, the National Bank and the FSA to support the economy and banking system have ensured stabilization of the situation in the banking system and a moderate annual increase in the loan portfolio in 2009 at the level of 4.3% (4.2% - for 2008).

Banking sector and its main risks

Problems of specific large banks have not become problems of the banking system as a whole and the problem banks themselves are now successfully completing the restructuring process. In general, the state's implemented anti-crisis program allowed overcoming a series of dangerous crisis effects. In particular, it managed to overcome the crediting shortage of the most important sectors of the economy and to avoid stagnation because of underfunding.

Remaining weak aspects of Kazakhstani banking system are high level of credit risk and declining asset quality of the banks, especially quality of their loan portfolio.

Total assets of the second-tier banks on 01.01.2010 amounted to 11.5 trillion tenge, down by almost 3% compared with their size on 01.01.2009. Loan portfolio constitutes the major share of the bank assets. In 2009, the rate of the banks' lending to the real sector was almost identical compared with the previous year.

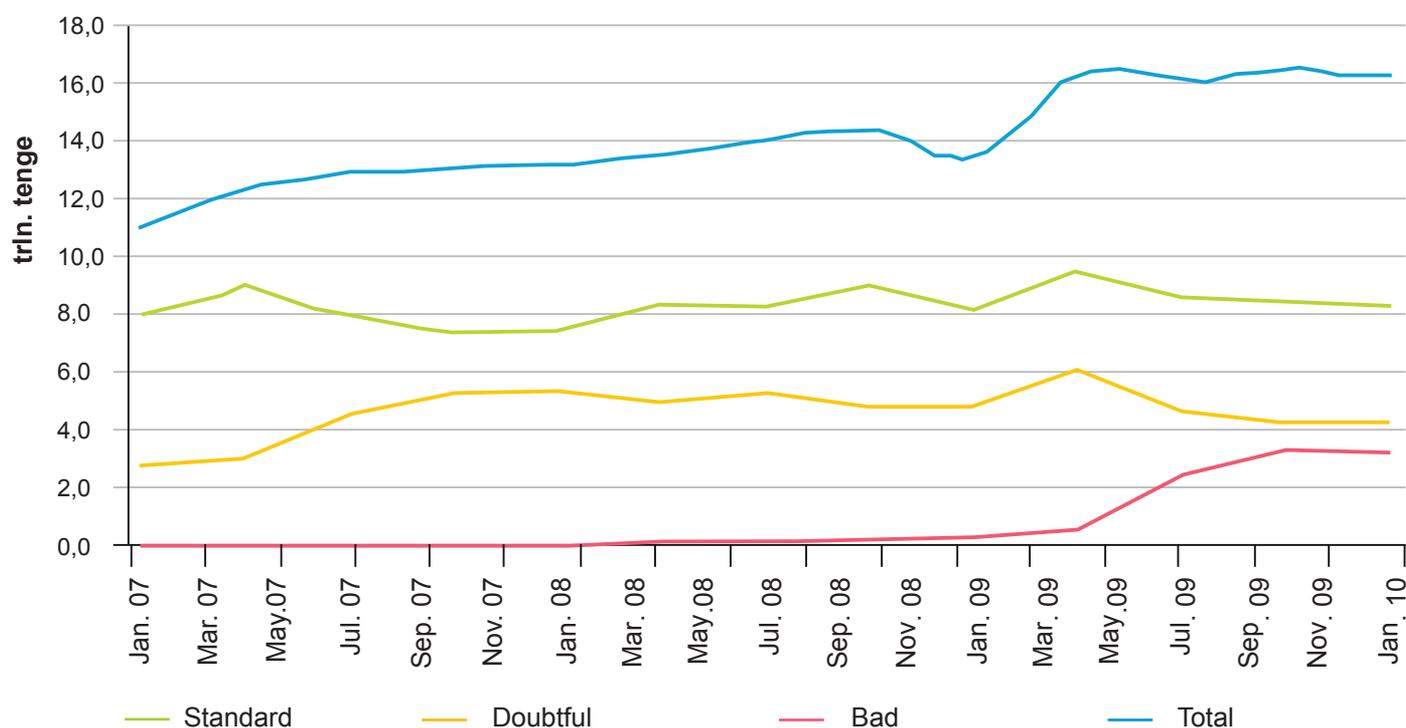
As a consequence, according to the supervisory authority, there is an illustrative trend of significant reduction of the banks' revenue due to reduced lending and deteriorating asset quality of the banks.

The quality of the loan portfolio of the banks has deteriorated in almost all sectors of the economy. Reduced quality of the banks' credit portfolio has been widely anticipated. Against the backdrop of slowing economic activity in the country and devaluation of the national currency, percentage of non-performing loans in the banking system in 2009 increased by 4.5 times and reached 3.5 trillion tenge, which constituted about 36% of the aggregate loan portfolio of the banks. The volume of provisions on loans at the end of 2009 totalled 3.6 trillion tenge or 37.7% of the banks' loan portfolio. Coverage level of the non-performing loans by the formed provisions on 01.01.2010 is 1.03. BTA Bank and Alliance Bank account for the predominant share of non-performing loans.

Along with the credit risk of particular concern were the risks of liquidity and refinancing because the banks had a significant portion of external borrowing.

Restructuring of liabilities for certain Kazakhstani systemic banks and their subsidiaries as a whole had a negative impact on the ability of other banks to borrow money at acceptable terms on the international capital markets. Due to the lack of external financial resources the value of domestic deposit market has been increasing. However, internal sources of funding are still insufficient to maintain the previous growth of the banking business, they have relatively short terms and are unstable, so it is obvious that Kazakhstani banks will borrow on the international capital markets again, once their situation improves.

Assets of the Banking System



Source: Summary report on the classification of assets and contingent liabilities and the formation of provisions for them by the STB of RK (FSA)

The state's anti-crisis program on stabilization of the economy and financial sector through providing additional liquidity to the banks and forming an adequate level of capital has sustained a certain stability of the country's banking sector. A certain dependence of the banking sector on the state's financial support, which enables it to overcome the shortage of funding, will perhaps remain in 2010. Moreover, banks should be stimulated to search for new funding sources, including internal financing.

Despite the negative trends in the economy and banking system, public confidence in the banking sector has not been lost. Attracted customers' deposits (excluding deposits of subsidiaries for special purpose) for the year 2009 increased by 30.8%, amounting as of 01.01.2010, to 6,003.8 billion tenge, which is achieved to a large extent due to the growth of individuals' deposits by 29.1% and placement of the "Samruk-Kazyna" National Welfare Fund's deposits in the banks within the anti-crisis programme's framework.

