JOINT STOCK COMPANY CASPIAN FINANCIAL GROUP

Consolidated Financial Statements
For the Year Ended 31 December 2012

JOINT STOCK COMPANY CASPIAN FINANCIAL GROUP

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JOINT STOCK COMPANY CASPIAN FINANCIAL GROUP

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2012

The following statement, which should be read in conjunction with the independent auditors' responsibilities stated in the independent auditors' report set out on pages 2-3, is made with a view to distinguishing the respective responsibilities of management and those of the independent auditors in relation to the consolidated financial statements of Joint Stock Company Caspian Financial Group and its subsidiaries (the "Group").

Management of the Group is responsible for the preparation of the consolidated financial statements that present fairly in all material respects the financial position of the Group as at 31 December 2012, the results of its operations, cash flows and changes in equity for the year then ended, in accordance with International Financial Reporting Standards ("IFRS").

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

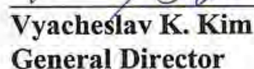
- Selecting suitable accounting principles and applying them consistently;
- Making judgments and estimates that are reasonable and prudent;
- Stating whether IFRS have been followed; and
- Preparing the consolidated financial statements on a going concern basis, unless it is inappropriate to presume that the Group will continue in business for the foreseeable future.

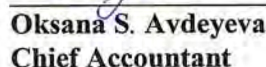
Management is also responsible for:

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

The consolidated financial statements for the year ended 31 December 2012 were authorized for issue on 26 March 2013 by the Management Board.

On behalf of the Management Board:





Vyacheslav K. Kim
General Director

26 March 2013
Almaty, Kazakhstan

Oksana S. Avdeyeva
Chief Accountant

26 March 2013
Almaty, Kazakhstan

Deloitte.

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36 Al Farabi Ave.,
Almaty, 050059,
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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of Joint Stock Company Caspian Financial Group:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Joint Stock Company Caspian Financial Group and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

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Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2012, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Nurlan Bekenov
Engagement Partner
Auditor's qualification certificate #0082,
The Republic of Kazakhstan
dated 13 June 1994
General Director
Deloitte, LLP

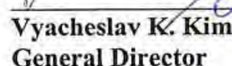
26 March 2013
Almaty, Kazakhstan

JOINT STOCK COMPANY CASPIAN FINANCIAL GROUP

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012
(in thousands of Kazakhstani tenge)

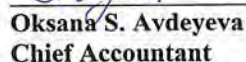
	Notes	Year ended 31 December 2012	Year ended 31 December 2011
Interest income	4, 25	70,998,481	3,402,101
Interest expense	4, 25	(34,732,164)	(1,684,082)
NET INTEREST INCOME		36,266,317	1,718,019
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss		(375,065)	24,171
Net gain on foreign exchange operations		620,419	18,581
Fee and commission income	6, 25	39,342,194	1,453,124
Fee and commission expense	6	(691,027)	(18,589)
Net gain on investments available-for-sale		132,652	19,688
Insurance premium, net of claims paid		82,148	5,821
Other income		42,560	11,343
NET NON-INTEREST INCOME		39,153,881	1,514,139
OPERATING INCOME		75,420,198	3,232,158
OPERATING EXPENSES	7	(26,504,297)	(1,276,004)
OPERATING PROFIT		48,915,901	1,956,154
Provision for impairment losses	5	(25,490,213)	(1,543,090)
PROFIT BEFORE INCOME TAX		23,425,688	413,064
Income tax expense	8	(4,366,014)	(148,853)
NET PROFIT		19,059,674	264,211
Attributable to:			
Common shareholders		17,112,952	237,374
Non-controlling interest		1,946,722	26,837
		19,059,674	264,211

On behalf of the Management Board:



Vyacheslav K. Kim
General Director

26 March 2013
Almaty, Kazakhstan



Oksana S. Avdeyeva
Chief Accountant

26 March 2013
Almaty, Kazakhstan

The notes on pages 10-76 form an integral part of these consolidated financial statements.

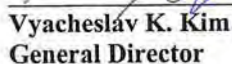
JOINT STOCK COMPANY CASPIAN FINANCIAL GROUP

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands of Kazakhstani tenge)

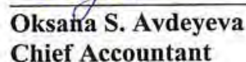
	Year ended 31 December 2012	Year ended 31 December 2011
NET PROFIT	19,059,674	264,211
OTHER COMPREHENSIVE LOSS		
Unrealized loss from revaluation of investments available-for-sale	(112,338)	(17,073)
Exchange differences on translation of foreign operations	384	128
	(111,954)	(16,945)
TOTAL COMPREHENSIVE INCOME	18,947,720	247,266
Attributable to:		
Owners of the parent	17,012,426	222,161
Non-controlling interest	1,935,294	25,105
TOTAL COMPREHENSIVE INCOME	18,947,720	247,266

On behalf of the Management Board:



Vyacheslav K. Kim
General Director

26 March 2013
Almaty, Kazakhstan



Oksana S. Avdeyeva
Chief Accountant

26 March 2013
Almaty, Kazakhstan

The notes on pages 10-76 form an integral part of these consolidated financial statements.

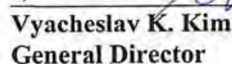
JOINT STOCK COMPANY CASPIAN FINANCIAL GROUP

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

(in thousands of Kazakhstani tenge)

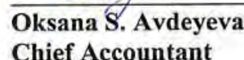
	Notes	31 December 2012	31 December 2011
ASSETS:			
Cash and cash equivalents	9	80,064,752	55,877,175
Obligatory reserves	10	7,406,392	9,019,905
Financial assets at fair value through profit or loss	11	188,349	100,833
Due from banks	12	1,585,279	2,457,671
Loans to customers	13, 25	434,832,909	324,196,638
Investments available-for-sale	14	19,399,526	12,021,250
Investments held-to-maturity	15	17,059,425	8,060,614
Property, equipment and intangible assets	16	19,317,269	16,700,008
Deferred income tax asset	8	310,411	286,154
Insurance debtors		187,874	120,629
Other assets	17	2,319,084	1,949,207
TOTAL ASSETS		582,671,270	430,790,084
LIABILITIES AND EQUITY			
LIABILITIES:			
Due to banks	18	38,996,459	18,546,990
Customer accounts	19, 25	417,167,303	322,111,936
Financial liabilities at fair value through profit or loss	11	70,364	10,600
Debt securities issued	20	12,207,206	13,797,216
Provisions	5, 24	313	5,158
Deferred income tax liabilities	8	3,365	-
Insurance reserves		17,960,870	5,925,094
Other liabilities	21	7,181,099	2,517,250
Subordinated debt	22	20,746,253	17,467,777
Total liabilities		514,333,232	380,382,021
EQUITY:			
Share capital	23	106,000	106,000
Share premium		45,561,790	45,561,790
Investments available-for-sale revaluation deficit		(116,199)	(15,328)
Property revaluation reserve		(37,154)	(2,927)
Cumulative translation reserve		460	115
Statutory reserve		(30,378)	(645,514)
Retained earnings		16,660,635	240,118
Total equity attributable to equity holders of the parent		62,145,154	45,244,254
Non-controlling interest		6,192,884	5,163,809
Total equity		68,338,038	50,408,063
TOTAL LIABILITIES AND EQUITY		582,671,270	430,790,084

On behalf of the Management Board:



Vyacheslav K. Kim
General Director

26 March 2013
Almaty, Kazakhstan



Oksana S. Avdeyeva
Chief Accountant

26 March 2013
Almaty, Kazakhstan

The notes on pages 10-76 form an integral part of these consolidated financial statements.

