

**JSC Delta Bank**

Financial Statements

for the year ended 31 December 2011

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## **Independent Auditors' Report**

To the Board of Directors and Management Board of JSC Delta Bank

We have audited the accompanying financial statements of JSC Delta Bank (the "Bank"), which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

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

*Basis for Qualified Opinion*

As at 31 December 2009 the Bank estimated the impairment losses on its loans to customers stated at KZT 20,591,422 thousand in accordance with regulatory requirements. In accordance with International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"), these impairment losses should be measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Subsequently, as at 31 December 2010, these loans were recorded in accordance with IAS 39. The effects of this departure from International Financial Reporting Standards on impairment losses, taxation and profit for the year ended 31 December 2010 and on retained earnings as at 1 January 2010 was not determined.

Our opinion on the financial statements as at and for the year ended 31 December 2010 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effects of this matter on the comparability of the current year's figures and the corresponding figures.

*Qualified Opinion*

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Nigay A.N.  
Certified Auditor  
of the Republic of Kazakhstan,  
Auditor's Qualification Certificate No.536  
of 10 January 2003

Roy Hattingh  
Audit Partner

**KPMG Audit LLC**

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

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

28 February 2012

*JSC Delta Bank*  
Statement of Comprehensive Income for the year ended 31 December 2011

	Note	2011 KZT'000	2010 KZT'000
Interest income	4	8,190,737	4,468,611
Interest expense	4	(3,064,733)	(1,436,920)
<b>Net interest income</b>		<b>5,126,004</b>	<b>3,031,691</b>
Fee and commission income	5	716,380	689,194
Fee and commission expense	6	(49,181)	(31,077)
<b>Net fee and commission income</b>		<b>667,199</b>	<b>658,117</b>
Net gain/(loss) on financial instruments at fair value through profit or loss		17,982	(110,008)
Net foreign exchange income	7	127,233	93,928
Net loss on available-for-sale financial assets		(10,629)	(37,345)
Dividends received		4,882	5,502
Other income (expenses)		57,014	(61,145)
<b>Operating income</b>		<b>5,989,685</b>	<b>3,580,740</b>
Impairment losses	8	(3,071,214)	(1,725,195)
General administrative expenses	9	(1,947,393)	(1,673,507)
<b>Profit before income tax</b>		<b>971,078</b>	<b>182,038</b>
Income tax expense	10	(177,750)	(53,910)
<b>Profit for the year</b>		<b>793,328</b>	<b>128,128</b>
<b>Other comprehensive income, net of income tax</b>			
Revaluation of property and intangible assets		-	69,155
Revaluation reserve for available-for-sale financial assets			
- Net change in fair value		38,413	85,226
- Net change in fair value transferred to profit or loss		(1,529)	37,345
<b>Other comprehensive income for the year, net of income tax</b>		<b>36,884</b>	<b>191,726</b>
<b>Total comprehensive income for the year</b>		<b>830,212</b>	<b>319,854</b>

**Earnings per share**

25

Basic and diluted earnings per share, in KZT

114

26

The financial statements as set out on pages 5 to 55 were approved by Management on 28 February 2012 and were signed on its behalf by:

Samzayev N.A.  
Chairman of the Management Board



Kainarbekova G.K.  
Deputy Chairman of the  
Management Board –  
Chief Accountant

**JSC Delta Bank**  
Statement of Financial Position as at 31 December 2011

	Note	2011 KZT'000	2010 KZT'000
<b>ASSETS</b>			
Cash and cash equivalents	11	8,223,524	1,029,122
Placements with banks	12	2,075,172	557,637
Financial instruments at fair value through profit or loss	13	186,895	188,161
Loans to customers	14	66,989,601	41,156,399
Available-for-sale financial assets	15	8,537,711	5,663,149
Held-to-maturity investments	16	2,407,487	2,683,216
Property and equipment and intangible assets	17	458,372	558,518
Deferred tax asset	10	30,742	-
Other assets	18	91,139	61,138
<b>Total assets</b>		<b>89,000,643</b>	<b>51,897,340</b>
<b>LIABILITIES</b>			
Due to banks	19	1,076,394	2,150,378
Amounts payable under repurchase agreements		-	2,846,066
Current accounts and deposits from customers	20	70,213,640	33,836,634
Subordinated debt securities issued	21	1,340,375	1,314,305
Current tax liability		-	22,524
Deferred tax liability	10	-	3,708
Other liabilities	22	474,616	119,394
<b>Total liabilities</b>		<b>73,105,025</b>	<b>40,293,009</b>
<b>EQUITY</b>			
	23		
Share capital		14,434,172	10,973,097
Reserve capital		312,848	264,832
Revaluation surplus for property and equipment and intangible assets		83,073	119,776
Revaluation reserve for available-for-sale financial assets		97,464	60,580
Retained earnings		968,061	186,046
<b>Total equity</b>		<b>15,895,618</b>	<b>11,604,331</b>
<b>Total liabilities and equity</b>		<b>89,000,643</b>	<b>51,897,340</b>
Book value per share, in KZT	24	1,709	1,654
Commitments and Contingencies	28, 30		

The statement of financial position is to be read in conjunction with the notes to, and forming part of, the financial statements.

	<b>2011</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Interest receipts	8,223,696	4,183,898
Interest payments	(2,877,588)	(997,034)
Fee and commission receipts	712,556	715,808
Fee and commission payments	(44,978)	(31,077)
Net receipts (payments) from financial instruments at fair value through profit or loss	7,353	(110,008)
Net receipts from foreign exchange	103,748	91,754
Other income receipts (expenses payments)	61,899	(34,376)
Other general administrative expenses payments	(1,806,929)	(1,479,679)
<b>(Increase) decrease in operating assets</b>		
Minimum required reserve	(1,249,942)	(248,976)
Placements with banks	(266,280)	69,133
Financial instruments at fair value through profit or loss	1,266	206,681
Loans to customers	(28,977,272)	(22,270,345)
Other assets	(21,196)	(672)
<b>Increase (decrease) in operating liabilities</b>		
Due to banks	(935,044)	2,000,014
Amounts payable under repurchase agreements	(2,846,005)	(530,006)
Current accounts and deposits from customers	36,076,930	15,830,921
Other liabilities	351,019	22,166
<b>Cash flows from/(used in) operating activities before income tax paid</b>	<b>6,513,233</b>	<b>(2,581,798)</b>
Income tax paid	(234,724)	(42,814)
<b>Cash flows from/(used in) operations</b>	<b>6,278,509</b>	<b>(2,624,612)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of available-for-sale financial assets	(13,197,518)	(5,086,673)
Sale and repayment of available-for-sale financial assets	10,393,328	1,019,963
Purchases of held-to-maturity investments	-	(297,780)
Redemption of held-to-maturity investments	275,841	1,357,351
Purchases of property and equipment and intangible assets	(134,367)	(71,008)
Sales of property and equipment and intangible assets	94,049	5,378
<b>Cash flows used in investing activities</b>	<b>(2,568,667)</b>	<b>(3,072,769)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayments of subordinated debt securities issued	-	(614,321)
Proceeds from issuance of share capital	3,471,903	4,027,898
Repurchase of share capital	(10,828)	(32,910)
<b>Cash flows from financing activities</b>	<b>3,461,075</b>	<b>3,380,667</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>7,170,917</b>	<b>(2,316,714)</b>
Effect of changes in exchange rates on cash and cash equivalents	23,485	57,966
Cash and cash equivalents as at the beginning of the year	1,029,122	3,287,870
<b>Cash and cash equivalents as at the end of the year (Note 11)</b>	<b>8,223,524</b>	<b>1,029,122</b>

The statement of cash flows is to be read in conjunction with the notes to, and forming part of, the financial statements.

<b>KZT'000</b>	<b>Share capital</b>	<b>Reserve capital</b>	<b>Revaluation surplus for property and equipment and intangible assets</b>	<b>Revaluation reserve for available-for-sale financial assets</b>	<b>Retained earnings</b>	<b>Total</b>
<b>Balance as at 1 January 2010</b>	<b>6,978,109</b>	<b>223,099</b>	<b>57,913</b>	<b>(61,991)</b>	<b>92,359</b>	<b>7,289,489</b>
<b>Total comprehensive income</b>						
Profit for the year	-	-	-	-	128,128	128,128
<b>Other comprehensive income</b>						
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	-	85,226	-	85,226
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of income tax	-	-	-	37,345	-	37,345
Revaluation of property and equipment and intangible assets, net of income tax	-	-	69,155	-	-	69,155
Transfers of depreciation from property and equipment and intangible assets revaluation surplus	-	-	(7,292)	-	7,292	-
Total other comprehensive income	-	-	61,863	122,571	135,420	191,726
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>61,863</b>	<b>122,571</b>	<b>135,420</b>	<b>319,854</b>
Shares issued	4,027,898	-	-	-	-	4,027,898
Treasury shares acquired	(32,910)	-	-	-	-	(32,910)
Transfers	-	41,733	-	-	(41,733)	-
<b>Balance as at 31 December 2010</b>	<b>10,973,097</b>	<b>264,832</b>	<b>119,776</b>	<b>60,580</b>	<b>186,046</b>	<b>11,604,331</b>
<b>Balance as at 1 January 2011</b>	<b>10,973,097</b>	<b>264,832</b>	<b>119,776</b>	<b>60,580</b>	<b>186,046</b>	<b>11,604,331</b>
<b>Total comprehensive income</b>						
Profit for the year	-	-	-	-	793,328	793,328
<b>Other comprehensive income</b>						
Net change in fair value of available-for-sale financial assets, net of income tax	-	-	-	38,413	-	38,413
Net change in fair value of available-for-sale financial assets transferred to profit or loss, net of income tax	-	-	-	(1,529)	-	(1,529)
Transfers of depreciation from property and equipment and intangible assets revaluation surplus	-	-	(36,703)	-	36,703	-
Total other comprehensive income	-	-	(36,703)	36,884	830,031	830,212
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(36,703)</b>	<b>36,884</b>	<b>830,031</b>	<b>830,212</b>
Shares issued	3,471,903	-	-	-	-	3,471,903
Treasury shares acquired	(10,828)	-	-	-	-	(10,828)
Transfers	-	48,016	-	-	(48,016)	-
<b>Balance at 31 December 2011</b>	<b>14,434,172</b>	<b>312,848</b>	<b>83,073</b>	<b>97,464</b>	<b>968,061</b>	<b>15,895,618</b>

The statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the financial statements.