Retail deposit market of Kazakhstan

Lack of opportunities to attract resources from external markets has significantly increased the attractiveness of domestic deposits as a potential resource base. However, internal sources of funding have traditionally been limited, and therefore the problem of maintaining customer confidence in the banking system remained extremely important.

In addressing this problem Kazakhstan's Government decided to increase the amount of individuals' deposit insurance coverage up to five million tenge until January 1, 2012. Due to the increased insurance coverage and in order to ensure adequate financial resources of the Fund, the National Bank of Kazakhstan has increased the Fund's authorized capital to 110 billion tenge. According to the adopted state anti-crisis program, the authorized capital of the Fund will continue to increase by 10% annually until 01.01.2012. These measures succeeded in sufficiently reducing panic among Kazakhstani citizens in relation to the banks.

Consequently, public confidence in the banking sector has been maintained in spite of negative trends in the country's economy and the banking system. The growth of individuals' deposits in the second-tier banks over the last year amounted to 29%, totalling 1.9 trillion tenge in

absolute terms at the beginning of 2010. The total amount of individual and corporate deposits as of 01.01.2010 amounted to 6,621 billion tenge, a 2.5 times increase compared to the same amount as of 01.01.2007.

Table 1. Dynamics of deposits in the STB (excluding non-resident accounts)

	Jan.07	Jan.08	Jan.09	Jan.10
Deposits in STB (bln. tenge), including:	2 630	3 384	5 256	6 621
Individuals' deposits in STB (bln. tenge)	1 039	1 420	1 481	1 891
<i>% change over the period</i>	77.3%	36.7%	4.3%	27.7%
Deposits of legal entities in STB (bln. tenge)	1 591	1 964	3 775	4 730
<i>% change over the period</i>	108.5%	23.4%	92.2%	25.3%

Source: Statistical Bulletin, the National Bank

In general, the amount of deposits placed by individuals in the Kazakhstani banks over the last two years increased by 1/3: in 2008 - by 3% and in 2009 - by 29%.

The key underlying factor of the deposit portfolio growth in 2009 were the changes in the volume of deposits that exceed 15 million tenge - from 660 billion tenge to 869 billion tenge, or by 32%. The volume of term deposits in the amount from 1 to 5 million tenge substantially increased - by 87 billion tenge. In addition, the important support to the annual growth of deposits was made by an increase of funds held at current accounts and card-accounts - annual growth amounted to about 65 billion tenge, as well as by increased demand deposits - by 33 billion tenge. After the deposit insurance coverage increase, i.e. starting from the fourth quarter of 2008, aggregate volume of individuals' term deposits in amount up to 5 mln. tenge has increased from 489 billion tenge to 580 billion tenge, or by 19%.

The total number of individuals' accounts in the member-banks with the total amount up to 5 million tenge amounts to 99.8%, while the volume of such deposits attains 45.2%.

According to the Fund's forecasts, individuals' deposit base in the second-tier banks will increase by marginal rates over 2010-2012. (see Appendix 1).

Fund's Special Reserve

Measures taken by the state enable to preserve the financial stability in the country, as they are directed at overcoming systemic banking crisis. At the same time, the negative trend in some financial indicators of several banks, such as asset quality, profitability, etc. cause certain concerns because their further deterioration could lead to default of such banks.

In this regard, it is essential for the system to be prepared to promptly react to possible bank failures, and, accordingly, take all the measures necessary for the proper accomplishment of its primary function in such cases –insurance coverage payout to the depositors.

The Fund's financial resources, accumulated in a special reserve, with 50% of the authorized capital, as of April 1, 2010, reached 96.1 billion tenge, which is 10.7% of the aggregate deposit amount to be reimbursed to the depositors. In accordance with the law on mandatory deposit insurance in the Republic of Kazakhstan, the target size of the special reserve for reimbursements should not be less than 5% of the total amount of individuals' deposits and to date this level is equal to 4.9%.

Over the last year, the growth of the Fund's special reserve was made possible due to the following sources: (1) the aggregate amount of calendar premiums that are quarterly transferred by the member-banks, which amounted to 13.5 billion tenge for the last year (2) increase of the authorized capital of the Fund to 10 billion tenge, (3) the amount transferred by the liquidation commissions for repayment of their debt to the Fund, amounting in total to 1.3 billion tenge, and (4) net income, transferred to the special reserve, increased by 0.9 billion tenge.

Aggregate deposit amount to be reimbursed by the Fund as of January 1, 2010 reached 852 billion tenge (44% of the aggregate amount of deposits). Annual increase of 174 billion tenge (or 26%) was due to a greater extent to increased reimbursement amount in the banks of the "E" classification group. Classification group "E", which includes all the member-banks receiving the lowest number of points within the DPS, accounts for 1/3 of the total reimbursement amount. As of January 1, 2010 group "E" included 9 banks, while in 2008 the group had only two member-banks.

FUND'S STRATEGIC GOALS FOR 2010-2012

The last 2.5 years - 2007-2009 represented a trial period for the economy of Kazakhstan and its Government. The authorities were able to take timely and fairly successful corrective steps and measures, and Kazakhstan is emerging from crisis with good economic and financial results. However, at present we are facing even more complex tasks, which reside in using the lessons of the crisis in the future.

Fund's activity during the period of 2010-2012 will focus on the following strategic objectives:

- efficient corporate management including further extension of partnership collaboration;
- readiness to reimburse depositors promptly in case of forcible DIS member-bank's liquidation (procedures' development);
- enhancing public and other interested parties' awareness about the Deposit Insurance System;
- improving qualification level of the Fund's employees.

To determine the level and quality of the accomplishment of the Fund's main tasks during the previous period, scoring analysis was conducted. The results are presented in the **Table of the Fund's strategic goals fulfillment in 2007-2009**.

Carrying out the scoring analysis showed that some problems require further development or need to be developed as independent projects. The results of the strategic planning goals are presented in the **Table of strategic goals for 2010-2012**.