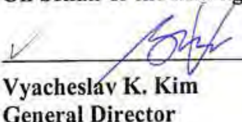
JOINT STOCK COMPANY CASPIAN FINANCIAL GROUP

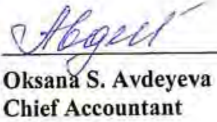
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

(in thousands of Kazakhstani tenge)

	Share capital										
	Ordinary shares	Preference shares	Share premium	Investments available-for-sale revaluation deficit	Property revaluation reserve	Cumulative translation reserve	Statutory reserve	Retained earnings	Total	Non-controlling interest	Total equity
31 December 2010	79,500	-	-	-	-	-	-	2,744	82,244	-	82,244
Issue of preference shares	-	26,500	-	-	-	-	-	-	26,500	-	26,500
12 December 2011 (at the date of ownership transfer)	-	-	45,561,790	-	-	-	-	-	45,561,790	5,212,545	50,774,335
Net profit	-	-	-	-	-	-	-	237,374	237,374	26,837	264,211
Other comprehensive loss	-	-	-	(15,328)	-	115	-	-	(15,213)	(1,732)	(16,945)
Total comprehensive income				(15,328)		115		237,374	222,161	25,105	247,266
Depreciation of property revaluation reserve	-	-	-	-	(2,927)	-	-	-	(2,927)	(333)	(3,260)
Transfer to statutory reserve	-	-	-	-	-	-	(645,514)	-	(645,514)	(73,508)	(719,022)
31 December 2011	79,500	26,500	45,561,790	(15,328)	(2,927)	115	(645,514)	240,118	45,244,254	5,163,809	50,408,063
Net profit	-	-	-	-	-	-	-	17,112,952	17,112,952	1,946,722	19,059,674
Other comprehensive loss	-	-	-	(100,871)	-	345	-	-	(100,526)	(11,428)	(111,954)
Total comprehensive income	-	-	-	(100,871)	-	345	-	17,112,952	17,012,426	1,935,294	18,947,720
Depreciation of property revaluation reserve	-	-	-	-	(42,782)	-	-	47,646	4,864	(4,864)	-
Depreciation of deferred tax on property revaluation reserve	-	-	-	-	8,555	-	-	-	8,555	973	9,528
Dividends declared	-	-	-	-	-	-	-	(55,015)	(55,015)	(15,284)	(70,299)
Decrease in non-controlling interest arising on acquisition of interest in JSC Kaspi Bank	-	-	-	-	-	-	-	-	-	(956,974)	(956,974)
Transfer to statutory reserve	-	-	-	-	-	-	615,136	(685,066)	(69,930)	69,930	-
31 December 2012	79,500	26,500	45,561,790	(116,199)	(37,154)	460	(30,378)	16,660,635	62,145,154	6,192,884	68,338,038

On behalf of the Management Board:





Vyacheslav K. Kim
General Director

26 March 2013
Almaty, Kazakhstan

Oksana S. Avdeyeva
Chief Accountant

26 March 2013
Almaty, Kazakhstan

The notes on pages 10-76 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012
(in thousands of Kazakhstani tenge)

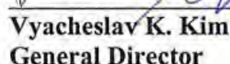
	Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Interest received on cash equivalents and due from banks	99,333	6,456
Interest received on financial assets at fair value through profit or loss	3,580	2,598
Interest received on loans to customers	70,120,155	2,771,652
Interest received on investments available-for-sale	1,205,237	37,385
Interest received on investments held-to-maturity	112,132	11,218
Interest paid on due to banks	(1,508,746)	(44,080)
Interest paid on customer accounts	(29,342,047)	(1,323,035)
Interest paid on debt securities issued	(1,075,832)	(60,146)
Expenses paid on obligatory insurance of individual deposits	(1,234,204)	(67,438)
Interest paid on subordinated debt	(1,799,182)	(49,435)
Fee and commission received	39,340,872	824,416
Fee and commission paid	(680,208)	(36,219)
Other income received	12,656,929	185,527
Operating expenses paid	(20,322,322)	(743,674)
Cash flows from operating activities before changes in operating assets and liabilities	67,575,697	1,515,225
Changes in operating assets and liabilities		
(Increase)/decrease in operating assets:		
Obligatory reserves	1,613,513	(298,924)
Financial assets at fair value through profit or loss	(87,506)	(25,096)
Due from banks	854,987	(4,098)
Loans to customers	(136,170,198)	(6,416,702)
Insurance debtors	(77,602)	(124,551)
Other assets	(203,274)	(610,028)
Increase/(decrease) in operating liabilities:		
Due to banks	20,520,620	3,311,479
Customer accounts	93,424,478	11,749,739
Financial liabilities at fair value through profit or loss	(315,301)	(17,744)
Other liabilities	906,435	(2,791,746)
Cash inflow from operating activities before income tax	48,041,849	6,287,554
Income tax paid	(4,236,812)	-
Net cash inflow from operating activities	43,805,037	6,287,554

JOINT STOCK COMPANY CASPIAN FINANCIAL GROUP

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2012
(in thousands of Kazakhstani tenge)

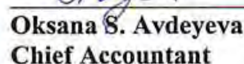
	Notes	Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets		(5,063,382)	(74,731)
Proceeds on sale of property and equipment		367,452	-
Proceeds on sale of investments available-for-sale		44,841,000	3,233,354
Purchase of investments available-for-sale		(53,108,454)	-
Proceeds on maturity of investments held-to-maturity		434,961	-
Purchase of investments held-to-maturity		(8,401,965)	-
On acquisition and ownership transfer of JSC Kaspi Bank (12 December 2011)	1	-	44,317,270
Net cash (outflow)/inflow from investing activities		(20,930,388)	47,475,893
CASH FLOWS FROM FINANCING ACTIVITIES:			
Repayment of debt securities issued		(3,486,686)	(3,955)
Issue of debt securities		1,903,124	2,037,396
Issue of subordinated debt securities		3,968,000	-
Repayment of subordinated debt securities		(634,712)	-
Dividends paid		(72,294)	-
Purchase of interest in JSC Kaspi Bank		(956,974)	-
Issue of preference shares		-	26,500
Net cash inflow from financing activities		720,458	2,059,941
Effect of changes in foreign exchange rate on cash and cash equivalents		592,470	2,463
NET INCREASE IN CASH AND CASH EQUIVALENTS		24,187,577	55,825,851
CASH AND CASH EQUIVALENTS, beginning of the year	9	55,877,175	51,324
CASH AND CASH EQUIVALENTS, end of the year	9	80,064,752	55,877,175

On behalf of the Management Board:



Vyacheslav K. Kim
General Director

26 March 2013
Almaty, Kazakhstan



Oksana S. Avdeyeva
Chief Accountant

26 March 2013
Almaty, Kazakhstan

The notes on pages 10-76 form an integral part of these consolidated financial statements.

1. ORGANIZATION

Joint Stock Company Caspian Financial Group ("the Company") is a joint stock company, which was incorporated in the Republic of Kazakhstan on 12 November 2001 as a closed joint stock company Kazakhstan Fuel Company. Due to a change in the legal form and legal address, the Company was repeatedly re-registered. On 31 July 2006 the shareholders made a decision to rename the Company to Caspian Financial Group LLP.

The last re-registration was conducted on 13 August 2010 in connection with reorganization into a joint stock company and as at the date of these financial statements the company is called JSC Caspian Financial Group.

By resolution of the Board of the National Bank of the Republic of Kazakhstan # 155 dated 30 September 2011, JSC Caspian Financial Group was granted the status of a bank holding company of Joint Stock Company Kaspi Bank.