## 1 Background

### (a) Organisation and operations

JSC Delta Bank (“the Bank”) is a joint stock company, which was incorporated in the Republic of Kazakhstan in 1993.

The activities of the Bank are regulated by the National Bank of the Republic of Kazakhstan (“the NBRK”). The Bank operates under banking licence #213, dated 24 October 2007.

The principal activities of the Bank are commercial/banking activity, lending and issuing guarantees, cash and settlements operations with securities and foreign exchange.

The Bank is the member of the Kazakhstan Deposit Insurance Fund (“the KDIF”).

The registered address of the Bank’s head office is located at 73A, Tolebi str, Almaty, Republic of Kazakhstan.

As at 31 December 2011, the Bank had 11 branches operating in the Republic of Kazakhstan.

### (b) Shareholders

As at 31 December 2011 and 2010, the following shareholders owned 5% or more of the issued shares of the Bank:

	<b>31 December 2011 %</b>	<b>31 December 2010 %</b>
<b>Shareholder</b>		
Aziz Alimkulov	10.6	-
Kulyash Sarkulova	10.6	-
Galiya Saktaganova	10.5	-
Alma Tulebayeva	10.3	-
Zhanar Zholdybayeva	10.0	-
Zhasulan Tulepbekov	9.8	-
Almagul Balmagambetova	9.3	-
Aigul Kravchenko	8.7	-
Gulimzhan Akhmetzhanova	6.6	-
Ainur Akinzhanova	6.6	-
Shagizat Esenova	-	25.2
Murat Medeuov	-	9.5
Ruslan Usmanov	-	9.2
Evgeniy Veretnov	-	9.0
Darkhan Kazibayev	-	8.5
Erbol Tymbayev	-	6.6
Dina Abdykalykova	-	5.8
	<b>93.0</b>	<b>73.8</b>
Shareholders owning less than 5%	7.0	26.2
	<b>100.0</b>	<b>100.0</b>

The shareholders register as at 31 December 2011 reflects on intermediate phase in the change of ownership of the Bank. The information on the final shareholders register as at 28 February 2012 is provided in note 33.

## **1 Background, continued**

### **(c) Kazakhstan business environment**

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

## **2 Basis of preparation**

### **(a) Statement of compliance**

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

### **(b) Basis of measurement**

The financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value, and certain of the property and equipment and intangible assets are at revalued amounts.

### **(c) Functional and presentation currency**

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

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

Financial information presented in KZT is rounded to the nearest thousand.

### **(d) Use of estimates and judgments**

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following note:

- loan impairment estimates - note 14
- property and equipment and intangible assets revaluation estimates - note 17.

### 3 Significant accounting policies

The accounting policies set out below are applied consistently to all periods presented in these financial statements.

#### (a) Foreign currency

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

#### (b) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK and other banks, and placements with banks with original maturities of less than three months. The mandatory reserve deposit is not considered to be a cash equivalent due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

#### (c) Financial instruments

##### (i) Classification

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

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

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

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

### 3 Significant accounting policies, continued

#### (c) Financial instruments, continued

##### (i) Classification, continued

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

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

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

- the Bank upon initial recognition designates as at fair value through profit or loss
- the Bank designates as available-for-sale or,
- meet the definition of loans and receivables.

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

##### (ii) Recognition

Financial assets and liabilities are recognised in the statement of financial position when the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

##### (iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- loans and receivables which are measured at amortised cost using the effective interest method
- held-to-maturity investments that are measured at amortised cost using the effective interest method
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition are measured at amortised cost.

##### (iv) Amortised cost

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

### 3 Significant accounting policies, continued

#### (c) Financial instruments, continued

##### (v) *Fair value measurement principles*

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

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

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

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

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

##### (vi) *Gains and losses on subsequent measurement*

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

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised or impaired, and through the amortisation process.

### 3 Significant accounting policies, continued

#### (c) Financial instruments, continued

##### (vii) *Derecognition*

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

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

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

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

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

The Bank writes off assets deemed to be uncollectible.

##### (viii) *Repurchase and reverse repurchase agreements*

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase price represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest rate method.

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

If assets purchased under agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

##### (viii) *Offsetting*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### **3 Significant accounting policies, continued**

#### **(d) Property and equipment**

##### **(i) Owned assets**

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for land, buildings and vehicles, which are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted as separate items of property and equipment.

##### **(ii) Revaluation**

Land, buildings and vehicles are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the land, buildings and vehicles being revalued. A revaluation increase on land, buildings and vehicles is recognised as other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss. A revaluation decrease on land, buildings and vehicles is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised as other comprehensive income directly in equity, in which case it is recognised in other comprehensive income.

##### **(iii) Depreciation**

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings	10 years
Computer equipment	3 years
Vehicles	7 years
Other	4 to 7 years

Leasehold improvements are amortised over the shorter of the life of the related leased asset or lease contract. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalisation.

#### **(e) Intangible assets**

Acquired intangible assets are subject to revaluation on a regular basis.

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

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

Computer software	5 years
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#### **(f) Impairment**

##### **(i) Financial assets carried at amortised cost**

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

### 3 Significant accounting policies, continued

#### (f) Impairment, continued

##### (i) *Financial assets carried at amortised cost, continued*

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

The Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Bank uses its experience and judgement to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognised in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectable and when all necessary steps to collect the loan are completed.

##### (ii) *Financial assets carried at cost*

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

All impairment losses in respect of these investments are recognised in profit or loss and can not be reversed.

### 3 Significant accounting policies, continued

#### (f) Impairment, continued

##### (iii) *Available-for-sale financial assets*

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

##### (iv) *Non financial assets*

Non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

#### (g) Provisions

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

#### (h) Credit related commitments

In the normal course of business, the Bank enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

### **3 Significant accounting policies, continued**

#### **(h) Credit related commitments, continued**

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognised, except for the following:

- loan commitments that the Bank designates as financial liabilities at fair value through profit or loss
- if the Bank has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument
- commitments to provide a loan at a below-market interest rate.

#### **(i) Share capital**

##### **(i) Ordinary shares**

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

##### **(ii) Repurchase of share capital**

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a decrease in equity.

##### **(iii) Dividends**

The ability of the Bank to declare and pay dividends is subject to the rules and regulations of Kazakh legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

#### **(j) Taxation**

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities that affect neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

### **3 Significant accounting policies, continued**

#### **(j) Taxation, continued**

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **(k) Income and expense recognition**

Interest income and expense are recognised in profit or loss using the effective interest method.

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

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

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

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

#### **(l) Segment reporting**

The Bank's operations are highly integrated and constitute a single business segment for the purposes of IFRS 8 *Operating Segments*. The Bank's assets are concentrated primarily in the Republic of Kazakhstan, and the majority of the Bank's revenues and profit is derived from operations in, and connected with, the Republic of Kazakhstan. The Chief Operating Decision Maker, in the case of the Bank, the Chairman of the Management Board, only receives and reviews the information on the Bank as a whole.

#### **(m) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2011, and are not applied in preparing these financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Bank plans to adopt these pronouncements when they become effective. The Bank has not yet analysed the likely impact of these new standards on its financial position or performance.

### 3 Significant accounting policies, continued

#### (m) New standards and interpretations not yet adopted, continued

- IFRS 9 *Financial Instruments* will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2012. The Bank recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the Bank's financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Bank does not intend to adopt this standard early.
- IFRS 13 *Fair Value Measurement* will be effective for annual periods beginning on or after 1 January 2013. The new standard replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It provides a revised definition of fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurement. IFRS 13 does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurement that currently exist in certain standards. The standard is applied prospectively with early adoption permitted. Comparative disclosure information is not required for periods before the date of initial application.
- Various *Improvements to IFRSs* have been dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2012. The Bank has not yet analysed the likely impact of the improvements on its financial position or performance.

### 4 Net interest income

	2011 KZT'000	2010 KZT'000
<b>Interest income</b>		
Loans to customers	7,805,900	4,172,211
Available-for-sale financial assets	236,828	125,467
Held-to-maturity investments	135,802	152,656
Financial instruments at fair value through profit or loss	10,672	18,097
Placements with banks	1,535	180
	<b>8,190,737</b>	<b>4,468,611</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	2,742,257	1,071,591
Subordinated debt securities issued	150,161	183,244
Due to banks	121,129	14,123
Amounts payable under repurchase agreements	21,844	165,286
Other	29,342	2,676
	<b>3,064,733</b>	<b>1,436,920</b>
	<b>5,126,004</b>	<b>3,031,691</b>

Included within various line items under interest income for the year ended 31 December 2011 is a total of KZT 140,850 thousand (2010: KZT 167,970 thousand) accrued on impaired financial assets.