SCORECARD OF THE FUND'S STRATEGIC GOALS FULFILLMENT IN 2007-2009

Notations used:

C Completed	D Developing	Im* Implemented but needs to be improved
G Good	S Satisfactory	Im Needs to be improved

Fund's Goals	Fund's Initiatives	Level of fulfillment
EFFECTIVE CORPORATE MANAGEMENT	1. Monitor compliance with legislative environment	
	a Amendments to the Fund's Charter	Im*
	b Specifying the authorities of the Administrative body	Im*
	c Amendments to the Deposit Insurance Law in the following parts:	
	- Tasks and functions of the organization providing mandatory deposit insurance	Im
	- Development of the mechanisms for Islamic banks' deposit insurance	Im
	- Generation of the special reimbursement reserve	Im
	2. Implementation of conditions for the effective corporate governance	
	a Reflection of the internal control results in the decisions made by the Fund's Board of Directors	D
	b Introduction of quality management and ISO standards	Im
c Development of internal by-laws and procedures	Im*	
EFFECTIVE PARTNERSHIP	1. The Fund's relations with:	
	a FSA	G
	b National Bank of the Republic of Kazakhstan	G
	c FAK	G
	d Member banks of DIS	G
	e Foreign deposit insurance organizations	G
	f International institutions and foreign organizations	Im
	g Service suppliers	S
	2. Development of informative cooperation with the main partners	
	a Involvement in development of by-laws with partners	Im*
	3. International recognition	
	a Holding of the 7th Annual Meeting of the IADI Asia Regional Committee and International Conference	C
	b Analysis and development of the Fund's procedures in accordance with the main principles of the Deposit Insurance System's efficient activities	Im

Fund's Goals	Fund's Initiatives	Level of fulfillment
OPTIMAL ASSETS USE	<i>Development of the Fund's investment policy and investment strategy</i>	Im*
	OPERATING ACTIVITIES	1. Compliance of the internal control system
2. Fund's strategic business processes:		
a Extension of conditions of member-banks' participation in the DIS		Im*
b Development of the mechanism for coverage payment to the depositors of the forcibly liquidated bank through:		
- establishment of requirements for automatic registration of the deposits in the member-bank's and aggregate depositors' database		Im*
- opportunity to submit depositors' data by the member-banks in a standard form		Im*
- examination of depositors' information database of member-banks		Im
c Effective management of Investment Portfolio		Im*
d Studying alternative approaches in covering the special Fund reserve's shortage and preparing proposals on amending the legislation		D
e Developing procedures on implementation of OBA, Bridge bank and Purchase & Assumption as effective problem-banks' resolution methods based on the least cost principle including:		D
- appraisal of problem-banks' assets		D
f Implementing the Fund's function related to replenishment of the Special Reserve through:		
- participating in the temporary administration assigned for the period of member-bank's conservatorship and/or for the period of de-licensing for carrying out any bank activity		Im*
- participating in the liquidation commission of the member-bank under forcible liquidation		Im*
- participating in the committee of creditors of the member-bank under forcible liquidation		Im*
g Specifying the main risk areas and risk management		Im*
h Improving the calculation methodology of member-banks' differential premiums		
- Advancing the Differential Premium System		Im*
- Developing the DPS informational background		Im*
i Public awareness of the DIS issues		Im*
HUMAN RESOURCE MANAGEMENT	1. Developing the qualification improvement system	
	a Participating in seminars and conferences organized by regulators	Im*
	2 Attracting experts for projects' development	Im*
	a Attracting experts for development of the differential premium system	Im
	6 Attracting experts for implementing system of quality management and ISO standards	Im

1. EFFECTIVE CORPORATE MANAGEMENT AND PARTNERSHIP

1.1. In order to improve effectiveness of corporate governance and partnership of the Fund in 2007-2009, several activities were undertaken. In order to bring the Fund's functioning into compliance with the requirements of the banking legislation the Corporate Governance Code was drafted and adopted, which governs the operation of the Fund and interactions with the Shareholder, Board of Directors and executive body of the Fund. Another independent director in the Board of Directors of the Fund was introduced. Currently, the Board of Directors of the Fund comprises two independent directors.

Also, during this period powers of the Advisory Board of the Fund have been extended to improve the consistency of decisions taken by the Fund in respect to the members of DIS, as well as for the effective consideration and recording of the proposals of the banks.

One of the significant events that occurred during the reporting period was the introduction of risk management systems in the Fund and the adoption of the Rules of the organization of risk management of JSC "Kazakhstan Deposit Insurance Fund".

Specific issues related to effective corporate governance require further development. Practice shows that adoption of internal regulations, approval of business plan and budget of the Fund take a long time due to complicated approval procedures. Due to the well established basic procedures of the Fund, which are reflected in the corresponding regulations, and expanded Board of Directors of the Fund, this created preconditions for revision of the separation of powers between the Shareholder and the Board of Directors of the Fund and compliance with the Law of the Republic of Kazakhstan "On Joint Stock Companies". In this regard there had been made a number of relevant amendments to the Charter of the Fund.

An additional step in improving effectiveness of corporate governance is to review the legislative framework of the deposit insurance system in order to clarify roles and objectives, rights and responsibilities of an organization engaged in compulsory deposit insurance, for example, in using alternative sources of funding in case of the special reserve's shortage, participating in operations that optimize liquidation production, such as P&A ("Purchase & Assumption"), Bridge-bank (Bank Stabilization), etc.

1.2. *Partners of the Fund are:* Financial Supervision Agency, the National Bank of the Republic of Kazakhstan, Financial Institutions' Association of Kazakhstan, the member-banks of DIS, foreign deposit insurers, international financial institutions, suppliers of goods (works, services). The level of relations with certain partners requires further improvement.

1.1. Collaboration with Shareholders, Regulatory Body and the member-banks

In carrying out its main activities the Fund has a close partnership with Financial Supervision Agency, the National Bank and the member-banks. The Fund's interactions with the Financial Supervision Agency and the National Bank are regulated by the Mutual Cooperation Agreements, while conditions of the member banks' participation in the deposit insurance system are determined by the special Contract of Adhesion.

The Fund's mutual relationship with the FSA and the Shareholder may be characterized as a good one; even so a potential exists for its further improvement and development.

Analysis of the Fund's collaboration with the FSA in 2007-2008 has shown the necessity to solve the following problems:

- meeting deadlines of submission of data for the member-banks' differential premium rates calculation;
- provision of new reporting forms of the bank's financial statements for the further improvement of the "BATA" System;

- development of the list of legal rules and regulations related to the regulation of compulsory deposit insurance system and the Fund's interests that require a joint discussion and approvals for further amendments.

The Fund has initiated amendments to be made to the Information Sharing Agreement between the Fund and the National Bank and the FSA with respect to the specification of the list and procedures of information sharing. Consequently, in the forthcoming period the Fund will aim at improving the interaction with the authorized bodies supervising the financial sector and increasing the information sharing level, including an access of the Fund to the regulators' informational database through "Statistics" information system.