The registered address of the Company is 86, Amangeldy street, Almaty, 050000, the Republic of Kazakhstan.

JSC Caspian Financial Group is a parent company of the banking group ("the Group") which consists of the following bank consolidated in these financial statements:

Name	Country of operation	Group ownership interest/percentage of voting shares (%)		Type of operation
		2012	2011	
Joint Stock Company Kaspi Bank	Kazakhstan	89.79%	89.78%	Commercial banking activities

Joint Stock Company Kaspi Bank is a parent company of the banking group which consists of the following companies:

Name	Country of operation	Banking group ownership interest/percentage of voting shares (%)		Type of operation
		2012	2011	
JSC "Kaspi insurance "	Kazakhstan	100%	100%	Insurance
Caspian Capital B.V.	The Netherlands	100%	100%	Raising funds on the capital markets

Joint Stock Company Kaspi Bank (the "Bank") is a joint-stock company, which was incorporated in the Republic of Kazakhstan in December 1997. The Bank is regulated by the National Bank of the Republic of Kazakhstan (the "NBRK") and the Committee for the control and supervision of the financial market and financial organizations of the NBRK (the "FMSC") and conducts its business under license for conducting bank operations No. 1.2.245/61 issued on 30 June 2009 by the FMSC. The Bank's primary business consists of commercial banking activities, trading with securities, foreign currencies and derivative instruments, originating loans and guarantees.

Due to legislation change of the Republic of Kazakhstan which requires that any foreign entity holding 10% or more voting shares of a Kazakh bank should be a financial company falling under its domestic financial regulations, the ultimate shareholders of Kaspi Bank opted to transfer its ownership of the Bank to Kazakhstan.

On 12 December 2011 the ultimate shareholders of Kaspi Bank restructured the ownership of Kaspi Bank which involved the transfer of shares from Caspian Group B.V. (Netherlands) to JSC Caspian Financial Group (Republic of Kazakhstan) in accordance with the accounting policy described in Note 2.

JSC "Kaspi insurance" was formed as a joint stock company under the laws of the Republic of Kazakhstan in 1994. JSC "Kaspi insurance" principal activity is property and casualty insurance. JSC "Kaspi insurance" has license No. 2.1.5 dated 30 November 2012 for provision of voluntary and obligatory insurance.

Caspian Capital B.V., was formed under the laws of the Netherlands in July 2007. Principal activity of Caspian Capital B.V. is raising funds on the international capital markets for the Bank.

As at 31 December 2012 and 2011, the shareholders' structure of shares was as follows:

	31 December 2012		**31 December 2011**	
	ordinary shares %	**ordinary and preference shares %**	**ordinary shares %**	**ordinary and preference shares %**
Shareholders:				
Kim Vyacheslav Konstantinovich	99.9999	75.00	99.9999	75.00
Caspian Group B.V.	0.0001	25.00	0.0001	25.00
Total	100.00	100.00	100.00	100.00

	31 December 2012		**31 December 2011**	
	ordinary shares %	**ordinary and preference shares %**	**ordinary shares %**	**ordinary and preference shares %**
Ultimate shareholders:				
Kim Vyacheslav Konstantinovich	99.9999	75.00	99.9999	75.00
Baring Vostok Private Equity Fund III	0.0001	25.00	0.0001	25.00
Total	100.00	100.00	100.00	100.00

These consolidated financial statements were authorized for issue by the Group's Management Board on 26 March 2013.

2. SIGNIFICANT ACCOUNTING POLICIES

Business combinations under common control

Transactions between entities under common control are accounted for by recognising assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer, prospectively, starting from the date of transfer.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets. Non controlling amount is separately recorded in the consolidated statement of change in equity on the date of transfer, and further changes applied prospectively. When the Group purchases a controlling interest in a subsidiary, the Group's proportionate interest should be recorded at its cost at acquisition in the consolidated financial statements; the amount shown for the proportionate of non-controlling interest should be based on the net assets of the subsidiary.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.
At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities are recognised and measured in accordance with IAS 12;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39 *Financial instruments: Recognition and measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

Other basis of presentation criteria

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

These consolidated financial statements are presented in thousands of Kazakhstani tenge ("KZT thousand or "thousand tenge"), unless otherwise indicated. These consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of certain financial instruments and measurement of buildings at revalued amounts according to International Accounting Standard ("IAS") No. 16 "Property, Plant and Equipment".

The Company and the Bank and its subsidiary AIIG, maintain their accounting records in accordance with IFRS, while the foreign subsidiary of the Bank, Caspian Capital B.V., maintains its accounting records in accordance with the requirements of the Netherlands, where this subsidiary operates. These consolidated financial statements have been prepared based on accounting records of the Company, the Bank, and AIIG, and the financial statements of its foreign subsidiary, which have been adjusted to conform to IFRS. Adjustments include certain reclassifications to reflect economic substance of underlying transactions including reclassifications of certain assets and liabilities, income and expenses to appropriate financial statement captions.

The Company presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 29.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expense is not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

The principal accounting policies are set out below.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The functional currency of the consolidated financial statements is the Kazakhstani tenge ("KZT" or "tenge").

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.
All significant intra-group transactions, balances, income and expenses are eliminated on consolidation.

In translating the financial statements of a foreign subsidiary into the presentation currency for incorporation in the consolidated financial statements, the Group follows a translation policy in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates" ("IAS 21") and performs the following procedures:

- Assets and liabilities, both monetary and non-monetary, of the foreign entity are translated at closing rate;
- Income and expense items of the foreign entity are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used;
- Equity items of the foreign entity are translated at exchange rates at the dates of transactions;
- All resulting exchange differences are classified as exchange difference on translation of foreign operations in the equity until the disposal of the investment;
- On disposal of the investment in the foreign entity related exchange differences are transferred to the consolidated income statement.

Recognition of income and expense

Recognition of interest income and expense

Interest income and expense are recognised on an accrual basis using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument or, (where appropriate) a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets classified as at financial assets at fair value through profit or loss.

Interest earned on assets at fair value is classified within interest income.

Recognition of income on repurchase and reverse repurchase agreements

Gain/loss on the sale of the above instruments is recognised as interest income or expense in the income statement based on the difference between the repurchase price accreted to date using the effective interest method and the sale price when such instruments are sold to third parties. When the reverse repo/repo is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognised using the effective interest method.

Recognition of fee and commission income

Loan origination fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognised as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recosnized in the consolidated income statement over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognised in profit or loss on expiry. Loan servicing fees are recognised as revenue as the services are provided. Loan syndication fees are recognised in profit or loss when the syndication has been completed. All other commissions are recognised when services are provided.

Recognition of dividend income

Dividend income is recognised on the ex-dividend date (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Financial instruments

The Group recognises financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligation of the instrument. Regular way purchases and sales of financial assets and liabilities are recognised using settlement date accounting.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' ("FVTPL"), 'held-to-maturity' investments ("HTM"), 'available-for-sale' ("AFS") financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities are classified as at fair value through profit or loss when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

1) It has been acquired principally for the purpose of selling them in the near term; or
2) On initial recognition it is part of portfolio of identified financial instruments that the Group manages together and has a recent and actual pattern of short-term profit taking; or
3) It is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated at fair value through profit or loss upon initial recognition if:

1) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

2) The financial asset forms part of a group of financial assets or liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
3) It forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'Interest income' line item in the consolidated income statement. Fair value is determined in the manner described in Note 27.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with determinable or fixed payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held-to maturity investments are measured at amortised cost using the effective interest method, less any impairment. Amortised discounts are recognised in interest income over the period to maturity using the effective interest method.