**5 Fee and commission income**

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Guarantee and letter of credit issuance	377,506	380,093
Transfer operations	139,414	102,567
Cash operations	136,676	150,873
Foreign currency exchange	28,052	26,571
Credit card and account maintenance	23,120	18,449
Other	11,612	10,641
	<b>716,380</b>	<b>689,194</b>

**6 Fee and commission expense**

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Card services	16,460	13,031
Transfer operations	13,847	13,568
Agency	12,204	18
Brokerage	3,972	2,742
Other	2,698	1,718
	<b>49,181</b>	<b>31,077</b>

**7 Net foreign exchange income**

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Gain on spot transactions	123,520	91,754
Gain from revaluation of financial assets and liabilities	3,713	2,174
	<b>127,233</b>	<b>93,928</b>

**8 Impairment losses**

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Loans to customers	3,076,083	1,709,187
Other assets	(4,869)	16,008
	<b>3,071,214</b>	<b>1,725,195</b>

**9 General administrative expenses**

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Employee compensation	701,656	600,053
Payroll related taxes	68,151	57,209
<b>Total employee costs</b>	<b>769,807</b>	<b>657,262</b>
Rent	502,116	428,474
Depreciation and amortisation	140,464	141,226
Taxes other than on income	99,138	88,396
Advertising and marketing	78,751	99,454
Insurance	60,273	22,918
Professional services	51,240	35,575
Security	46,203	40,701
Repairs and maintenance	42,636	69,910
Communications and information services	36,681	39,905
Transportation	15,439	14,459
Membership fee	13,386	8,604
Representative expenses	13,380	3,099
Travel expenses	12,529	8,012
Cash collection expenses	7,522	6,547
Other	57,828	8,965
	<b>1,947,393</b>	<b>1,673,507</b>

## 10 Income tax expense

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Current year	212,200	59,052
	<b>212,200</b>	<b>59,052</b>
Origination and reversal of temporary differences	(34,450)	(5,142)
<b>Total income tax expense</b>	<b>177,750</b>	<b>53,910</b>

In 2011, the applicable tax rate for current and deferred tax is 20% (2010: 20%).

### Reconciliation of effective tax rate:

	<b>2011</b> <b>KZT'000</b>	<b>%</b>	<b>2010</b> <b>KZT'000</b>	<b>%</b>
<b>Profit before tax</b>	<b>971,078</b>	<b>100.0</b>	<b>182,038</b>	<b>100.0</b>
Income tax at the applicable tax rate	194,216	20.0	36,408	20.0
(Non-taxable income)/non-deductible costs	(16,466)	(1.7)	17,502	9.6
	<b>177,750</b>	<b>18.3</b>	<b>53,910</b>	<b>29.6</b>

### Deferred tax assets and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax assets and liabilities as at 31 December 2011 and 2010, respectively. These deferred tax assets and liabilities have been recognised in these financial statements.

These deductible temporary differences do not expire under current tax legislation.

Movement in temporary differences during the years ended 31 December 2011 and 2010 are presented as follows:

<b>2011</b> <b>KZT'000</b>	<b>Balance</b> <b>1 January</b> <b>2011</b>	<b>Recognised in</b> <b>profit or loss</b>	<b>Balance</b> <b>31 December</b> <b>2011</b>
Loans to customers	-	49,883	49,883
Property and equipment and intangible assets	(3,391)	6,192	2,801
Other liabilities	(317)	1,002	685
Securities	-	(22,627)	(22,627)
	<b>(3,708)</b>	<b>34,450</b>	<b>30,742</b>

<b>2010</b> <b>KZT'000</b>	<b>Balance</b> <b>1 January</b> <b>2010</b>	<b>Recognised in</b> <b>other</b> <b>comprehensive</b> <b>income</b>	<b>Recognised in</b> <b>profit or loss</b>	<b>Balance</b> <b>31 December</b> <b>2010</b>
Loans to customers	10,284	-	(10,284)	-
Property and equipment and intangible assets	(9,265)	(17,297)	23,171	(3,391)
Other liabilities	7,428	-	(7,745)	(317)
	<b>8,447</b>	<b>(17,297)</b>	<b>5,142</b>	<b>(3,708)</b>

## 10 Income tax expense, continued

### Income tax recognised in other comprehensive income

The tax effects relating to components of other comprehensive income for the year ended 31 December 2011 and 2010 comprise the following:

KZT'000	2011			2010		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Revaluation of property and equipment	-	-	-	86,452	(17,297)	69,155

## 11 Cash and cash equivalents

	2011 KZT'000	2010 KZT'000
Cash on hand	227,270	184,946
Nostro account with the NBRK	8,489,309	1,176,318
Nostro account with other banks		
- rated A	1,002,297	72,526
- rated B and below	178,618	114,953
- not rated	99,889	4,296
<b>Total cash and cash equivalents</b>	<b>9,997,383</b>	<b>1,553,039</b>
Mandatory reserve with the NBRK	(1,773,859)	(523,917)
	<b>8,223,524</b>	<b>1,029,122</b>

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

As at 31 December 2011 the Bank has nostro account with one bank (2010: one bank), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2011 is KZT 8,489,309 thousand (2010: KZT 1,176,318 thousand).

## 12 Placements with banks

	2011 KZT'000	2010 KZT'000
<b>Mandatory reserve with the NBRK</b>	<b>1,773,859</b>	<b>523,917</b>
Placements with banks		
- rated from B to BB+	301,313	33,720
	<b>2,075,172</b>	<b>557,637</b>

None of the placements with banks are impaired or past due.

Under Kazakhstan legislation, the Bank is required to maintain certain obligatory mandatory reserves, which are computed as a percentage of certain liabilities of the Bank. Such reserves must be held in either correspondent accounts with the NBRK or in physical cash, and maintained based on average monthly balances of the aggregate of deposits with the NBRK and physical cash. The use of such funds is, therefore, subject to certain restrictions and excluded from cash and cash equivalents.

### 13 Financial instruments at fair value through profit or loss

	<b>2011</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
<b>Held by the Bank</b>		
<b>ASSETS</b>		
<b>Debt and other fixed-income instruments</b>		
<b>Government bonds</b>		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	158,781	160,312
<b>Total government bonds</b>	<b>158,781</b>	<b>160,312</b>
<b>Equity instruments</b>		
JSC Kazakhtelecom	28,114	27,849
<b>Total equity instruments</b>	<b>28,114</b>	<b>27,849</b>
	<b>186,895</b>	<b>188,161</b>

None of the financial instruments at fair value through profit or loss are past due or impaired.

### 14 Loans to customers

	<b>2011</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
<b>Loans to corporate customers</b>	<b>69,485,271</b>	<b>37,452,551</b>
<b>Loans to retail customers</b>		
Consumer loans	414,667	3,797,206
Mortgage loans	382,964	462,523
JSC Damu program	253,942	162,392
Auto loans	31,783	66,991
Credit cards	24,124	4,196
Other	97,674	48,374
<b>Total loans to retail customers</b>	<b>1,205,154</b>	<b>4,541,682</b>
<b>Gross loans to customers</b>	<b>70,690,425</b>	<b>41,994,233</b>
Impairment allowance	(3,700,824)	(837,834)
<b>Net loans to customers</b>	<b>66,989,601</b>	<b>41,156,399</b>

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2011 are as follows:

	<b>Loans to corporate customers</b>	<b>Loans to retail customers</b>	<b>Total</b>
	<b>KZT'000</b>	<b>KZT'000</b>	<b>KZT'000</b>
Balance at the beginning of the year	650,362	187,472	837,834
Net charge (recovery)	3,233,695	(157,612)	3,076,083
Write-offs	(809,444)	(138,097)	(947,541)
Recoveries	479,864	254,938	734,802
Effect of foreign currency translation	(355)	1	(354)
<b>Balance at the end of the year</b>	<b>3,554,122</b>	<b>146,702</b>	<b>3,700,824</b>

## 14 Loans to customers, continued

Movements in the loan impairment allowance by classes of loans to customers for the year ended 31 December 2010 are as follows:

	<b>Loans to corporate customers KZT'000</b>	<b>Loans to retail customers KZT'000</b>	<b>Total KZT'000</b>
Balance at the beginning of the year	711,922	287,715	999,637
Net charge	1,178,101	531,086	1,709,187
Write-offs	(1,239,661)	(631,329)	(1,870,990)
<b>Balance at the end of the year</b>	<b>650,362</b>	<b>187,472</b>	<b>837,834</b>

### (a) Credit quality of the loans to corporate customers

The following table provides information on the credit quality of the loans to corporate customers portfolio as at 31 December 2011:

	<b>Gross loans KZT'000</b>	<b>Impairment KZT'000</b>	<b>Net loans KZT'000</b>	<b>Impairment to gross loans %</b>
<b>Loans to corporate customers</b>				
Loans without individual signs of impairment	65,976,573	(2,186,171)	63,790,402	3.3
<b>Impaired loans:</b>				
Individually assessed	3,508,698	(1,367,951)	2,140,747	39.0
<b>Total impaired loans</b>	<b>3,508,698</b>	<b>(1,367,951)</b>	<b>2,140,747</b>	<b>39.0</b>
<b>Total loans to corporate customers</b>	<b>69,485,271</b>	<b>(3,554,122)</b>	<b>65,931,149</b>	<b>5.1</b>

The following table provides information on the credit quality of the loans to corporate customers portfolio as at 31 December 2010:

	<b>Gross loans KZT '000</b>	<b>Impairment KZT'000</b>	<b>Net loans KZT'000</b>	<b>Impairment to gross loans %</b>
<b>Loans to corporate customers</b>				
Loans without individual signs of impairment	32,794,292	(88,492)	32,705,800	0.3
<b>Impaired loans:</b>				
Individually assessed	4,658,259	(561,870)	4,096,389	12.1
<b>Total impaired loans</b>	<b>4,658,259</b>	<b>(561,870)</b>	<b>4,096,389</b>	<b>12.1</b>
<b>Total loans to corporate customers</b>	<b>37,452,551</b>	<b>(650,362)</b>	<b>36,802,189</b>	<b>1.7</b>

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and which can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment for loans to corporate customers include the following:

- overdue payments under the loan agreement
- significant difficulties in the financial conditions of the borrower
- deterioration in business environment, negative changes in the borrower's markets.

The Bank estimated loan impairment for loans to corporate customers based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

## 14 Loans to customers, continued

### (a) Credit quality of the loans to corporate customers, continued

In determining the impairment allowance for loans to corporate customers, management made the following key assumptions:

- the collective impairment allowance is based on historic loss rates;
- a discount of between 20% and 40% to the annually appraised value if the property pledged is sold;
- a delay of 12 to 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the loan impairment allowance on loans to corporate customers as at 31 December 2011 would be KZT 659,311 thousand higher/lower (2010: KZT 368,022 thousand).