Extension of the Fund's authorities related to the inspection of member-banks' computer database of insured deposits for compliance with requirements established by the Fund is aimed at the efficient accomplishment of the Fund's main function – payout of the deposit insurance coverage. This field is also a sphere of interests for FSA inspections and it requires closer cooperation with the supervisors.

1.2. Collaboration with foreign international organizations

Being a member of the International Association of Deposit Insurers (IADI) since 2002, the Fund has been actively involved in its activities. The Fund's membership in IADI gives the KDIF great opportunity of access to the best practices in the area of effective deposit insurance system as one of the major components of financial stability system, early warning system and regulation of problem financial institutions' activities.

The Fund's representative holds office of the IADI Treasurer and at the same time the representative acts as an observer in Audit, Finance and Planning Committees. In addition, the Fund is a member of the Asia Regional Committee and the Fund's Chairperson is a vice Chairperson of the Eurasia Regional Committee. Being involved in the Research and Guidance Committee as a member the Fund regularly takes part in different IADI's researches.

During the reporting period the Fund has actively participated in the elaboration of the Terms of Reference of the Finance and Planning Committee, Budgeting policy of the IADI; it has also initiated a separation of authorities between the Treasurer and the Chair of the Finance and Planning Committee.

Being the member of the IADI, KDIF has participated in the annual meetings of the IADI, conferences and "round tables" held by the IADI and/or its members.

Last year the Fund hosted the 7-th Annual Meeting of the IADI Asia Regional Committee and International Conference called "The Primary Responsibilities of Deposit Insurer in case of bank failure" aimed to increase the cooperation level with the IADI and improve the Fund's personnel qualifications. Representatives from the FSA and from the National Bank were also involved in the event.

In accordance with the business procedures adopted by the ARC IADI Committee's Annual Conferences shall be devoted to a certain topic and a research shall be conducted within this scope. The Fund has also started a research called "Failed bank's depositors' claims and payouts" which was of a current interest for Kazakhstan. In order to get the detailed information on international experience within the area of the researched subject the Fund has prepared and distributed the appropriate questionnaire among the IADI's members. On the basis of the information received in December 2008, the Fund has prepared a comparative analysis which was presented at the Annual Meeting of ARC IADI and at the International Conference.

The number of foreign participants amounted to more than 80 representatives from such countries as: Japan, South Korea, Taiwan, Malaysia, India, Indonesia, Hong-Kong, the Philippines, Singapore, Bangladesh, Vietnam, Russia, Kyrgyzstan and others.

Furthermore, one of the most important steps in achieving goals of international collaboration is the development of the Fund's procedures in accordance with the Core principles for Effective Deposit Insurance Systems. The Core principles for Effective Deposit Insurance Systems have been developed by the IADI together with the Basel Committee on Banking Supervision in 2008. Familiarization of the Fund's Board of Directors with the Core principles is also one of the Fund's priority tasks.

Cooperation of the deposit insurance systems with other international financial organizations, besides IADI, such as IMF, World Bank, EBRD, ADB and others, should also find its development in Kazakhstan. These organizations are the strategic partners of the IADI.

2. OPTIMUM UTILIZATION OF THE FUND'S ASSETS

The operating and investment activities of the Fund are regulated by internal by-laws approved by the Fund's Shareholder, the National Bank of the Republic of Kazakhstan.

Each year the Fund prepares Business Plan for the upcoming year to be approved by the Fund's Board of Directors. The Fund develops the business plan and generates its budget based on the international best practice and in accordance with the present strategic development plan which determines the strategic objectives and goals for the Fund's further development and the main projects of the Fund for the coming period requiring appropriate funding.

The Fund's investment activities aim at preserving and increasing of its assets by obtaining the planned investment yield. Before 2005 the Fund followed conservative investment policy and the Fund's assets were invested in the deposits of the National Bank of RK, Notes of NBRK, and Securities of Ministry of Finance of the Republic of Kazakhstan and only in the national currency. In 2005 the list of the Fund's potential financial instruments has been extended. The Fund started to invest its assets both in the domestic and external markets within the scope of the financial instruments list approved by the Investment Strategy. Structure of the Fund's investment portfolio for the last four years is provided in Appendix № 6.

The Fund intends to continue improving the efficiency of investment activities and maintaining the assets' quality based on close cooperation and regular consultations with the Fund's attorney that is the Department of Monetary Operations of the National Bank.

3. THE FUND'S OPERATING ACTIVITY

The Fund's operating activities are designed to help realize the Fund's strategic goals of prompt reaction to member-banks' failure and develop projects oriented at minimizing the associated risks and the potential losses.

3.1. Improving mechanism of deposit insurance coverage reimbursement of forcibly liquidated banks' depositors

According to the Deposit Insurance Law one of the main functions of the Fund is the payout of the deposit insurance coverage. In practice, promptness and efficiency of the deposit insurance coverage reimbursement primarily depend on the existence as well as the accuracy of data that contain information about depositors of the DIS member-banks.

In this connection the Fund makes all the necessary efforts for the improvement of the mechanism of coverage payout to depositors of the bank subject to forcible liquidation, which include: establishment of requirements for the computer databases on depositors, standardization of the data on depositors to be submitted by the member-banks to the Fund. The requirements specified by the Fund were fully fulfilled by the member-banks during 2007-2009.

The banks' inspection for compliance of their computer database on depositors with the requirements set by the Fund is a priority task of the Fund during the planning period. In addition, the measures of legislative vesting of the Fund with the authorities of member-banks' inspection for compliance with the procedures used and that relate to DIS should be taken in full scope.

3.2. Improving procedures of the Fund's Reserve generation

The Fund needs to have a sufficient level of its Special Reserve for reimbursements in order to promptly fulfill the depositors' claims in case of bank failure. According to the Deposit Insurance Law the Fund's Special Reserve should be generated by means of:

- member-banks' calendar premiums;
- fines applied to the member-banks failed to appropriately fulfill the Contract of Adhesion requirements;
- income received as the reimbursement of the Fund's claims regarding deposit insurance coverage paid to the depositors of the forcibly liquidated member-banks;
- gains 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 Fund Shareholder's decision).

In March 2008 the Fund decided to lower the rates of the calendar premiums by 25% with respect to all the differential classification groups in order to support the liquidity of the banking system for the period of financial crisis. As soon as the financial system of Kazakhstan is improved and the member-banks' standing is strengthened the Fund is going to return to the premiums' rates established before the crisis.