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held-to-maturity during the following two years.

Available-for-sale financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed debt and equity investments held by the Group that are traded in an active market are classified as AFS and are stated at fair value. Fair value is determined in the manner described in Note 27. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of other-than-temporary impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments available-for-sale revaluation reserve is reclassified to profit or loss.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

AFS equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Due from banks

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks. Due from banks initially are recognised at fair value. Due from banks with a fixed maturity term are subsequently measured at amortised cost using the effective interest method, and are carried net of allowance for impairment losses.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Securities repurchase and reverse repurchase agreements and securities lending transactions

In the normal course of business, the Group enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos"). Repos and reverse repos are utilized by the Group as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repos are retained in the consolidated financial statements and consideration received under these agreements is recorded as collateralized deposit received within due to banks/customer accounts depending on counterparty of the agreement.

Assets purchased under reverse repos are recorded in the consolidated statement of financial position as cash placed on deposit collateralized by securities and other assets and are classified within cash and cash equivalents, due from banks/loans to customers depending on initial maturity and counterparty of the agreement.
Income and expenses representing the difference between the sale and repurchase prices are treated as interest income and/or expense in the consolidated income statement.

The Group enters into repos and reverse repos agreements using the automated system of the Kazakhstan Stock Exchange (the "KASE") in accordance with the trading rules established by the KASE (the "Rules"). According to the Rules the automated repos and reverse repos are concluded using open sales method. For open sales method the counterparty remains undisclosed and all risks the Group undertakes, including credit and settlement risks, are with the KASE.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Breach of contract, such as default or delinquency in interest or principal payments
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation or
- Disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as loans and receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of loans and receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is 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.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of loans and receivables, where the carrying amount is reduced through the use of an allowance account. When a loan or a receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

If an available-for-sale asset is impaired, a consolidated amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognised in the consolidated income statements is transferred from equity to the consolidated income statement.

In respect of AFS equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments available-for-sale revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Renegotiated loans

Where possible, the Company seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Write off of loans

Loans are written off against the allowance for impairment losses when deemed uncollectible. Loans are normally written off, either partially or in full, when there is no realistic prospect of further recovery. Decision for the write off is taken by the Credit Committee. However write off of loans does not indicate that no other actions will be undertaken to collect the loans. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated income statement in the period of recovery.

Derecognition of financial assets

Financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecogntion of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of the transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Group retains control), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments issued

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'Interest expense' line item in the consolidated income statement. Fair value is determined in the manner described in Note 27.

Other financial liabilities

Other financial liabilities, including deposits by banks and customers, debt securities issued and other liabilities, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in income statement.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for 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.

Financial guarantee contracts issued by the Group and letters of credit issued are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and
- The amount initially recognised less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash balances with the NBRK, unrestricted balances on correspondent accounts and deposits with other banks with original maturities within 90 days.

Obligatory reserves

Obligatory reserves represent funds in correspondent accounts with the NBRK and cash which are not available to finance the Group's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Property, equipment and intangible assets

Property, equipment and intangible assets, except land and buildings, are carried at historical cost less accumulated depreciation and any recognised impairment loss, if any. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

Depreciation of property, equipment and amortization of intangible assets is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. Depreciation and amortization is calculated on a straight line basis at the following annual prescribed rates:

Buildings and constructions	2%
Furniture and computers	10%-30%
Intangible assets	10%-33.3%

Leasehold improvements are amortised over the shorter of the life of the related leased asset or the lease term. Expenses related to repairs and renewals are charged when incurred and included in operating expenses in the consolidated income statement, unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use. Where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amounts, an impairment is recognised in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

Land and buildings held for use in the supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation defined on the basis of market data by qualified independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity (but at least once in three years) such that the carrying amounts do not differ materially from those the cost that would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of property is recognised and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to the consolidated profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in the consolidated profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. Depreciation of property revaluation reserve is transferred from property revaluation reserve to retained earnings for the annual periods. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property revaluation reserve is transferred directly to retained earnings.

Impairment of non-financial assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least once in three years, and whenever there is an indication that the asset may be impaired.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited in the consolidated profit or loss, except when it relates to items charged or credited directly to the consolidated statement of comprehensive income, in which case the deferred tax is also dealt with in the consolidated statement of comprehensive income.

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

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

Countries where the Group operates also have various other taxes, which are assessed on the Group's activities other than income tax. These taxes are included as a component of operating expenses in the consolidated income statement.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Contingencies

Contingent liabilities are not recognised in the consolidated statement of the financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

Foreign currency translation

In preparing the financial statements or each individual group entity, monetary assets and liabilities denominated in currencies other than the entity's functional currency (foreign currencies) are translated at the appropriate spot rates or exchange rates prevailing at the reporting date. Transactions in currencies other than the functional currency are accounted for at the exchange rates prevailing at the date of the transaction.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- Exchange differences on transactions entered into in order to hedge certain foreign currency risks; and
- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated in KZT using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising are recognised as exchange differences on translation of foreign operations in the consolidated statement of comprehensive income and recognised in the cumulative translation reserve. Such exchange differences are recognised in the consolidated income statements in the period in which the foreign operation is disposed of.

Rates of exchange

The exchange rates used by the Group in the preparation of the consolidated financial statements as at year-end are as follows:

	31 December 2012	**31 December 2011**
tenge/USD	150.74	148.40
tenge/EUR	199.22	191.72

Share capital and share premium

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Treasury shares repurchased from shareholders are recognised at cost of acquisition. When such repurchased treasury shares are further sold, any difference between their selling price and the cost of acquisition is charged to share capital (if positive) or to retained earnings (if negative). Where repurchased treasury shares are retired, the carrying value thereof is reduced by the amount paid by the Group at repurchase thereof, with the share capital respectively reduced by the par value of such retired shares restated, where applicable, for inflation, and the resulting difference is charged to retained earnings.

Dividends on ordinary shares are recognised in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- Investments available-for-sale revaluation reserve which comprises changes in fair value of available–for–sale investments;
- Cumulative translation reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations;
- Property revaluation reserve which includes the amount of revaluation of property and construction.
- Statutory reserve reflecting the difference between provisions under IFRS and statutory standards.

Insurance reserves

Insurance reserves are formed when insurance contracts come into force and premiums are charged. Provisions for losses and their changes are recorded in the consolidated income statement as incurred.

Provision for losses is a summary of estimates of ultimate losses, and includes both claims reported but not settled ("RBNS") and claims incurred but not reported ("IBNR").

RBNS is created for significant reported claims not settled at the reporting date. Estimates are made on the basis of information received by the Group during investigation of insured events. The IBNR is estimated by the Group based on previous history of claims/indemnification of claims using actuarial methods of calculation by insurance classes for which there is statistical data. For the types of insurance that do not have statistical data, the IBNR is calculated according to FMSC requirements as 50% of RBNS, in case of RBNS absence for the given type, as 5% of the written premiums, net of commissions.

Adjustments to the reserves at each reporting date are recorded in the consolidated income statement. The reserves are derecognised when the contract expires, is discharged or is cancelled.

The reinsurers' share in the provision for losses is calculated in accordance with the reinsurers' share under the reinsurance contracts.

Reinsurance

In the ordinary course of business, the Group cedes insurance risks to reinsurers. Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses and the reinsurer's share in insurance reserves. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsurance contract. Reinsurance is recorded gross unless a right of offset exists and is included in the accompanying consolidated statement of financial position within other assets.