#### *Analysis of collateral*

The following table provides information on collateral securing loans to corporate customers, net of impairment, by types of collateral as at 31 December 2011 and 2010:

	<b>31 December 2011 KZT'000</b>	<b>% of loan portfolio</b>	<b>31 December 2010 KZT'000</b>	<b>% of loan portfolio</b>
Deposits	33,513,188	50.8	293,891	0.8
Inventories	20,365,688	30.9	16,394,509	44.5
Pledged contract receivables	6,735,974	10.2	11,853,877	32.2
Real estate	3,771,310	5.7	6,064,699	16.5
Guarantees	810,902	1.2	107,598	0.3
Other collateral	725,952	1.1	158,307	0.4
Motor vehicles	8,135	0.1	613,708	1.7
No collateral	-	-	1,315,600	3.6
<b>Total</b>	<b>65,931,149</b>	<b>100.00</b>	<b>36,802,189</b>	<b>100.0</b>

The amounts shown in the table above represent the carrying value of the loans, and do not necessarily represent the fair value of collateral.

For loans with a net carrying amount of KZT 2,140,747 thousand (2010: KZT 4,096,389 thousand) management believes that the fair value of collateral is at least equal to their net carrying amounts of individual loans at the reporting date.

For remaining loans to corporate customers with a net carrying amount of KZT 63,790,402 thousand (2010: KZT 32,705,800 thousand), which are neither past due nor impaired, the fair value of collateral was estimated at the inception of the loans and was not adjusted for subsequent changes to the reporting date. The recoverability of these loans is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the current value of the collateral does not impact the impairment assessment.

During the year ended 31 December 2011, the Bank obtained certain assets by taking possession of collateral for loans to corporate customers. As at 31 December 2011, the carrying amount of such assets was KZT 20,685 thousand (2010: KZT 1,633 thousand). The Bank's policy is to dispose of these assets as soon as it is practicable.

## 14 Loans to customers, continued

### (b) Credit quality of loans to retail customers

The following table provides information on the credit quality of loans to retail customers as at 31 December 2011:

	<b>Gross loans KZT'000</b>	<b>Impairment KZT'000</b>	<b>Net loans KZT'000</b>	<b>Impairment to gross loans, %</b>
<b>Consumer loans</b>				
- Not past due	219,094	(880)	218,214	0.4
- Overdue less than 30 days	57,763	(717)	57,046	1.2
- Overdue 90-179 days	61,156	(51,223)	9,933	83.8
- Overdue 180-360 days	76,654	(65,083)	11,571	84.9
<b>Total consumer loans</b>	<b>414,667</b>	<b>(117,903)</b>	<b>296,764</b>	<b>28.4</b>
<b>Other loans</b>				
- Not past due	703,326	(4,408)	698,918	0.6
- Overdue less than 30 days	54,800	(1,722)	53,078	3.1
- Overdue 30-89 days	8,707	(2,650)	6,057	30.4
- Overdue 90-179 days	2,241	(1,897)	344	84.6
- Overdue 180-360 days	21,413	(18,122)	3,291	84.6
<b>Total other loans</b>	<b>790,487</b>	<b>(28,799)</b>	<b>761,688</b>	<b>3.6</b>
<b>Total loans to individuals</b>	<b>1,205,154</b>	<b>(146,702)</b>	<b>1,058,452</b>	<b>12.2</b>

The following table provides information on the credit quality of loans to retail customers as at 31 December 2010:

	<b>Gross loans KZT'000</b>	<b>Impairment KZT'000</b>	<b>Net loans KZT'000</b>	<b>Impairment to gross loans, %</b>
<b>Consumer loans</b>				
- Not past due	3,238,407	(43,384)	3,195,023	1.3
- Overdue less than 30 days	381,839	(192)	381,647	0.1
- Overdue 30-89 days	134,240	(32,390)	101,850	24.1
- Overdue 90-179 days	15,062	(15,062)	-	100.0
- Overdue 180-360 days	1,939	(1,902)	37	98.1
- overdue more than 360 days	25,719	(25,719)	-	100.0
<b>Total consumer loans</b>	<b>3,797,206</b>	<b>(118,649)</b>	<b>3,678,557</b>	<b>3.1</b>
<b>Other loans</b>				
- Not past due	654,011	(5,246)	648,765	0.8
- Overdue less than 30 days	15,279	-	15,279	-
- Overdue 30-89 days	15,247	(6,667)	8,580	43.7
- Overdue 90-179 days	30,401	(27,372)	3,029	90.0
- Overdue 180-360 days	29,538	(29,538)	-	100.0
<b>Total other loans</b>	<b>744,476</b>	<b>(68,823)</b>	<b>675,653</b>	<b>9.2</b>
<b>Total loans to individuals</b>	<b>4,541,682</b>	<b>(187,472)</b>	<b>4,354,210</b>	<b>4.1</b>

The Bank estimates loan impairment based on its past historical loss experience on these types of loans. The significant assumptions used by management in determining the impairment losses for loans to retail customers include: loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 12 months.

## 14 Loans to customers, continued

### (b) Credit quality of the loans to retail customers, continued

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus three percent, the loan impairment on loans to individuals as of 31 December 2011 would be KZT 31,754 thousand lower/higher (31 December 2010: KZT 130,626 thousand).

#### *Analysis of collateral*

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying cars. Credit card overdrafts and consumer loans are mostly not secured.

### (c) Industry and geographical analysis of the loan portfolio

Loans to customers are issued primarily to customers located within the Republic of Kazakhstan, who operate in the following economic sectors:

	<b>2011</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
Agriculture, forestry and timber	36,016,506	17,451,218
Manufacturing	14,724,365	3,686,525
Construction	10,716,378	2,898,125
Services	3,199,596	1,236,804
Trade	2,840,483	5,490,634
Loans to individuals	1,205,154	4,324,757
Mining/metallurgy	1,123,047	1,736,091
Real estate	648,681	65,030
Transport services	216,215	638,974
Energy	-	2,425,935
Finance	-	2,001,000
Hotels and restaurants	-	1,754
Other	-	37,386
	<b>70,690,425</b>	<b>41,994,233</b>
Impairment allowance	(3,700,824)	(837,834)
	<b>66,989,601</b>	<b>41,156,399</b>

### (d) Significant credit exposures

As at 31 December 2011 the Bank has 18 borrowers or groups of connected borrowers (2010: 15), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2011 is KZT 54,608,107 thousand (2010: KZT 24,523,533 thousand).

**15 Available-for-sale financial assets**

	<b>2011</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
<b>Held by the Bank</b>		
<b>- Government instruments</b>		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	6,507,387	3,881,816
Notes of the NBRK	1,997,814	299,548
<b>Total government instruments</b>	<b>8,505,201</b>	<b>4,181,364</b>
<b>- Corporate bonds</b>		
Rated B+		
JSC Kazakhstan Mortgage Company	30,310	28,134
JSC Kazcat	-	3
<b>Total corporate bonds</b>	<b>30,310</b>	<b>28,137</b>
<b>Equity investments</b>		
<b>- Corporate shares</b>		
JSC Kazakhstan Stock Exchange	2,200	2,200
JSC CNPC-Aktobemunaigas	-	11,500
<b>Total corporate shares</b>	<b>2,200</b>	<b>13,700</b>
	<b>8,537,711</b>	<b>4,223,201</b>
<b>Pledged under sale and repurchase agreements</b>		
<b>- Government bonds</b>		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	-	1,439,948
<b>Total pledged under sale and repurchase agreement</b>	<b>-</b>	<b>1,439,948</b>
	<b>8,537,711</b>	<b>5,663,149</b>

**Investments without a determinable fair value**

Available-for-sale investments stated at cost comprise unquoted equity securities in JSC Kazakhstan Stock Exchange. There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value.

**16 Held-to-maturity investments**

	<b>2011</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
<b>Held by the Bank</b>		
<b>- Government instruments</b>		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	2,156,380	535,101
Notes of the NBRK	-	298,975
<b>Total government instruments</b>	<b>2,156,380</b>	<b>834,076</b>
<b>- Corporate bonds</b>		
JSC Halyk Savings Bank of Kazakhstan	132,574	132,999
JSC Bank CenterCredit	118,533	118,224
<b>Total corporate bonds</b>	<b>251,107</b>	<b>251,223</b>
	<b>2,407,487</b>	<b>1,085,299</b>
<b>Pledged under sale and repurchase agreements</b>		
<b>- Government bonds</b>		
Bonds issued by the Ministry of Finance of the Republic of Kazakhstan	-	1,597,917
<b>Total pledged under sale and repurchase agreements</b>	<b>-</b>	<b>1,597,917</b>
	<b>2,407,487</b>	<b>2,683,216</b>

**17 Property and equipment and intangible assets**

<b>KZT'000</b>	<b>Land and buildings</b>	<b>Computer equipment</b>	<b>Leasehold improvements</b>	<b>Vehicles</b>	<b>Other</b>	<b>Computer software</b>	<b>Total</b>
<b>Cost/revalued amount</b>							
Balance at 1 January 2011	264,916	146,301	29,547	38,581	252,476	82,514	814,335
Additions	49,441	11,116	4,215	35,747	17,411	16,437	134,367
Disposals	(80,930)	(9,739)	-	(19,530)	(18,007)	(278)	(128,484)
Transfer	-	420	-	-	(420)	-	-
<b>Balance at 31 December 2011</b>	<b>233,427</b>	<b>148,098</b>	<b>33,762</b>	<b>54,798</b>	<b>251,460</b>	<b>98,673</b>	<b>820,218</b>
<b>Depreciation and amortisation</b>							
Balance at 1 January 2011	-	129,091	6,489	-	120,238	-	255,818
Depreciation and amortization for the year	24,038	11,465	7,487	9,532	38,232	49,710	140,464
Disposals	(4,291)	(9,734)	-	(2,481)	(17,873)	(57)	(34,436)
Transfer	-	420	-	-	(420)	-	-
<b>Balance at 31 December 2011</b>	<b>19,747</b>	<b>131,242</b>	<b>13,976</b>	<b>7,051</b>	<b>140,177</b>	<b>49,653</b>	<b>361,846</b>
<b>Carrying value</b>							
<b>At 31 December 2011</b>	<b>213,680</b>	<b>16,856</b>	<b>19,786</b>	<b>47,747</b>	<b>111,283</b>	<b>49,020</b>	<b>458,372</b>