Due to the increase of the deposit insurance coverage up to 5 million tenge, the Fund's authorized capital has been increased to 100 billion tenge. In 2009 the authorized capital was again extended by 10 bln. tenge. Such measure has strengthened the Fund's financial position and its readiness to accomplish its main functions. According to the State anti-crisis program the Fund's authorized capital will be increased by 10 bln. tenge each year till 2012.

The Fund's reserve sources in the amounts of fines of the member-banks for non-fulfillment or undue fulfillment of the obligations under the Contract of Adhesion and money received as satisfied Fund's claims by liquidated member-banks in the amount of deposit insurance coverage reimbursed to the Fund are not permanent and usually insignificant.

3.2.1. Alternative sources of financing the reserve deficit

In case of the Special Reserve's deficit the Deposit Insurance Law does allow the Fund to collect additional premiums from the member-banks, and in case of insufficiency thereof, the Fund has the right to obtain loans from the National Bank.

In 2006 the Fund started to study alternative sources for financing the reserve deficit and development of necessary conditions and measures for their implementation in Kazakhstan.

The Fund has studied such instruments as: credit derivatives, in particular Credit Default Swap (CDS), re-insurance of the Fund's risks of bank failure and coverage payout with foreign insurance companies, issue of the debt securities (bonds) by the Fund.

According to the preliminary analysis results, it becomes clear that the use of such financial instruments as credit derivatives and re-insurance of the Fund's risks with other insurance companies is limited by the number of objective reasons. In order to eliminate such obstacles the appropriate measures shall be taken by the members of the banking system. For example, for banks at one side obtaining credit ratings by some banks, and for the Fund at another side the possibility to accurately forecast the probability of the banks' default for determination of the agreement validity period. In addition, exemption of the Fund from the income tax in the amount paid to the counteragent upon the occurrence of risk event is required. In terms of current situation such instruments are the least profitable and highly exposed to risks.

Furthermore, issuance of the bonds by the Fund is the most acceptable and adaptable instrument, however, its implementation requires a number of amendments into the current state legislation.

During the planning period issues of suitability and necessity of the Government's involvement in financing the Fund's activity as well as its possible procedures of implementation will be considered.

3.3. Development of the methodology of member-banks' differential premiums

Since 2004 and till 2007 the Fund had been developing a project of implementing the differential premium system of mandatory calendar premiums that would primarily depend on the banks' financial standing and risk profiles.

The DPS "BATA" came into force on January 1, 2007. The system allows evaluating financial standing and risk exposure of the member banks on the basis of quantitative and qualitative indicators. As a result of the financial indicators' calculation a classification group is determined for each bank. The system comprises five groups, the best of which is group "A", and the worst (the riskiest) one is group "E". Each classification group is assigned with the particular calendar premium's rate. The higher the levels of financial risk exposure of member-banks are, the higher the rate of calendar premium will be.

The DPS requires permanent modification and its adaptation to the current situation on the financial market. The changes should reflect such factors as: establishment of new financial market products, changes in the prudential norms, supervisors' requirements and others.

Advancing the calculation methodology of member-banks' differential premiums is a very time-consuming process that requires a detailed bank activities' analysis, studying of the available information regarding its sufficiency in developing new or modified financial indicators, their statistical testing and other.

The process of advancing the DPS was started in 2009 with the implementation of new qualitative indicator. In the current year substantial changes are anticipated in the quantitative indicators' group.

3.4. Implementation of the Fund's functions on the Special Reserve's recovery

The Fund accomplishes its function relating to refunding of the Special Reserve for deposit coverage reimbursements of forcibly liquidated bank's depositors through participation in the liquidation commission and committee of creditors of forcibly liquidated member-bank until the liquidation commission fully satisfies Fund's claims in the amount of the provided deposit insurance coverage payout.

Since 2005 a process of liquidation of Nauryz Bank has been carried out and the Fund's representatives are currently involved in the bank's creditors' committee. Today 88% of the Fund's claims have been settled by the liquidation commission.

On March 1, 2007 court's decision about the forcible liquidation of Valyut-Tranzit Bank came into force. The Fund's representatives are also involved in the bank's creditors' committee, as well as in the liquidation commission. As of today the liquidation commission has satisfied 25% of the Fund's claims.

In accordance with the Mutual Cooperation Agreement the FSA gets the Fund to take part in consideration and discussion of proposed by-laws' projects that relate to second-tier banks' liquidation and efficient problem banks' resolution. The Fund also directs its proposals to the FSA with respect to the temporary administration and liquidation commissions of the forcibly liquidated banks.

During the planning period the Fund is going to devote its efforts to developing proposals for implementation of advanced liquidation procedures and effective problem bank resolutions according to the world practice.

3.4.1 Development of proposals on implementation of effective problem banks' resolution methods based on the least cost principle

The Fund understands the fact that forcible liquidation is the least desirable measure in problem banks' resolution. The international practice may suggest several alternative methods for problem banks' resolution. In this connection the Fund has studied the international experience relevant to the advanced methods of the problem banks' resolution, such as "Bridge Bank", "Purchase & Assumption", and "Open Bank Assistance". On the basis of the studied international experience and after summarizing and generalizing the liquidation problems of Valyut-Tranzit Bank and Nauryz Bank, the Fund has developed some proposals to the FSA and the National Bank on necessary amendments to the banking legislation.

The main problem related to the implementation of such methods is a lack of assessment methods of bank assets, in particular, intangible assets and loan portfolio of the bank. Since Kazakhstan does not have methods for such assets' assessment, the Fund is going to study the legislation and standards in the field of assessment being in force in the Republic of Kazakhstan, and the international experience with respect to the present issue; and the Fund will develop the proposals to be considered by the FSA and the National Bank. The purpose of this work is to standardize approaches for assessing the problem banks' assets.

3.5. Legal provision of internal procedures of the Fund's activity and methodological activity of the Fund

The Fund's internal by-laws are subject to regular revision and improvement by taking into account the RK legislation's amendments and practical goals set for the Fund, in order to prevent any application of sanctions, penalties, claims and demands to the Fund and any losses and other negative effects.

For the period of 2007-2009 the Fund was involved in the activities of the improvement of the by-laws that regulate the deposit insurance system's activity.

The methodological activity of the Fund for the forthcoming period will be, first of all, oriented at the development of the legal base on implementation of the Fund's priority projects, and also participation in the development of the legal regulations relevant to the DIS activities.

3.6. Development of the informational provision of the Fund's activity

Information support of the Fund's activities is mainly realized through regular inspections of technical condition of the Fund's equipment, maintenance of the Fund's domain, administration of the informational system "BATA" and other software products.