Contracts, ceded to the reinsurance, do not exempt the Group from its liabilities in front of reinsured clients.

Premiums and payments are presented in total for external reinsurance. Policies ceded to the reinsurer's are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows that are transferred by the Group to the reinsurer.

Due to banks, customer accounts, debt securities issued and subordinated debt

Due to banks, customer accounts, debt securities issued and subordinated debt are initially recognised at fair value. Subsequently amounts due are stated at amortised cost and any difference between carrying and redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method as a component of interest expense.

Retirement and other benefit obligations

In accordance with the requirements of the countries in which the Group operates, certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged to the consolidated income statement in the period in which the related salaries are earned. Upon retirement, all retirement benefit payments are made by the pension funds selected by employees. The Group does not have any pension arrangements separate from the pension system of the Republic of Kazakhstan. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Group have been reported separately within these consolidated financial statements based on the ultimate domicile of the counterparty, e.g. based on economic risk rather than legal risk of the counterparty.

Areas of significant management judgment and sources of estimation uncertainty

The preparation of the Group's consolidated financial statements requires management to make estimates, judgments and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Held-to-maturity financial assets

The directors have reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and have confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is KZT 17,059,425 thousand. Details of these assets are set out in Note 15.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognise incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to the allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses would require the Group to record provisions which could have a material impact on its consolidated financial statements in future periods.

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties (for individually significant loans) and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses management's judgment to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Republic of Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

As at 31 December 2012 and 2011, loans to customers, gross, totaled KZT 511,272,719 thousand and KZT 384,431,999 thousand, respectively, and allowance for impairment losses amounted to KZT 76,439,810 thousand and KZT 60,235,361 thousand, respectively.

Valuation of financial instruments

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

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

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

The carrying amount of the financial instruments at fair value is as follows as at 31 December 2012 and 2011:

	31 December 2012	31 December 2011
Financial assets at fair value through profit or loss	188,349	100,833
Financial liabilities at fair value through profit or loss	70,364	10,600
Investments available-for-sale	19,399,526	12,021,250

Insurance liabilities

For insurance liabilities, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported at the reporting date ("IBNR"). It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the liability in the consolidated statement of financial position.

Taxation

Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years proceeding the year of review.

As at 31 December 2012, management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group's reported net result.

Recoverability of deferred tax assets

As at 31 December 2012 and 2011 management of the Group believe that deferred tax asset amounting to KZT 289,405 thousand and KZT 195,633 thousand, respectively, is not recognised to the extent that it is not recoverable at the reporting date.

The carrying value of deferred tax assets amounted to KZT 307,046 thousand and KZT 286,154 thousand as at 31 December 2012 and 31 December 2011 respectively.

Application of new and revised International Financial Reporting Standards (IFRS)

Amendments to IFRSs affecting amounts reported in the financial statements

The following amendments to IFRSs have been applied in the current year and have affected the amounts reported in these financial statements

Amendments to IFRSs affecting presentation and disclosure only

Amendments to IFRS 7 Disclosures – Transfers of Financial Assets

The Group has applied the amendments to IFRS 7 *Disclosures – Transfers of Financial Assets* in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

See Note 18 for disclosures for all transferred financial assets that are not derecognised, existing at the reporting date. In accordance with the transitional provisions set out in the amendments to IFRS 7 *Financial instruments: Disclosures*, the Group has not provided comparative information for the disclosures required by the amendments.

Amendments to IAS 12 Income Taxes "Deferred tax: Recovery of Underlying Assets"

The Group has applied the amendments to IAS 12 *Income taxes* "Deferred tax: Recovery of Underlying Assets" in the current year. Under the amendments, investment properties that are measured using the fair value model in accordance with IAS 40 *Investment Property* are presumed to be recovered entirely through sale for the purposes of measuring deferred taxes unless the presumption is rebutted. An application of the amendments to IAS 12 *Income taxes* "Deferred tax: Recovery of Underlying Assets" did not have an effect on the Group's consolidated financial statements.

New and revised IFRSs in issue but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

- IFRS 9 *Financial Instruments*[3];
- IFRS 10 *Consolidated Financial Statements*[2];
- IFRS 11 *Joint Arrangements*[2];
- IFRS 12 *Disclosure of Interest in Other Entities*[2];
- IFRS 13 *Fair Value Measurement*[1];
- Amendments to IFRS 7 *Financial Instruments: Disclosures* – "Disclosures – Offsetting Financial Assets and Financial Liabilities"[1];
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* – "Mandatory Effective Date of IFRS 9 and Transition Disclosures"[3];
- Amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interest in Other Entities* – "Consolidated Financial statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance"[1];
- IAS 19 (as revised in 2011) *Employee Benefits*[1];
- IAS 27 (as revised in 2011) *Separate Financial Statements*[2];
- IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*[2];
- Amendments to IAS 32 *Financial Instruments: Presentation* – "Offsetting Financial Assets and Financial Liabilities"[4];
- Amendments to IFRSs – *Annual Improvements to IFRSs 2009-2011 cycle.*

[1] Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.
[2] Each of the five standards becomes effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own).
[3] Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.
[4] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

IFRS 9 Financial Instruments

IFRS 9 *Financial Instruments*, issued in November 2009 and amended in October 2010, introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under IFRS 9 *Financial Instruments*, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 *Financial Instruments* requires that the amount of change in the fair value of the financial liability, that is attributable to changes in the credit risk of that liability, is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39 *Financial Instruments: Recognition and Measurement*, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognised in profit or loss.
- Phases two and three of the financial instruments project, being the impairment of financial assets and hedge accounting phases respectively, are still a work in progress. The IASB is also considering limited improvements to IFRS 9 regarding the classification and measurement of financial instruments.

The Group's management anticipates that IFRS 9 *Financial Instruments* in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities (e.g. the Group's investments in redeemable notes that are currently classified as available-for-sale investments will have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 *Financial Instruments* until a detailed review has been completed.

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five Standards on consolidation, joint arrangements, associates and disclosures was issued, including IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, IFRS 12 *Disclosure of Interest in Other Entities*, IAS 27 (as revised in 2011) *Separate Financial Statements* and IAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*.

Key requirements of these five Standards are described below.

IFRS 10 *Consolidated Financial Statements*

replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements. SIC-12 Consolidation – Special Purpose Entities will be withdrawn upon the effective date of IFRS 10 Consolidated Financial Statements. Under IFRS 10 Consolidated Financial Statements, there is only one basis for consolidation, that is, control. In addition, IFRS 10 Consolidated Financial Statements includes a new definition of control that contains three elements: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's return. Extensive guidance has been added in IFRS 10 Consolidated Financial Statements to deal with complex scenarios.

IFRS 10 requires investors to reassess whether or not they have control over their investees on transition to IFRS 10. In general, IFRS 10 requires retrospective application, with certain limited transitional provisions.

Regarding the requirements for the preparation of consolidated financial statements, most of the requirements have been moved unchanged from the previous version of IAS 27 to IFRS 10.

IFRS 11 Joint Arrangements

replaces IAS 31 *Interests in Joint Ventures*. IFRS 11 *Joint Arrangements* deals with how a joint arrangement of which two or more parties have joint control should be classified. SIC-13 *Jointly Controlled Entities – Non-monetary Contributions by Venturers* will be withdrawn upon the effective date of IFRS 11 *Joint Arrangements*. Under IFRS 11 *Joint Arrangements*, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. In addition, joint ventures under IFRS 11 *Joint Arrangements* are required to be accounted for using the equity method of accounting, whereas jointly controlled entities under IAS 31 *Interests in Joint Ventures* can be accounted for using the equity method of accounting or proportional consolidation. IFRS 11 requires retrospective application with specific transitional provisions.