**17 Property and equipment and intangible assets, continued**

<b>KZT'000</b>	<b>Land and buildings</b>	<b>Computer equipment</b>	<b>Leasehold improvements</b>	<b>Vehicles</b>	<b>Other</b>	<b>Computer software</b>	<b>Total</b>
<b>Cost</b>							
Balance at 1 January 2010	333,776	139,689	80,125	62,259	247,183	162,023	1,025,055
Additions	7,540	13,637	23,086	1,294	13,011	12,439	71,007
Disposals	-	(7,025)	(73,664)	(13,555)	(6,895)	(17,919)	(119,058)
Revaluation	70,609	-	-	12,541	-	38,129	121,279
Impairment	(86,441)	-	-	-	-	(6,162)	(92,603)
Offset of accumulated depreciation on revaluation	(61,391)	-	-	(23,958)	-	(105,996)	(191,345)
Transfer	823	-	-	-	(823)	-	-
<b>Balance at 31 December 2010</b>	<b>264,916</b>	<b>146,301</b>	<b>29,547</b>	<b>38,581</b>	<b>252,476</b>	<b>82,514</b>	<b>814,335</b>
<b>Depreciation and amortisation</b>							
Balance at 1 January 2010	32,824	100,320	71,154	26,493	88,051	100,774	419,616
Depreciation and amortisation for the year	28,349	35,793	8,999	8,972	35,972	23,141	141,226
Disposals	-	(7,022)	(73,664)	(11,507)	(3,568)	(17,919)	(113,680)
Offset of accumulated depreciation on revaluation	(61,391)	-	-	(23,958)	-	(105,996)	(191,345)
Transfer	218	-	-	-	(218)	-	-
<b>Balance at 31 December 2010</b>	<b>-</b>	<b>129,091</b>	<b>6,489</b>	<b>-</b>	<b>120,238</b>	<b>-</b>	<b>255,817</b>
<b>Carrying value</b>							
<b>At 31 December 2010</b>	<b>264,916</b>	<b>17,210</b>	<b>23,058</b>	<b>38,581</b>	<b>132,239</b>	<b>82,514</b>	<b>558,518</b>

There are no capitalised borrowing costs related to the acquisition of property and equipment during 2011 (2010: nil).

## 17 Property and equipment and intangible assets, continued

### Revalued assets

At 31 December 2010 land, buildings, vehicles and computer software were revalued based on the results of an independent appraisal performed by American Appraisal LLC.

The basis used for the appraisals was market and income capitalisation approach.

The market approach was based upon an analysis of the results of comparable sales of similar buildings.

The following key assumptions were used in applying the income capitalisation approach:

- Rental rates per square meter were USD 120-264, depending on the location and class
- Occupancy rate was 95%
- Operating expenses were in the range of 10%-20% of revenue from rent
- Capitalisation rate was in the range from 10% to 16%.

The values assigned to the key assumptions represented management's assessment of future business trends and were based on both external sources and internal sources of information.

In management's view no significant changes in values occurred in 2011.

Changes in the estimates above could affect the value of the land, buildings, vehicles and computer equipment. For example, to the net present value of the estimated cash flows differs by plus (minus) two percent, the land, buildings, vehicles and computer equipment valuation as at 31 December 2010 would be KZT 25,075 thousand lower (KZT 35,843 thousand higher).

The carrying value of land, buildings, vehicles and computer equipment as at 31 December 2011, if these assets would not have been revalued, would be KZT 310,447 thousand (2010: KZT 357,337 thousand).

## 18 Other assets

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Other accounts receivable	9,569	4,674
Settlements with market maker	9,072	8,578
Commission accrued	5,824	2,025
Impairment allowance	-	(3,324)
<b>Total other financial assets</b>	<b>24,465</b>	<b>11,953</b>
Prepayments	32,203	37,988
Foreclosed property	20,685	1,633
Materials and supplies	3,696	6,468
Prepayment of tax other than income tax	10,090	3,096
<b>Total other non-financial assets</b>	<b>66,674</b>	<b>49,185</b>
<b>Total other assets</b>	<b>91,139</b>	<b>61,138</b>

## 18 Other assets, continued

### Analysis of movements in the impairment allowance

Movements in the impairment allowance for the year ended 31 December 2011 and 2010 are as follows:

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Balance at the beginning of the year	3,324	10,631
Net charge (recovery)	(4,869)	16,008
Recoveries (write-offs)	1,545	(23,315)
<b>Balance at the end of the year</b>	<b>-</b>	<b>3,324</b>

As at 31 December 2011, there are no overdue receivables (31 December 2010: KZT 3,324 thousand) for more than 90 days but less than one year included in other assets.

## 19 Due to banks

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Long-term loans received from financial organizations	675,980	506,426
Term deposits	400,414	1,643,952
	<b>1,076,394</b>	<b>2,150,378</b>

As at 31 December 2011 the Bank does not have any lenders (2010: one), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2011 is nil (2010: KZT 1,643,938 thousand).

## 20 Current accounts and deposits from customers

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Current accounts and demand deposits		
- Corporate	14,492,595	7,173,861
- Retail	850,765	1,660,689
Term deposits		
- Corporate	49,413,141	21,256,633
- Retail	5,457,139	3,745,451
	<b>70,213,640</b>	<b>33,836,634</b>

As at 31 December 2011, the Bank maintained customer deposit balances of KZT 34,286,844 thousand (2010: KZT 1,325,314 thousand) that serve as collateral for loans granted by the Bank.

As at 31 December 2011, the Bank has 6 customers (2010: 7 customers), whose balances exceeded 10% of equity. These balances as of 31 December 2011 are KZT 48,226,050 (2010: KZT 20,664,794 thousand).

## 21 Subordinated debt securities issued

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Par value	1,320,146	1,320,146
Discount	(16,608)	(35,513)
Accrued interest	36,837	29,672
	<b>1,340,375</b>	<b>1,314,305</b>

As at 31 December 2011 and 2010, subordinated debt securities comprise unsecured obligations of the Bank maturing in September 2012 and carry an annual interest rate of 10.8%. Interest rate on subordinated bonds is a floating interest rate tied up to the inflation rate, which is determined every 6 (six) months (inflation rate +2%).

In case of bankruptcy, the repayment of the subordinated borrowings will be made after repayment in full of all other liabilities of the Bank.

## 22 Other liabilities

	<b>2011</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
Deferred commissions on loans to customers	336,538	62,847
Other	22,956	12,150
Commission accrued	4,203	-
<b>Total other financial liabilities</b>	<b>363,697</b>	<b>74,997</b>
Taxes payable other than income tax	76,146	21,077
Vacation reserve	21,209	22,413
Other	13,564	907
<b>Total other non-financial liabilities</b>	<b>110,919</b>	<b>44,397</b>
<b>Total other liabilities</b>	<b>474,616</b>	<b>119,394</b>

## 23 Equity

### (a) Issued capital

During 2011 and 2010 the following ordinary shares were issued:

	<b>2011</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
Issued at KZT 3,100 per share	-	1,027,898
Issued at KZT 1,500 per share	3,471,903	3,000,000
<b>Total issued and outstanding share capital</b>	<b>3,471,903</b>	<b>4,027,898</b>
<b>Treasury shares</b>	<b>(10,828)</b>	<b>(32,590)</b>
<b>Increase in share capital</b>	<b>3,461,075</b>	<b>3,994,988</b>

As at 31 December 2011, the authorised, issued and outstanding share capital comprises:

	<b>Authorised</b>	<b>Unplaced shares</b>	<b>Treasury shares</b>	<b>Total share</b>
	<b>shares</b>			<b>capital</b>
<b>Ordinary</b>				
<b>shares</b>	10,000,000	(685,398)	(40,465)	9,274,137

As at 31 December 2010, the authorised, issued and outstanding share capital comprises:

	<b>Authorised</b>	<b>Unplaced shares</b>	<b>Treasury shares</b>	<b>Total share</b>
	<b>shares</b>			<b>capital</b>
<b>Ordinary</b>				
<b>shares</b>	10,000,000	(3,000,000)	(32,590)	6,967,410

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

### (b) Dividends

In accordance with Kazakhstan legislation the Bank's distributable reserves are limited to the balance of retained earnings as recorded in the Bank's statutory financial statements prepared in accordance with IFRS or profit for the year if there is an accumulated loss brought forward.

### (c) Retained earnings

In 2011 the CFM NBRK issued a requirement for banks to disclose separately a component of their equity, representing the difference between financial asset impairment reserves calculated in accordance with the rules of the Financial Monitoring Supervising Agency, stated in FMSA decree #296 dated 25 December 2006, and impairment allowances calculated under International Financial Reporting Standards. As at 31 December 2011 the difference, which is included in retained earnings, amounted to KZT 313,162 thousand and relates primarily to impairment allowances in respect of loans to customers. Only the impairment allowances under International Financial Reporting Standards have been subject to audit.

## 24 Book value per share

Under the listing rules of the Kazakh Stock Exchange approved by the decision of the Stock Exchange Council dated 25 August 2010, the Bank should present book value per share in its Statement of Financial Position. The calculation of book value per share as at 31 December 2011 is based on number of outstanding common shares of 9,274,137 (31 December 2010: 6,967,410) and net assets of KZT 15,846,598 (31 December 2010: 11,521,817) calculated as follows:

	<b>31 December 2011 KZT'000</b>	<b>31 December 2010 KZT'000</b>
Total assets	89,000,643	51,897,340
Intangible assets	(49,020)	(82,514)
Total liabilities	(73,105,025)	(40,293,009)
<b>Net assets</b>	<b>15,846,598</b>	<b>11,521,817</b>

The following table shows the book value per share calculations:

	<b>31 December 2011 KZT'000</b>	<b>31 December 2010 KZT'000</b>
Net assets	15,846,598	11,521,817
Outstanding number of participating shares at the year end	9,274,137	6,967,410
<b>Book value per share, KZT</b>	<b>1,709</b>	<b>1,654</b>

## 25 Earnings per share

The calculation of basic earnings per share as at 31 December 2011 is based on the profit attributable to ordinary shareholders of KZT 793,328 thousand (2010: KZT 128,128 thousand), and a weighted average number of ordinary shares outstanding of 6,978,171 (2010: 4,960,295) calculated as follows:

	<b>31 December 2011</b>	<b>31 December 2010</b>
Issued ordinary shares at the beginning of the year	6,967,410	4,655,095
Effect of shares repurchased/issued during the year	10,761	305,200
<b>Weighted average number of ordinary shares</b>	<b>6,978,171</b>	<b>4,960,295</b>

The following table shows the profit for the year and share data used in the basic and diluted earnings per share calculations:

	<b>31 December 2011 KZT'000</b>	<b>31 December 2010 KZT'000</b>
Net profit attributable to ordinary shareholders	793,328	128,128
Weighted average number of ordinary shares for basic earnings per share	6,978,171	4,960,295
<b>Basic and diluted earnings per share, in KZT</b>	<b>114</b>	<b>26</b>

There are no potentially dilutive shares for the year ended 31 December 2011 (2010: nil).