During the last two years development of the BATA System that had been established with the purpose of automation of the differential premium rates' calculation was the main project of the information support. Process of BATA development started in 2007 and was divided into two stages. The first stage included the development of BATA itself and consisted of:

- 1) database of incoming reports which are used for the differential premium rates calculation;
- 2) modules for:
 - loading of the incoming reports;
 - calculation of quantitative and qualitative indicators;
 - generation of the outgoing reports.

Since the beginning of 2008 the Fund has been using BATA at work. During 2008 the developer-company has provided the guaranteed technical support and has eliminated omissions and defects revealed by the Fund's personnel.

The second stage included further BATA elaboration that covered the following directions:

development of the database for incoming reports which are not currently used in calculation of the quantitative and qualitative indicators and its further integration with the existing BATA database;

adjusting a module of incoming reports' downloading;
 establishing a set of supporting functions for reporting options, incoming report types and accounting software.

The reports that are not currently used in the calculation of the differential premium rates serve as the information source in the development of new quantitative and qualitative indicators, as well as clarification of the existing indices.

The second stage of the BATA development took place during all of 2009 and was implemented at the end of that year.

Further BATA development will be directed at the establishment of the system's functions that allow to carry out an expanded and more detailed analysis of different data and to implement new indicators in the calculations of differential premium rates in case of any changes in the existing differential rates' calculation methodology.

One of the other top priority goals of the Fund in the information provision area is the development of the software based on the register of the member-banks' depositors. The main functions of this current product will include expedient analysis and monitoring of the information on depositors provided by dissolved member-banks' liquidation commissions for properness, provision of the Fund's employees with the corresponding instruments for fast and high-quality examination of depositors' data, accuracy and justification of the deposit insurance coverage payment provided to the depositors by the agent bank, processing and analyzing information about payouts carried out by the agent bank and/or the Fund and others. Development of the current project began at the end of 2009 while it is going to be accomplished in 2010.

3.7. Promoting Depositor Awareness

Public awareness in such issues as state protection of the bank deposits, the Fund's role and the main mechanism of carrying out such protection is one of the essential concepts of the Fund as the public confidence in banks is a core factor of the banking system's stability.

The Fund's activity designed to increase public awareness is of the informative and explanatory nature. This activity is targeted at both the banks' depositors, and the member-banks, and is conducted through the Fund's advertising agent, which is annually selected on a competitive basis according to the State Purchases Law of Kazakhstan.

The Fund's informative and advertising activity includes placing articles and interviews in printed and electronic mass media, audio and video clips on radio and TV, answering depositors' questions through the free "hot line" within the territory of Kazakhstan, placing the main information and news on the Fund's website, issuance of booklets, press-releases and instruction guide to the depositors.

Previously, the Fund annually carried out a "hot line" campaign which lasted for 2 weeks and all the calls were received by the certain virtual number and were paid by the Fund. The important goal of the Fund during the period from 2005 till 2007, when forcible liquidations of Nauryz Bank (in 2005) and Valyut-Tranzit Bank (in 2007) took place, was increasing awareness of those banks' depositors regarding the issues related to the terms and conditions of deposit insurance coverage payouts. In September 2008 public consulting with respect to the deposit insurance system's activity through the "hot line" became permanent.

Part of the explanatory work was also carried out through the Fund's website (www.kdif.kz). In 2009 the website was renewed and it will be further improving.

Furthermore, in 2008-2009 the Fund's representatives gave lectures for the students of the International Business Academy and the instructors of the Regional Financial Center Academy (RFCA) of Almaty.

Within the nearest period arrangements for holding seminars organized by the RFCA will continue to be done, and booklets that explain functions and tasks of the deposit insurance system will be prepared for distribution among the depositors. Besides, the Fund intends to expand and develop some other methods designed to increase the social awareness about the DIS and, in particular, lectures for the students of the local universities, internet-conferences of the Fund's management, etc.

4. HUMAN RESOURCES MANAGEMENT

The internal factor that negatively affects the Fund's work is the high staff turnover which prevents the Fund work's continuity and negatively impacts terms of the projects' realization.

In 2007 staff turnover amounted to nearly 62%, in 2008 – 44% and in 2009 – 47%.

The Fund developed a questionnaire for the employees leaving the job with the purpose of further analysis of the staff turnover's causes. According to the results of the questionnaire it was detected that the main reason for employee resignations is non-correspondence of the salary with the employee's qualification and the volume of performed work. In order to solve this problem the Fund has developed Awarding Bonuses Principles.

The Fund provides training for its employees and upgrading of their qualifications through various seminars conducted both inside the country and beyond its borders. Moreover, IADI gives the Fund's employees an opportunity for remotely studying wide range of issues related to banking activity and bank examinations. The Fund's employees use FSI Connect which is an online informational source generated by the Financial Stability Institute for employees of the state regulatory bodies. The main component of the present studying material is an integrated range of online courses related to the financial sector's supervision, key risks of banking sector and their management, financial instruments and other relevant issues such as accounting, deposit insurance and payment system.

The new employees of the Fund have an opportunity to attend the introductory seminars.

During the forthcoming year the policy of establishing and preserving a strong axis foundation, i.e. a number of employees responsible for each main direction of the Fund's activity and further improvement of the employees' qualifications will be continued.

It is necessary to organize joint seminars with the regulators and the Fund for the all-round development of the Fund's personnel as well as better understanding of the financial system in general and experience sharing among the Fund, the National Bank and the FSA.

5. DEVELOPING THE FUND'S PROJECTS UNDER EXPERT CONSULTING

Further implementation of the projects assumes involvement of external advisors :

- on the improvement of the differential premium system,
- on the development of the methods for the bank's property appraisal.

Development of the problem banks' assets appraisal is a sufficiently large project. There are no officially approved methods of banks' credit portfolio appraisal. In addition, the method shall unify approaches of evaluation of different assets and shall also be unique for all organizations that participate in problem banks' resolution. However, due to the fact that the Kazakhstani financial market is on its emerging path and there are no operating secondary markets for such assets as problem banks' loan portfolio and some types of intangible assets, carrying out such an appraisal would be too complicated. In this connection it is crucial to involve an expert of such particular area. The Fund is going to fulfill this project in 2011.