IFRS 12 Disclosure of Interests in Other Entities

is a disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than those in the current standards.

In June 2012, the amendments to IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interest in Other Entities* were issued to clarify certain transitional guidance on the application of these IFRSs for the first time.

The Group management anticipates that the application of these five standards will have a significant impact on amounts reported in the consolidated financial statements. A detailed review will be performed by the Group management to quantify the impact on the application of these five standards.

IFRS 13 *Fair Value Measurement*

establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The Standard defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The scope of IFRS 13 *Fair Value Measurement* is broad; it applies to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures amount fair value measurements, except in specified circumstances. In general, the disclosure requirements in IFRS 13 *Fair Value Measurement* are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under IFRS 7 *Financial Instruments: Disclosures* will be extended by IFRS 13 *Fair Value Measurement* to cover all assets and liabilities within its scope. IFRS 13 should be applied prospectively as of the beginning of the annual period in which it is initially applied. The disclosure requirements of IFRS 13 need not be applied in comparative information provided for periods before initial application of the Standard.

The Group's management anticipates that the application of the new Standard may affect certain amounts reported in the consolidated financial statements and result in more extensive disclosures in the consolidated financial statements.

Amendments to IFRS 7 Financial Instruments: Disclosures and IAS 32 Financial Instruments: Presentation – "Offsetting Financial Assets and Financial Liabilities and the related disclosures"

The amendments to IAS 32 *Financial Instruments: Presentation* clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

The amendments to IFRS 7 *Financial Instruments: Disclosures* require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The disclosures should be provided retrospectively for all comparative periods.

The Group's management anticipates that the application of these amendments to IAS 32 and IFRS 7 may result in more disclosures being made with regards to offsetting financial assets and financial liabilities in the future.

Amendments to IAS 1 Presentation of Items of Other Comprehensive Income (Effective for annual periods beginning on or after 1 July 2012)

The amendments to IAS 1 introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to IAS 1, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to IAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to IAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax.

Annual Improvements to IFRSs 2009-2011 Cycle issued in May 2012

The *Annual Improvements to IFRSs 2009-2011 Cycle* include a number of amendments to various IFRSs. The following list does not represent the complete list of amendments and reflects only amendments that are relevant to the Group's operations:

Amendments to IAS 32 Financial Instruments: Presentation

The amendments to IAS 32 *Financial Instruments: Presentation* clarify that income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction should be accounted for in accordance with IAS 12 *Income Taxes*. The Group management anticipates that the amendments to IAS 32 *Financial Instruments: Presentation* will have no effect on the Group's consolidated financial statements as the Group has already adopted this treatment.

Amendments to IAS 1 Presentation of Financial statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

3. RECLASSIFIFCATIONS

Certain reclassifications have been made to the financial statements as at 31 December 2011 and for the year then ended to conform to the presentation as at 31 December 2012 and for the year then ended as current year presentation provides better view of the financial position of the Group.
For the purpose of better presentation the Management has decided to reclassify payments on obligatory insurance of customer accounts as interest expense.

	As previously reported 31 December 2011	**Reclassification**	**As reclassified 31 December 2011**
CONSOLIDATED INCOME STATEMENT			
Interest expense	(1,616,644)	(67,438)	(1,684,082)
NET INTEREST INCOME	1,785,457	(67,438)	1,718,019
OPERATING EXPENSES	(1,343,442)	67,438	(1,276,004)

	As previously reported 31 December 2011	**Reclassification**	**As reclassified 31 December 2011**
CASH FLOWS FROM OPERATING ACTIVITIES			
Expenses paid on obligatory insurance of individual deposits	-	(67,438)	(67,438)
Operating expenses paid	(811,112)	67,438	(743,674)

Provision for impairment losses on interest bearing assets and provision for other transactions were merged into one financial statement line in the consolidated income statement as provision for impairment losses. Change in presentation of the line provision for impairment losses within consolidated income statement is being done for the purposes of fair evaluation of operating results of the Group separately from the cost of risk.

4. NET INTEREST INCOME

	Year ended 31 December 2012	Year ended 31 December 2011
Interest income comprises:		
Interest income on assets recorded at amortised cost:		
- interest income on impaired assets	4,380,674	295,697
- interest income on unimpaired assets	8,758,393	492,525
- interest income on assets collectively assessed for impairment	57,158,675	2,569,850
	70,297,742	3,358,072
Interest income on assets at fair value through profit or loss	3,590	2,396
Interest income on assets available-for-sale	697,149	41,633
Total interest income	70,998,481	3,402,101
Interest income on assets recorded at amortised cost comprises:		
Interest on loans to customers	69,693,541	3,333,312
Interest income on due from banks	75,706	6,822
Interest income on investments held-to-maturity	528,495	17,938
Total interest income on financial assets recorded at amortised cost	70,297,742	3,358,072
Interest income on assets at fair value through profit or loss:		
Interest income on financial assets at fair value through profit or loss	3,590	2,396
Total interest income on assets at fair value through profit or loss	3,590	2,396
Interest expense comprises:		
Interest expense on liabilities recorded at amortised cost	(34,732,164)	(1,684,082)
Total interest expense	(34,732,164)	(1,684,082)
Interest expense on liabilities recorded at amortised cost comprises:		
Interest on customer accounts	(29,397,347)	(1,401,586)
Interest on subordinated debt	(1,751,115)	(94,183)
Interest on debt securities issued	(1,069,384)	(72,520)
Interest on due to banks	(1,280,114)	(48,355)
Expenses on obligatory insurance of individual deposits	(1,234,204)	(67,438)
Total interest expense on financial liabilities recorded at amortised cost	(34,732,164)	(1,684,082)
Net interest income	36,266,317	1,718,019

5. ALLOWANCE FOR IMPAIRMENT LOSSES, OTHER PROVISIONS

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Due from banks	Loans to customers	Total
31 December 2010	-	-	-
Provision	-	-	-
12 December 2011 (at the date of ownership transfer)	10,341	58,698,722	58,709,063
Provision	-	1,534,221	1,534,221
Write-off of assets	-	(114,202)	(114,202)
Foreign exchange difference	-	4,241	4,241
Recoveries of assets previously written off	-	112,379	112,379
31 December 2011	10,341	60,235,361	60,245,702
Provision	-	25,489,755	25,489,755
Write-off of assets	-	(10,552,070)	(10,552,070)
Foreign exchange difference	-	243,385	243,385
Recoveries of assets previously written off	-	1,023,379	1,023,379
31 December 2012	10,341	76,439,810	76,450,151

The movements in provisions for impairment losses on other transactions were as follows:

	Other assets	Contingencies	Total
31 December 2010	-	-	-
Provision	-	-	-
12 December 2011 (at the date of ownership transfer)	282,316	5,581	287,897
Provision/(recovery of provision)	9,292	(423)	8,869
Write-off of assets	(1,087)	-	(1,087)
31 December 2011	290,521	5,158	295,679
Provision/(recovery of provision)	5,303	(4,845)	458
Write-off of assets	(1,501)	-	(1,501)
Foreign exchange difference	7	-	7
Recoveries of assets previously written off	698	-	698
31 December 2012	295,028	313	295,341

6. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2012	Year ended 31 December 2011
Fee and commission income:		
Card operations	36,461,993	1,247,721
Cash operations	1,107,372	123,490
Transfer operations	950,972	43,508
Foreign exchange operations	273,048	11,816
Opening and maintaining customer accounts	180,457	6,851
Trust operations	137,792	7,450
Documentary operations	44,878	1,560
Securities operations	1,146	16
Other	184,536	10,712
Total fee and commission income	39,342,194	1,453,124
Fee and commission expense:		
Card operations (processing)	(197,205)	(4,950)
Expenses on organization of work places with regards express credit	(170,812)	(3,266)
Transfer operations	(168,374)	(5,583)
Nostro account service	(100,463)	(2,288)
Securities operations	(18,778)	(381)
Foreign exchange operations	(3,244)	(924)
Fees for assets exchange	(182)	(2)
Other	(31,969)	(1,195)
Total fee and commission expense	(691,027)	(18,589)

7. OPERATING EXPENSES

	Year ended 31 December 2012	Year ended 31 December 2011
Staff costs	13,670,135	705,007
Administrative expenses	2,011,135	90,795
Operational rent	1,969,258	93,260
Depreciation and amortization of property, equipment and intangible assets	1,907,932	115,846
Advertising costs	1,340,597	90,774
Taxes, other than income tax	1,235,171	41,270
Telecommunications	956,524	40,446
Data verification services	859,760	16,718
Security expenses	637,345	27,960
Stationery	299,654	12,129
Collection services	256,231	4,556
Cash back to clients	227,608	-
Legal and consulting expenses	208,814	451
Business trip expenses	176,389	5,810
Cash collection expenses	151,677	5,560
Property and equipment maintenance	110,892	8,291
Transportation	106,185	5,116
Other expenses	378,990	12,015
Total operating expenses	26,504,297	1,276,004

8. INCOME TAX

The Group provides for taxes for the current period based on the tax accounts maintained and prepared in accordance with the tax regulations of the Republic of Kazakhstan and Netherlands where the Group and its subsidiaries operate and which may differ from IFRS.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2012 and 2011 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Tax effect of temporary differences as at 31 December 2012 and 2011 comprise:

	31 December 2012	31 December 2011
Deductible temporary differences:		
Vacation reserve and accrued bonus	1,119,560	315,597
Unearned premium reserve	-	224,757
Loans to customers	47,462	184,475
Accounts payable on reinsurance transactions	-	519
Penalties	2,236	1,975
Loss from derivative instruments	241,943	195,633
Other assets	-	66,606
Total tax effect of deductible temporary differences	1,411,201	989,562
Taxable temporary differences:		
Property, equipment and intangible assets	(814,750)	(507,650)
Unearned premium reserve, reinsurers' share	-	(125)
Total tax effect of taxable temporary differences	(814,750)	(507,775)
Deferred tax asset not recognized	(289,405)	(195,633)
Net deferred tax asset	307,046	286,154
Deferred income tax asset	310,411	286,154
Deferred income tax liability	(3,365)	-
Net deferred tax asset	307,046	286,154

Relationship between tax expenses and accounting profit for the years ended 31 December 2012 and 2011 are explained as follows:

	Year ended 31 December 2012	Year ended 31 December 2011
Profit before income tax	23,425,688	413,064
Tax at the statutory tax rate of 20%	4,687,384	82,613
Non-taxable income from securities	(1,018,565)	9,423
Dividends received	-	21
Effect of tax rate, different from the rate 20% (subsidiaries taxed at different tax rate (2012: 0%, 2011: 0%-8%))	775	69,097
Change in deferred tax asset not recognised	93,772	195,633
Non-deductible expense	602,648	(207,934)
Income tax expense	4,366,014	148,853
Current income tax expense	4,377,378	275,747
Deferred tax benefit	(11,364)	(126,894)
Income tax expense	4,366,014	148,853

The tax rate used for the year ended 31 December 2011 reconciliations above is the corporate tax rate of 20%, payable by corporate entities in the Republic of Kazakhstan on taxable profits under tax law in that jurisdiction.

Deferred income tax assets	**Year ended 31 December 2012**	**Year ended 31 December 2011**
At the beginning of the year	(286,154)	-
As at 12 December 2011 (at the date of ownership transfer) (Note 1)	-	(159,260)
Depreciation of deferred tax on property revaluation reserve	(9,528)	-
Change in deferred income tax balances recognised in consolidated profit or loss	(11,364)	(126,894)
At the end of the year	(307,046)	(286,154)

9. CASH AND CASH EQUIVALENTS

	31 December 2012	**31 December 2011**
Cash on hand	27,833,709	13,731,700
Recorded as loans and receivables in accordance with IAS 39:		
Current accounts with other banks	33,840,022	22,120,167
Short-term deposits with other banks	18,391,021	17,025,088
Reverse repo agreements	-	3,000,220
Total cash and cash equivalents	80,064,752	55,877,175

Reverse repurchase agreements which were classified as cash and cash equivalents as at 31 December 2012 and 2011 are presented as follows:

	31 December 2012		**31 December 2011**	
	Carrying amount of loans	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
Notes of the NBRK	-	-	2,691,194	2,832,632
Bonds of the Ministry of Finance of the Republic of Kazakhstan	-	-	309,026	33,788
Total reverse repo	-	-	3,000,220	2,866,420

10. OBLIGATORY RESERVES

	31 December 2012	**31 December 2011**
Recorded as loans and receivables in accordance with IAS 39:		
Due from the NBRK allocated to obligatory reserves	7,406,392	9,019,905
Total obligatory reserves	7,406,392	9,019,905

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the NBRK and used for calculation of the minimum reserve requirement, and are thus shown separately from cash and cash equivalents.

11. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2012	31 December 2011
Financial assets initially designated at fair value through profit or loss:		
Debt securities	58,139	60,095
Total assets initially designated at fair value through profit or loss	58,139	60,095
Financial assets held for trading:		
Derivative financial instruments	130,210	40,738
Total financial assets held for trading	130,210	40,738
Total financial assets at fair value through profit or loss	188,349	100,833

Financial assets and liabilities at fair value through profit or loss comprises:

	Interest to nominal, %	31 December 2012	Interest to nominal, %	31 December 2011
Debt securities:				
Bonds of the Ministry of Finance of the Republic of Kazakhstan	6.44-6.48	58,139	6.44-6.48	60,095
Total debt securities		58,139		60,095

	31 December 2012			31 December 2011		
	Nominal Amount	Net fair value Asset	Net fair value Liability	Nominal Amount	Net fair value Asset	Net fair value Liability
Derivative financial instruments held for trading:						
Foreign currency contracts						
Forward contracts	27,842,877	85,079	70,364	19,833,150	40,738	10,600
Swaps	21,063,450	40,150	-	-	-	-
Options	48,838,625	4,981	-	-	-	-
Total derivative financial instruments held for trading		130,210	70,364		40,738	10,600
Total financial assets and liabilities at fair value through profit or loss		188,349	70,364		100,833	10,600

The table above shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

Forwards and futures

Forward and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements. The main differences in the risk associated with forward and futures contracts are credit risk and liquidity risk.

The Group has credit exposure to the counterparties of forward contracts. The credit risk related to future contracts is considered minimal because the cash margin requirements of the exchange help ensure that these contracts are always honored. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk than the futures contracts which are settled on a net basis. Both types of contracts result in market risk exposure.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group purchases and sells options through regulated exchanges and in the over-the-counter markets. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

As at 31 December 2012 and 2011, financial assets held-for-trading include accrued interest income on debt securities of KZT 1,052 thousand and KZT 1,042 thousand, respectively.