## 26 Risk management

Management of risk is fundamental to the business of banking and is an essential element of the Bank's operations. The major risks faced by the Bank are those related to market risk, credit risk and liquidity risk.

### (a) Risk management policies and procedures

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

## 26 Risk management, continued

### (a) Risk management policies and procedures, continued

The Board of Directors of the Bank has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

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

Credit, market and liquidity risks both at portfolio and transactional levels are managed and controlled through a system of various committees.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identify the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Valuation Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

### (b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the Asset and Liability Committee (ALCO). Market risk limits are approved by ALCO based on recommendations of the Risk Valuation Department.

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

In addition, the Bank uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Bank's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Bank include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The management of interest rates risk by monitoring interest rate gaps is supplemented by monitoring the sensitivity of the Bank's net interest margin to various standard and non-standard interest rate scenarios.

### (i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements occur.

**26 Risk management, continued****(b) Market risk, continued****(i) Interest rate risk, continued****Interest rate gap analysis**

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

<b>KZT'000</b>	<b>Less than 3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Carrying amount</b>
<b>31 December 2011</b>						
<b>ASSETS</b>						
Financial instruments at fair value through profit or loss	-	-	-	158,781	-	158,781
Loans to customers	25,934,946	1,947,084	34,098,740	3,721,745	1,287,086	66,989,601
Available-for-sale financial assets	2,597,512	1,937,154	-	3,656,170	344,675	8,535,511
Held-to-maturity investments	-	251,108	-	2,156,379	-	2,407,487
	<b>28,532,458</b>	<b>4,135,346</b>	<b>34,098,740</b>	<b>9,693,075</b>	<b>1,631,761</b>	<b>78,091,380</b>
<b>LIABILITIES</b>						
Due to banks	-	400,400	-	371,400	304,594	1,076,394
Current accounts and deposits from customers	5,316,135	7,323,490	35,689,589	6,540,323	743	54,870,280
Subordinated borrowings	1,340,375	-	-	-	-	1,340,375
	<b>6,656,510</b>	<b>7,723,890</b>	<b>35,689,589</b>	<b>6,911,723</b>	<b>305,337</b>	<b>57,287,049</b>
	<b>21,875,948</b>	<b>(3,588,544)</b>	<b>(1,590,849)</b>	<b>2,781,352</b>	<b>1,326,424</b>	<b>20,804,331</b>

**26 Risk management, continued****(b) Market risk, continued****(i) Interest rate risk, continued****Interest rate gap analysis, continued**

<b>KZT'000</b>	<b>Less than 3 months</b>	<b>3-6 months</b>	<b>6-12 months</b>	<b>1-5 years</b>	<b>More than 5 years</b>	<b>Carrying amount</b>
<b>31 December 2010</b>						
<b>ASSETS</b>						
Financial instruments at fair value through profit or loss	-	-	-	160,312	-	160,312
Loans to customers	23,588,369	8,328,544	2,697,929	4,067,898	2,473,659	41,156,399
Available-for-sale financial assets	1,726,903	795,949	689,442	2,437,155	-	5,649,449
Held-to-maturity investments	-	251,223	-	2,133,018	-	2,384,241
	<b>25,315,272</b>	<b>9,375,716</b>	<b>3,387,371</b>	<b>8,798,383</b>	<b>2,473,659</b>	<b>49,350,401</b>
<b>LIABILITIES</b>						
Due to banks	1,643,952	-	-	263,991	242,435	2,150,378
Amounts payable under repurchase agreement	2,846,005	-	-	-	-	2,846,005
Current accounts and deposits from customers	10,321,164	8,270,600	1,510,695	7,019,204	18,322	27,139,985
Subordinated borrowings	1,314,305	-	-	-	-	1,314,305
	<b>16,125,426</b>	<b>8,270,600</b>	<b>1,510,695</b>	<b>7,283,195</b>	<b>260,757</b>	<b>33,450,673</b>
	<b>9,189,846</b>	<b>1,105,116</b>	<b>1,876,676</b>	<b>1,515,188</b>	<b>2,212,902</b>	<b>15,899,728</b>

**26 Risk management, continued****(b) Market risk, continued****(i) Interest rate risk, continued****Average interest rates**

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2011 and 2010.

	2011			2010		
	Average effective interest rate, %			Average effective interest rate, %		
	KZT	USD	Other currencies	KZT	USD	Other currencies
<b>Interest bearing assets</b>						
Financial instruments at fair value through profit or loss	4.3	-	-	8.2	-	-
Loans to customers	14.2	17.7	-	16.9	11.9	17.5
Available-for-sale financial assets	3.7	-	-	3.1	-	-
Held-to-maturity investments	4.7	-	-	5.3	-	-
<b>Interest bearing liabilities</b>						
Amounts payable under repurchase agreements	-	-	-	0.5	-	-
Due to banks						
- Term deposits	7.8	-	-	9.6	-	-
Current accounts and deposits from customers						
- Current accounts and demand deposits	0.8	-	-	0.7	-	-
- Term deposits	7.4	8.6	7.7	8.8	6.9	8.8
Subordinated borrowings	10.8	-	-	10.6	-	-

## 26 Risk management, continued

### (b) Market risk, continued

#### (i) Interest rate risk, continued

##### *Interest rate sensitivity analysis*

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rate repricing risk based on a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2011 and 2010 is as follows:

	31 December 2011		31 December 2010	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel increase	110,538	110,538	56,161	56,161
100 bp parallel decrease	(110,538)	(110,538)	(56,161)	(56,161)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value through profit or loss and financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2011 and 2010 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	31 December 2011		31 December 2010	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
100 bp parallel increase	(2,974)	(87,685)	(3,748)	(68,882)
100 bp parallel decrease	3,065	83,546	4,026	71,259

**26 Risk management, continued****(b) Market risk, continued****(ii) Currency risk**

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

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

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2011:

	<b>KZT</b> <b>KZT'000</b>	<b>USD</b> <b>KZT'000</b>	<b>Euro</b> <b>KZT'000</b>	<b>Others</b> <b>KZT'000</b>	<b>Total</b> <b>KZT'000</b>
<b>ASSETS</b>					
Cash and cash equivalents	6,409,089	1,413,864	394,646	5,925	8,223,524
Placements with banks	2,075,172	-	-	-	2,075,172
Financial instruments at fair value through profit or loss	186,895	-	-	-	186,895
Loans to customers	66,611,501	378,100	-	-	66,989,601
Available-for-sale financial assets	8,537,711	-	-	-	8,537,711
Held-to-maturity investments	2,407,487	-	-	-	2,407,487
Other financial assets	24,162	303	-	-	24,465
<b>Total assets</b>	<b>86,252,017</b>	<b>1,792,267</b>	<b>394,646</b>	<b>5,925</b>	<b>88,444,855</b>
<b>LIABILITIES</b>					
Due to banks	1,076,394	-	-	-	1,076,394
Current accounts and deposits from customers	67,944,692	1,867,446	395,326	6,176	70,213,640
Subordinated debt securities issued	1,340,375	-	-	-	1,340,375
Other financial liabilities	363,016	634	-	47	363,697
<b>Total liabilities</b>	<b>70,724,477</b>	<b>1,868,080</b>	<b>395,326</b>	<b>6,223</b>	<b>72,994,106</b>
<b>Net position</b>	<b>15,527,540</b>	<b>(75,813)</b>	<b>(680)</b>	<b>(298)</b>	<b>15,450,749</b>

**26 Risk management, continued****(b) Market risk, continued****(ii) Currency risk, continued**

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

	<b>KZT KZT'000</b>	<b>USD KZT'000</b>	<b>Euro KZT'000</b>	<b>Others KZT'000</b>	<b>Total KZT'000</b>
<b>ASSETS</b>					
Cash and cash equivalents	811,072	141,370	71,850	4,830	1,029,122
Placements with banks	523,917	33,720	-	-	557,637
Financial instruments at fair value through profit or loss	188,161	-	-	-	188,161
Loans to customers	39,210,808	1,709,335	236,256	-	41,156,399
Available-for-sale financial assets	5,663,149	-	-	-	5,663,149
Held-to-maturity investments	2,683,216	-	-	-	2,683,216
Other financial assets	11,953	-	-	-	11,953
<b>Total assets</b>	<b>49,092,276</b>	<b>1,884,425</b>	<b>308,106</b>	<b>4,830</b>	<b>51,289,637</b>
<b>LIABILITIES</b>					
Due to banks	2,150,378	-	-	-	2,150,378
Amounts payable under repurchase agreements	2,846,066	-	-	-	2,846,066
Current accounts and deposits from customers	31,658,557	1,866,905	310,089	1,083	33,836,634
Subordinated debt securities issued	1,314,305	-	-	-	1,314,305
Other financial liabilities	74,997	-	-	-	74,997
<b>Total liabilities</b>	<b>38,044,303</b>	<b>1,866,905</b>	<b>310,089</b>	<b>1,083</b>	<b>40,222,380</b>
<b>Net position</b>	<b>11,047,973</b>	<b>17,520</b>	<b>(1,983)</b>	<b>3,747</b>	<b>11,067,257</b>

## 26 Risk management, continued

### (b) Market risk, continued

#### (ii) Currency risk, continued

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2011 and 2010 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Bank considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

	2011 KZT'000	2010 KZT'000
10% appreciation of USD against KZT	(6,065)	1,402
10% appreciation of EUR against KZT	(54)	(159)

A strengthening of the KZT against the above currencies at 31 December 2011 and 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

#### (iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Bank takes a long or short position in a financial instrument.