SCORECARD OF THE FUND'S STRATEGIC GOALS FOR 2010-2012

Fund's Goals	Fund's Initiatives	2010	2011	2012
EFFECTIVE CORPORATE MANAGEMENT AND PARTNERSHIP	1 Assessment of compliance with international principles			
	a Carrying out an assessment of the Fund's activity on the basis of IADI methodology on deposit insurance system's efficiency	developing	developing	completion
	b Analysis and development of the Fund's procedures in accordance with the main principles of the Deposit Insurance System efficient activities	developing	developing	developing
	2 Implementation of conditions for effective corporate governance			
	a Reflection of the internal control results in the decisions of the Fund's Board of Directors	developing	developing	developing
	b Developing internal procedures related to particular business processes	developing & implementing	developing & implementing	developing & implementing
	3 Compliance with legislative environment			
	a Amendments to the Fund's Statutes specifying the authorities of the Fund's administrative body	developing	developing	developing
	b Improving deposit insurance system in the post-crisis period for the following directions:	developing	developing	developing
	- Tasks and functions of the Fund	developing	developing	developing
	- Specifying deposit insurance coverage amount	developing	developing	completion
	- Adding several categories of legal entities under the deposit insurance coverage	developing	developing	completion
	- Generating Fund's Special Reserve for reimbursement	developing	developing	developing
	- Amending the Deposit Insurance Law if necessary	developing	developing	completion
	4 Efficient Asset Investing			
	- Improving the Fund's Investment Policy and Strategy	developing & implementing	developing & implementing	developing & implementing
	5 The Fund's relation with:			
	a FSA	good	good	good
	b National Bank	good	good	good
	c FAK	good	good	good
	d Member-banks	good	good	good
	e Foreign deposit insurance organizations	good	strong	strong
	f International institutions and foreign organizations	satisfactory	good	good
	g Suppliers of goods and services	satisfactory	good	good
	6 Developing informative collaboration with the main partners			
	a Taking part in the development of by-laws	developing	developing	developing
b Extending and improving mechanisms of information sharing	developing	developing	developing	
OPERATING ACTIVITIES	1. Compliance of the Fund's internal control system with the established requirements	developing & implementing	developing & implementing	developing & implementing
	2. The Fund's strategic business processes:			
	a Determining the Contract of Adhesion conditions	developing further	developing further	developing further
	b Developing deposit insurance coverage payout mechanism through:	developing further	developing further	developing further
	- establishing requirements for the automatic registration of the member-banks' depositors and an aggregate database of depositors	developing further	developing further	developing further
	- standardizing the process of depositors' data submission by banks	developing further	developing further	developing further
- examination of the member-banks' computer database on depositors	developing further	developing further	developing further	

SCORECARD OF THE FUND'S STRATEGIC GOALS FOR 2010-2012

Fund Goals	Fund Initiatives	2010	2011	2012
OPERATING ACTIVITIES	c Effective management of the investment portfolio	developing further	developing further	developing further
	d Studying alternative approaches in covering the Fund Special Reserve's shortage and preparing proposal on amending the deposit insurance legislation	developing	developing	completion
	e Developing procedures on implementation of OBA, Bridge bank and P&A as effective problem-banks' resolution methods that are based on the least cost principle including:			
	- appraisal of problem banks' assets	developing	developing	implementing
	- methods of realization of the Fund's financial support of activities on forcible resolution or liquidation of a member-bank and its depositors	developing	developing	implementing
	- developing by-laws with respect to OBA, Bridge bank and P&A	developing	developing	implementing
	f Implementing the Fund's function related to the replenishment of the Special Reserve through:			
	- Participation in temporary administration assigned during problem bank's conservatorship and/or during the withdrawal of bank's license on carrying out bank activities	developing & implementing	developing & implementing	developing & implementing
	- Participation in the liquidation commission of the forcibly liquidated member-bank	developing & implementing	developing & implementing	developing & implementing
	- Participation in the Creditors' Committee of the forcibly liquidated member-bank	developing & implementing	developing & implementing	developing & implementing
	g Revealing main risk area for the Fund and risk management	developing & implementing	developing & implementing	developing & implementing
	h Developing methodology of member-banks' differential premium rates calculation			
	- Establishing new indicators, modification of the existing ones and testing them	developing & implementing	developing & implementing	developing & implementing
	- Establishing new thresholds for indicators	developing & implementing	developing & implementing	developing & implementing
	- Developing the BATA System	developing & implementing	developing & implementing	developing & implementing
i Public awareness on issues of deposit insurance	developing & implementing	developing & implementing	developing & implementing	
HUMAN RESOURCE MANAGEMENT	1 <i>Developing the upgrade system of employee qualifications</i>	developing further	developing further	developing further
	2 <i>Attracting experts for projects' development</i>			
	a Attracting experts for development of the differential premium system	selecting expert	working with expert	completion
	b Attracting experts for the development of bank assets' appraisal methodology	selecting expert	working with expert	completion

Appendix №1

Forecast of growth dynamics of individuals' deposits and compulsory calendar premiums of member-banks in 2010-2012

ths. tenge

	ACTUAL		FORECAST		
	01.01.2009	01.01.2010	01.01.2011	01.01.2012	01.01.2013
Individuals' deposits	1 500 004 510	1 936 311 664	2 004 082 572	2 074 225 462	2 146 823 353
Calendar premiums for the year	7 870 263	14 073 951	8 817 963	9 126 592	9 446 022

Appendix №2

Forecasting indicators of the Fund for 2010-2012

ths. tenge

NAME	PERIOD		
	2010	2011	2012
Income	8 643 758	9 586 287	10 517 048
Income from investing activity	8 643 758	9 586 287	10 517 048
Expenses	212 609	228 889	249 171
Expenses for personnel	102 473	112 196	120 463
Depreciation of FA and IA	4 042	4 244	4 456
Travel	7 821	8 212	8 623
Personnel education	2 032	2 134	2 240
Transport expenses	3 720	3 906	4 101
Rent and utilities	2 214	2 763	2 901
Expenses for explanatory and awareness activities	33 756	35 444	37 216
Other administrative expenses	56 551	59 991	69 170
Financial Result (line I - line II)	8 431 149	9 357 399	10 267 877
Corporate income tax			
Net income (after tax)	8 431 149	9 357 399	10 267 877
Profitability,%	3 966%	4 088%	4 121%

Appendix №3

Forecast calculation of income from investing activity

ths. tenge

Year	Assets invested in Government Securities	Calendar premiums	Funds received from the liquidation mass	Profitability in %	Income for the year, total
2010	173 782 592	8 817 963	2 805 266	4,7%	8 643 758
2011	193 836 970	9 126 592	1 000 000	4,7%	9 586 287
2012	213 320 960	9 446 022	1 000 000	4,7%	10 517 048

Forecast of Income and Expenses

ths. tenge

Indicators	2010	2011	2012
Investing gain	8 643 758	9 586 287	10 517 048
Growth of investing gain		942 529	930 761
Expenses	212 609	228 889	249 171
Financial result	8 431 149	9 357 399	10 267 877
Growth of financial result		926 250	910 479