An analysis of sensitivity of profit or loss and equity to changes in securities prices based on positions existing as at 31 December 2011 and 2010 and a simplified scenario of a 5% change in all securities prices is as follows:

	2011		2010	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
5% increase in securities prices	1,406	1,406	1,662	1,662
5% decrease in securities prices	(1,406)	(1,406)	(1,662)	(1,662)

### (c) Credit risk

Credit risk is the risk of financial loss to the Bank if the customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Management Board.

The Bank's credit policy establishes:

- procedures for review and approval of loan/credit applications
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the credit assessment of counterparties
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

## 26 Risk management, continued

### (c) Credit risk, continued

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Credit Department, which is responsible for the Bank's corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Risk Valuation Department and a second opinion is given accompanied by a verification that credit policy requirements are met. The Credit Committee reviews the loan credit application on the basis of submissions by the Credit Department and the Risk Valuation Department. Individual transactions are also reviewed by the Bank's Legal, Tax and Accounting Department and pending final approval of the Credit Committee.

The Bank continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank.

Apart from individual customer analysis, the credit portfolio is assessed by the Risk Valuation Department with regard to credit concentration and market risks.

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

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	<b>2011</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
<b>ASSETS</b>		
Cash equivalents	7,996,254	844,176
Placements with banks	2,075,172	557,637
Financial instruments at fair value through profit or loss	186,895	188,161
Loans to customers	66,989,601	41,156,399
Available-for-sale financial assets	8,537,711	5,663,149
Held-to-maturity investments	2,407,487	2,683,216
Other financial assets	24,465	11,953
<b>Total maximum exposure</b>	<b>88,217,585</b>	<b>51,104,691</b>

The Bank holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired.

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

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 28.

## 26 Risk management, continued

### (d) Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

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

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

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring balance sheet liquidity ratios against regulatory requirements.

The Treasury Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury Department. Under the normal market conditions, liquidity reports covering the liquidity position of the Bank are presented to senior management on a weekly basis. Decisions on liquidity management are made by the ALCO and implemented by the Treasury Department.

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirement of the Committee on Regulation and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (CFM NBRK). The Bank was in compliance with these ratios as at 31 December 2011 and 2010.

The following tables show the undiscounted cash flows on financial assets and liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial assets, liability or commitment. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee can be called.

## 26 Risk management, continued

### (d) Liquidity risk, continued

The maturity analysis for financial liabilities as at 31 December 2011 as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount	Carrying amount
<b>Liabilities</b>							
Due to banks	-	-	412,000	-	893,743	1,305,743	1,076,394
Current accounts and deposits from customers	18,881,493	1,810,387	7,486,292	37,837,931	8,105,884	74,121,987	70,213,640
Subordinated debt securities issued	-	-	-	1,446,119	-	1,446,119	1,340,375
Other financial liabilities	-	-	-	363,697	-	363,697	363,697
<b>Total liabilities</b>	<b>18,881,493</b>	<b>1,810,387</b>	<b>7,898,292</b>	<b>39,647,747</b>	<b>8,999,627</b>	<b>77,237,546</b>	<b>72,994,106</b>
<b>Credit related commitments</b>	<b>10,922,120</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,922,120</b>	<b>10,922,120</b>

The maturity analysis for financial liabilities as at 31 December 2010 as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total gross amount	Carrying amount
<b>Liabilities</b>							
Due to banks	16	1,643,970	48	96	705,180	2,349,310	2,150,378
Amounts payable under repurchase agreements	2,846,387	-	-	-	-	2,846,387	2,846,066
Current accounts and deposits from customers	14,290,200	2,423,617	9,115,813	1,854,650	8,693,966	36,378,246	33,836,634
Subordinated debt securities issued	9,571	19,142	28,713	57,426	1,402,359	1,517,211	1,314,305
Other financial liabilities	-	-	-	74,997	-	74,997	74,997
<b>Total liabilities</b>	<b>17,146,174</b>	<b>4,086,729</b>	<b>9,144,574</b>	<b>1,987,169</b>	<b>10,801,505</b>	<b>43,166,151</b>	<b>40,222,380</b>
<b>Credit related commitments</b>	<b>3,861,010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,861,010</b>	<b>3,861,010</b>

In accordance with Kazakhstan legislation, individuals can withdraw their term deposits at any time, forfeiting in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates. The amount of such deposits, by each time band, is as follows:

- less than 3 months: KZT 118,647 thousand (2010: KZT 198,654 thousand);
- from 3 to 6 months: KZT 194,125 thousand (2010: KZT 456,755 thousand);
- from 6 to 12 months: KZT 367,555 thousand (2010: KZT 383,171 thousand);
- more than 1 year: KZT 4,776,812 thousand (2010: KZT 2,706,871 thousand).

## 26 Risk management, continued

### (d) Liquidity risk, continued

The table below shows an analysis, by expected maturities, of the amounts recognised in the statement of financial position as at 31 December 2011:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
<b>Non-derivative assets</b>								
Cash and cash equivalents	8,223,524	-	-	-	-	-	-	8,223,524
Placements with banks	1,773,859	-	301,313	-	-	-	-	2,075,172
Financial instruments at fair value through profit or loss	-	-	-	158,781	-	28,114	-	186,895
Loans to customers	10,692,958	15,101,600	36,045,824	3,721,745	1,287,086	-	140,388	66,989,601
Available-for-sale financial assets	1,199,569	1,397,943	1,906,844	3,686,480	344,675	2,200	-	8,537,711
Held-to-maturity investments	-	-	-	2,407,487	-	-	-	2,407,487
Property, equipment and intangible assets	-	-	-	-	-	458,372	-	458,372
Deferred tax assets	-	-	-	-	30,742	-	-	30,742
Other assets	-	-	-	-	-	91,139	-	91,139
<b>Total assets</b>	<b>21,889,910</b>	<b>16,499,543</b>	<b>38,253,981</b>	<b>9,974,493</b>	<b>1,662,503</b>	<b>579,825</b>	<b>140,388</b>	<b>89,000,643</b>
<b>Non-derivative liabilities</b>								
Due to banks	-	-	400,400	371,400	304,594	-	-	1,076,394
Current accounts and deposits from customers	18,864,308	1,795,187	43,013,079	6,540,323	743	-	-	70,213,640
Subordinated debt securities issued	-	-	1,340,375	-	-	-	-	1,340,375
Other liabilities	-	-	-	-	-	474,616	-	474,616
<b>Total liabilities</b>	<b>18,864,308</b>	<b>1,795,187</b>	<b>44,753,854</b>	<b>6,911,723</b>	<b>305,337</b>	<b>474,616</b>	<b>-</b>	<b>73,105,025</b>
<b>Net position</b>	<b>3,025,602</b>	<b>14,704,356</b>	<b>(6,499,873)</b>	<b>3,062,770</b>	<b>1,357,166</b>	<b>105,209</b>	<b>140,388</b>	<b>15,895,618</b>

## 26 Risk management, continued

### (d) Liquidity risk, continued

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

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Overdue	Total
<b>Non-derivative assets</b>								
Cash and cash equivalents	1,029,122	-	-	-	-	-	-	1,029,122
Placements with banks	-	-	557,637	-	-	-	-	557,637
Financial instruments at fair value through profit or loss	-	-	-	160,313	-	27,848	-	188,161
Loans to customers	12,036,088	11,116,212	11,026,474	4,067,898	2,473,659	-	436,068	41,156,399
Available-for-sale financial assets	-	1,726,902	1,485,391	2,437,156	-	13,700	-	5,663,149
Held-to-maturity investments	-	298,975	-	2,164,403	219,838	-	-	2,683,216
Property, equipment and intangible assets	-	-	-	-	-	558,518	-	558,518
Other assets	-	-	53,037	-	-	8,101	-	61,138
<b>Total assets</b>	<b>13,065,210</b>	<b>13,142,089</b>	<b>13,122,539</b>	<b>8,829,770</b>	<b>2,693,497</b>	<b>608,167</b>	<b>436,068</b>	<b>51,897,340</b>
<b>Non-derivative liabilities</b>								
Due to banks	-	1,643,952	-	263,991	242,435	-	-	2,150,378
Amounts payable under repurchase agreements	2,846,066	-	-	-	-	-	-	2,846,066
Current accounts and deposits from customers	14,282,100	2,735,713	9,781,295	7,019,204	18,322	-	-	33,836,634
Subordinated debt securities issued	-	-	-	1,314,305	-	-	-	1,314,305
Deferred tax liability	-	-	3,708	-	-	-	-	3,708
Current tax liability	-	-	22,524	-	-	-	-	22,524
Other liabilities	-	-	119,394	-	-	-	-	119,394
<b>Total liabilities</b>	<b>17,128,166</b>	<b>4,379,665</b>	<b>9,926,921</b>	<b>8,597,500</b>	<b>260,757</b>	<b>-</b>	<b>-</b>	<b>40,293,009</b>
<b>Net position</b>	<b>(4,062,956)</b>	<b>8,762,424</b>	<b>3,195,618</b>	<b>232,270</b>	<b>2,432,740</b>	<b>608,167</b>	<b>436,068</b>	<b>11,604,331</b>

## **26 Risk management, continued**

### **(d) Liquidity risk, continued**

The Bank also calculates mandatory liquidity ratios on a daily basis in accordance with the requirements of the NBRK. The Bank was in compliance with these ratios during the years ended 31 December 2011 and 2010.

## **27 Capital management**

The CFM NBRK sets and monitors capital requirements for the Bank.

The Bank defines as capital those items defined by statutory regulation as capital for the second level banks and consists of Tier 1, Tier 2 and Tier 3 capital.