Appendix №4

Forecast of the Fund's staff personnel

Indicators	2010	2011	2012
Total employees	26	30	35
Including the main staff	26	30	35

Appendix №5

Special Reserve for Reimbursements' Dynamics

ths. tenge

Year	50% of Authorized Capital	Calendar premiums	Unallocated profit	Funds received from the liquidation mass	Total
2010	55 000 000	15 286 316	12 953 775	2 805 266	86 045 357
2011	60 500 000	24 412 908	21 384 924	3 805 266	110 103 098
2012	66 550 000	33 858 930	30 742 322	4 805 266	135 956 519

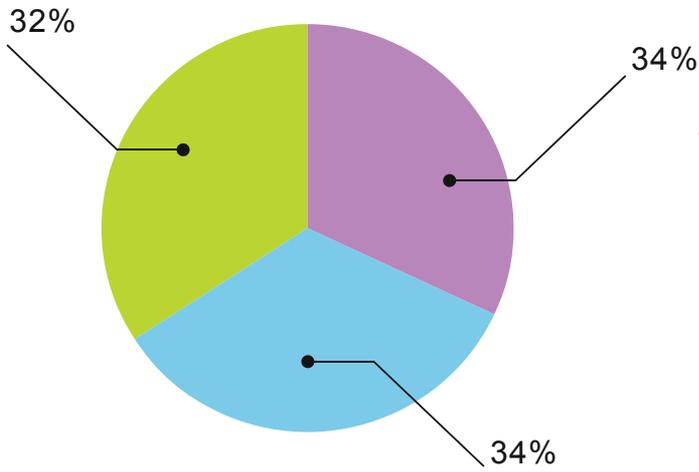
Appendix №6

The Fund's portfolio structure

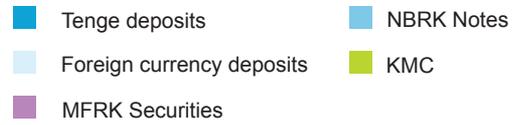
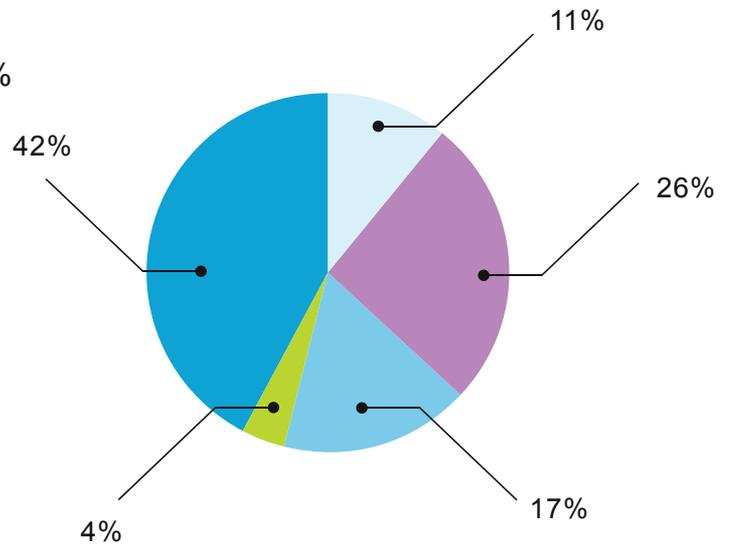
ths. tenge

	01.01.2007	01.01.2008	01.01.2009	01.01.2010
Funds placed in foreign currency			19 039 087	
Securities of the US Government				
Deposits in tenge		10 115 099		37 000 000
Deposits in foreign currency		2 631 549		
National Bank's notes	4 271 865	6 161 149	10 998 280	6 778 337
REPO (reverse REPO)			1 000 000	
Funds to be placed in tenge			71 187 374	3 622 234
Securities of the Ministry of Finance of Kazakhstan	4 384 874	4 071 296	17 970 441	106 381 507
KMC	4 140 317	934 371	966 851	1 317 012
Total	12 797 056	23 913 465	121 162 032	155 099 089

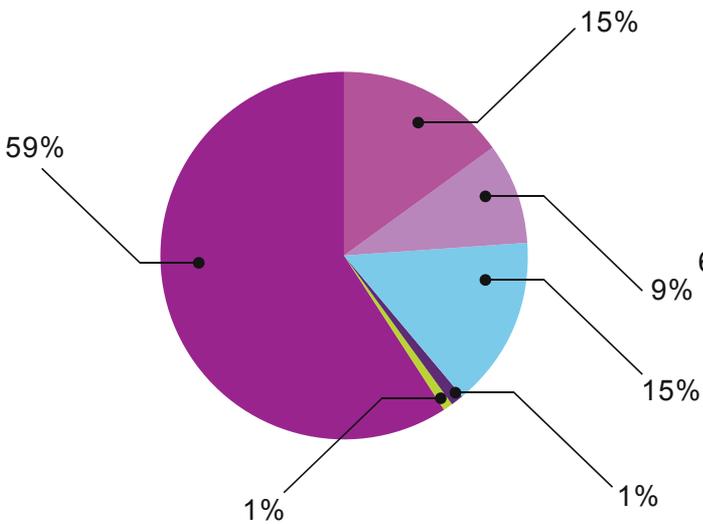
Portfolio structure as of 01.01.2007



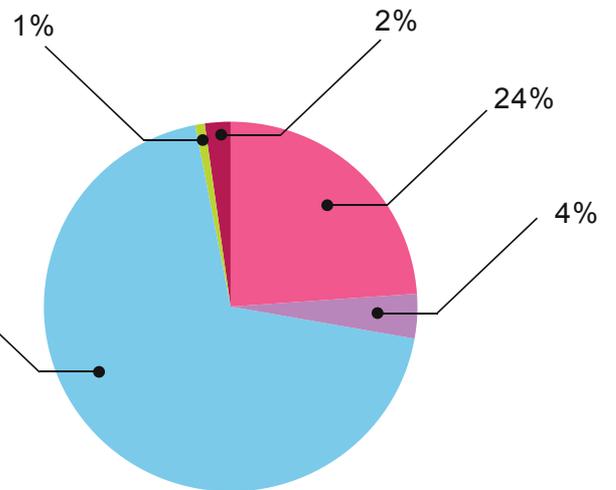
Portfolio structure as of 01.01.2008



Portfolio structure as of 01.01.2009



Portfolio structure as of 01.01.2010



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