Banking operations are subdivided into operations with securities, foreign exchange, derivatives, granting of loans and guarantees, and risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature and reflecting an estimate of credit, market and other risks associated with each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for unrecognised contractual commitments, with some adjustments to reflect the more contingent nature of the potential losses.

Under the current requirement of FMSC NBRK the banks should maintain the ratio of tier 1 capital to total assets and the ratio of total capital, which is the sum of tier 1 capital, tier 2 and tier 3 capital to the credit risk weighted assets, contingencies and commitments reduced by the amount of total reserves (provisions) not included in the tier 1 capital calculation, contingent liabilities and commitments and liabilities calculated with due account of the market risk and operational risk, above the prescribed minimum level. As at 31 December 2011, this minimum ratio of tier 1 capital to total assets was 7% (2010: 6%); minimum ratio of tier 1 capital to the credit risk weighted assets, contingencies and commitments reduced by the amount of total reserves (provisions), assets, contingent liabilities and commitments and liabilities calculated with due account of the market risk and operational risk was 7% (2010: 6%); and minimum ratio of the total capital to the credit risk weighted assets, contingencies and commitments reduced by the amount of total reserves (provisions) not included in the tier 1 capital calculation, contingent liabilities and commitments and liabilities calculated with due account of the market risk and operational risk, was 14% (2010:12%). The Bank is in compliance with the statutory capital ratio during the years ended 31 December 2011 and 2010.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

## **28 Commitments**

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

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to 1 year.

The Bank applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

## 28 Commitments, continued

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	<u>2011</u> <u>KZT'000</u>	<u>2010</u> <u>KZT'000</u>
<b>Contracted amount</b>		
Guarantees and letters of credit	10,079,957	2,532,134
Loan and credit line commitments	<u>842,163</u>	<u>1,328,876</u>
	<u><b>10,922,120</b></u>	<u><b>3,861,010</b></u>

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded. The majority of loans and credit line commitments do not represent an unconditional commitment by the Bank.

Of these commitments, KZT 7,602,149 thousand are to four counterparties at 31 December 2011 (2010: KZT 1,613,750 thousand are to one counterparties). This exposure represents a significant credit risk exposure to the Bank.

## 29 Operating leases

The Bank leases a number of premises under cancellable operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals. During the current year KZT 502,116 thousand was recognised as an expense in profit or loss in respect of operating leases (2010: KZT 428,474 thousand).

## 30 Contingencies

### (a) Insurance

The insurance industry in the Republic of Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on Bank property or relating to operations. Until the Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

### (b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the Bank.

### (c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

### 30 Contingencies, continued

#### (c) Taxation contingencies, continued

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

### 31 Related party transactions

#### (a) Transactions with members of the Board of Directors and the Management Board

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

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
Members of the Board of Directors	20,202	1,900
Members of the Management Board	90,154	60,370
	<b>110,356</b>	<b>62,270</b>

The outstanding balances and average interest rates as of 31 December 2011 and 2010 for transactions with the members of the Board of Directors and the Management Board are as follows:

	<b>2011</b> <b>KZT'000</b>	<b>Average</b> <b>interest rate, %</b>	<b>2010</b> <b>KZT'000</b>	<b>Average</b> <b>interest rate, %</b>
<b>Statement of financial position</b>				
Current accounts and deposits from customers	7,553	-	636,743	9.3

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors and the Management Board for the year ended 31 December are as follows:

	<b>2011</b> <b>KZT'000</b>	<b>2010</b> <b>KZT'000</b>
<b>Profit or loss</b>		
Interest income	98	30
Interest expense	53,890	35,218

## 31 Related party transactions, continued

### (b) Transactions with other related parties

Other related parties include entities with shareholders in common, the Bank's shareholders and the relatives of key management personnel. The outstanding balances and the related average interest rates as at 31 December 2011 and 2010 and related statement of comprehensive income amounts of transactions for the year ended 31 December 2011 and 2010 with other related parties are as follows.

	2011		2010	
	Other		Other	
	Average interest rate, KZT'000	%	Average interest rate, KZT'000	%
<b>Statement of financial position</b>				
<b>Assets</b>				
Loans to customers	5,918	11.5	180,231	13.9
<b>Liabilities</b>				
Current accounts and deposits from customers	287,181	9.4	853,467	11.4
<b>Profit or loss</b>				
Interest income	117,105	-	16,364	-
Interest expense	(78,403)	-	(53,273)	-

## 32 Financial assets and liabilities: fair values and accounting classifications

### Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2011:

KZT'000	Trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	-	8,223,524	-	-	8,223,524	8,223,524
Placements with banks	-	-	2,075,172	-	-	2,075,172	2,075,172
Financial instruments at fair value through profit or loss	186,895	-	-	-	-	186,895	186,895
Loans to customers	-	-	66,989,601	-	-	66,989,601	67,142,206
Available-for-sale financial assets	-	-	-	8,537,711	-	8,537,711	8,537,711
Held-to-maturity investments	-	2,407,487	-	-	-	2,407,487	2,283,051
Other financial assets	-	-	-	-	24,465	24,465	24,465
	<b>186,895</b>	<b>2,407,487</b>	<b>77,288,297</b>	<b>8,537,711</b>	<b>24,465</b>	<b>88,444,855</b>	<b>88,473,024</b>
Due to banks	-	-	-	-	1,076,394	1,076,394	1,112,442
Current accounts and deposits from customers	-	-	-	-	70,213,640	70,213,640	68,916,409
Subordinated debt securities issued	-	-	-	-	1,340,375	1,340,375	1,346,247
Other financial liabilities	-	-	-	-	363,697	363,697	363,697
	-	-	-	-	<b>72,994,106</b>	<b>72,994,106</b>	<b>71,738,795</b>

## 32 Fair value of financial instruments, continued

### Accounting classifications and fair values, continued

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

<b>KZT'000</b>	<b>Trading</b>	<b>Held-to-maturity</b>	<b>Loans and receivables</b>	<b>Available-for-sale</b>	<b>Other amortised cost</b>	<b>Total carrying amount</b>	<b>Fair value</b>
Cash and cash equivalents	-	-	1,029,122	-	-	1,029,122	1,029,122
Placements with banks	-	-	557,637	-	-	557,637	557,637
Financial instruments at fair value through profit or loss	188,161	-	-	-	-	188,161	188,161
Loans to customers	-	-	41,156,399	-	-	41,156,399	41,156,399
Available-for-sale financial assets	-	-	-	5,663,149	-	5,663,149	5,663,149
Held-to-maturity investments	-	2,683,216	-	-	-	2,683,216	2,752,720
Other financial assets	-	-	-	-	11,953	11,953	11,953
	<b>188,161</b>	<b>2,683,216</b>	<b>42,743,158</b>	<b>5,663,149</b>	<b>11,953</b>	<b>51,289,637</b>	<b>51,359,141</b>
Due to banks	-	-	-	-	2,150,378	2,150,378	2,150,378
Amounts payable under repurchase agreements	-	-	-	-	2,846,066	2,846,066	2,846,066
Current accounts and deposits from customers	-	-	-	-	33,836,634	33,836,634	33,836,634
Subordinated debt securities issued	-	-	-	-	1,314,305	1,314,305	1,314,305
Other financial liabilities	-	-	-	-	74,997	74,997	74,997
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>40,222,380</b>	<b>40,222,380</b>	<b>40,222,380</b>

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

As disclosed in note 15, the fair value of unquoted equity securities available-for-sale with a carrying value of KZT 2,200 thousand (2010: KZT 13,700 thousand) can not be determined.

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

## 32 Fair value of financial instruments, continued

### Fair value hierarchy

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

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

The table below analyses financial instruments measured at fair value at 31 December 2011, by the level in the fair value hierarchy into which the fair value measurement is categorised:

<b>KZT'000</b>	<b>Level 2</b>	<b>Total</b>
Financial instruments at fair value through profit or loss		
- Debt and other fixed income instruments	158,781	158,781
- Equity investments	28,114	28,114
Available-for-sale financial assets		
- Debt and other fixed and floating income instruments	8,535,511	8,535,511
- Equity investments	2,200	2,200
	<b>8,724,606</b>	<b>8,724,606</b>

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

<b>KZT'000</b>	<b>Level 2</b>	<b>Total</b>
Financial instruments at fair value through profit or loss		
- Debt and other fixed income instruments	160,312	160,312
- Equity investments	27,849	27,849
Available-for-sale financial assets		
- Debt and other fixed and floating income instruments	5,649,449	5,649,449
- Equity investments	13,700	13,700
	<b>5,851,310</b>	<b>5,851,310</b>

## 33 Events after the reporting period

### (a) Placement of bonds

In February 2012 the Bank placed bonds amounting to KZT 2,018,648 thousand on the Kazakhstan Stock Exchange (KASE) under a KZT 50,000,000 thousand bond program registered by the CFM NBRK on December 5, 2011.

### 33 Events after the reporting period, continue

#### (b) Change in the shareholder structure

In January 2012 there was a change in the Bank's shareholder structure. As at 28 February 2012 and 31 December 2011, the following shareholders owned 5% or more of the issued shares of the Bank:

<b>Shareholder</b>	<b>28 February 2012 %</b>	<b>31 December 2011 %</b>
Aziz Alimkulov	9.9	10.6
Kulyash Sarkulova	9.9	10.6
Galiya Saktaganova	9.8	10.5
Alma Tulebayeva	9.6	10.3
Zhanar Zholdybayeva	9.3	10.0
Zhasulan Tulepbekov	9.1	9.8
Almagul Balmagambetova	8.7	9.3
Aigul Kravchenko	8.1	8.7
Artykbai Samzayev	6.9	-
Gulimzhan Akhmetzhanova	6.1	6.6
Ainur Akinzhanova	6.1	6.6
	<b>93.5</b>	<b>93.0</b>
Shareholders owning less than 5%	6.5	7.0
	<b>100.0</b>	<b>100.0</b>

An application for approval of a further increase in the shareholding of Mr. Artykbai Samzayev from the Committee on Regulation and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan is under consideration.