12. DUE FROM BANKS

	31 December 2012	31 December 2011
Recorded as loans and receivables in accordance with IAS 39:		
Deposits and overnight placements with other banks	1,585,279	2,457,671
Loans and advances to financial organizations	10,341	10,341
	1,595,620	2,468,012
Less allowance for impairment losses	(10,341)	(10,341)
Total due from banks	1,585,279	2,457,671

As at 31 December 2012 and 2011, due from banks includes accrued interest amounting to KZT 1,943 thousand and KZT 25,990 thousand, respectively.

As at 31 December 2012 and 2011, the maximum credit risk exposure on due from banks amounted to KZT 1,585,279 thousand and KZT 2,457,671 thousand, respectively.

Movements in allowances for impairment losses on due from banks for the years ended 31 December 2012 and 2011, are disclosed in Note 5.

13. LOANS TO CUSTOMERS

	31 December 2012	31 December 2011
Recorded as loans and receivables in accordance with IAS 39:		
Originated loans	511,272,719	384,431,999
	511,272,719	384,431,999
Less allowance for impairment losses	(76,439,810)	(60,235,361)
Total loans to customers	434,832,909	324,196,638

Movements in allowances for impairment losses on loans to customers for the years ended 31 December 2012 and 2011, are disclosed in Note 5.

As at 31 December 2012 and 2011, accrued interest income of KZT 25,660,155 thousand and KZT 26,062,405 thousand, respectively, was included in loans to customers.

The table below summarizes the amount of loans secured by collateral, rather than the fair value of the collateral itself:

	31 December 2012	31 December 2011
Loans collateralized by real estate	138,156,411	145,352,332
Loans collateralized by guarantees of enterprises	31,137,185	33,754,480
Loans collateralized by goods	19,802,557	19,634,033
Loans collateralized by vehicles	15,323,082	3,407,441
Loans collateralized by mixed collateral	14,108,517	19,442,124
Loans collateralized by equipment	1,155,513	1,908,260
Loans collateralized by cash	723,840	2,235,660
Unsecured loans	290,865,614	158,697,669
	511,272,719	384,431,999
Less allowance for impairment losses	(76,439,810)	(60,235,361)
Total loans to customers	434,832,909	324,196,638

	31 December 2012	31 December 2011
Analysis by sector:		
Individuals	351,260,628	220,628,659
Trade	103,001,540	101,000,953
Services	26,298,478	32,189,014
Construction	13,631,970	14,711,997
Transport and communication	11,969,151	8,039,671
Manufacturing	3,595,668	5,523,573
Agriculture and food industry	523,490	373,566
Other	991,794	1,964,566
	511,272,719	384,431,999
Less allowance for impairment losses	(76,439,810)	(60,235,361)
Total loans to customers	434,832,909	324,196,638

As at 31 December 2012 and 2011, individuals sector is mainly represented with mass loans through credit cards, which amounted to KZT 301,342,529 thousand and KZT 157,984,772 thousand, respectively.

The ownership title over certain financial assets secured for the loans written off was transferred to the Group. As at 31 December 2012 and 2011, such assets comprised KZT 51,170 thousand and KZT 18,492 thousand, respectively, and were included in 'other assets' caption of the consolidated statement of financial position.

As at 31 December 2012 and 2011, maximum credit risk exposure on loans to customers amounted to KZT 434,832,909 thousand and KZT 324,196,638 thousand, respectively. As at 31 December 2012 and 2011, a maximum credit risk exposure on overdrafts extended by the Group to its customers amounted to KZT 10,205,680 thousand and KZT 5,464,350 thousand, respectively.

As at 31 December 2012 and 2011, the Group provided loans to 6 customers totaling KZT 63,320,395 thousand and KZT 58,379,368 thousand, respectively, which individually exceeded 10% of the Group's equity.

As at 31 December 2012 and 2011 all loans are granted to companies operating in the Republic of Kazakhstan, which represents a significant geographical concentration in one region.

As at 31 December 2012 and 2011, loans to customers included loans in the amount of KZT 60,761,478 thousand and KZT 63,567,658 thousand, respectively, that were individually determined to be impaired based on the assessment of the borrowers' financial performance, debt servicing and deterioration of the collaterals' fair value.

14. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2012	31 December 2011
Debt securities	19,343,077	11,968,088
Equity investments	56,449	53,162
	19,399,526	12,021,250

	Nominal interest rate, %	31 December 2012	Nominal interest rate, %	31 December 2011
Debt securities				
Bonds of the Ministry of Finance of the Republic of Kazakhstan	2.25-6.48	13,255,821	1.60-8.55	6,524,794
Corporate bonds	5.70-13.00	6,087,256	7.00-11.00	5,443,294
Total debt securities		19,343,077		11,968,088

	Ownership interest, %	31 December 2012	Ownership interest, %	31 December 2011
Equity				
Shares of JSC KASE	5.22	25,242	5.22	25,242
Shares of JSC Guarantee Fund of insurance payments	3.30	17,666	3.30	17,666
Shares of JSC Processing Center	0.81	10,000	0.81	10,000
Shares of SWIFT	-	3,287	-	-
Shares of JSC Central Securities Depositary	0.41	200	0.41	200
Shares of JSC ARS Finance	0.01	54	0.01	54
Total equity investments		56,449		53,162
Total investments available-for-sale		19,399,526		12,021,250

As at 31 December 2012 and 2011, accrued interest of KZT 458,430 thousand and KZT 478,968 thousand, respectively, was included in investments available-for-sale.

Assumptions applied in determining fair values are described in Note 27.

15. INVESTMENTS HELD-TO-MATURITY

	Nominal interest rate, %	31 December 2012	Nominal interest rate, %	31 December 2011
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.10-8.75	12,323,481	3.10-8.75	4,679,146
Eurobonds of JSC Development Bank of Kazakhstan	6.00-6.50	3,476,338	6.00-6.50	3,381,468
Corporate bonds	7.00-8.50	1,259,606	-	-
Total investments held-to-maturity		17,059,425		8,060,614

As at 31 December 2012 and 2011, accrued interest of KZT 348,791 thousand and KZT 167,722 thousand, respectively, was included in investments held-to-maturity.

16. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and construction	Furniture and equipment	Intangible assets	Construction -in-progress	Total
At initial/revalued cost					
31 December 2010	-	-	-	-	-
12 December 2011(date of ownership transfer)	14,044,838	6,257,329	1,712,564	-	22,014,731
Additions	101,938	295,478	14,718	-	412,134
Transfers	-	-	1,888	-	1,888
31 December 2011	14,146,776	6,552,807	1,729,170	-	22,428,753
Additions	1,454,293	2,459,520	943,366	35,762	4,892,941
Transfers	-	5,814	-	(5,814)	-
Disposals	(11,319)	(239,642)	(350,999)	-	(601,960)
31 December 2012	15,589,750	8,778,499	2,321,537	29,948	26,719,734
Accumulated depreciation					
31 December 2010	-	-	-	-	-
12 December 2011(date of ownership transfer)	1,594,728	2,913,233	1,104,938	-	5,612,899
Charge for the year	28,393	71,512	15,941	-	115,846
31 December 2011	1,623,121	2,984,745	1,120,879	-	5,728,745
Charge for the year	540,369	1,164,187	203,376	-	1,907,932
Written-off on disposal	(2,804)	(169,478)	(61,930)	-	(234,212)
31 December 2012	2,160,686	3,979,454	1,262,325	-	7,402,465
Net book value					
31 December 2012	13,429,064	4,799,045	1,059,212	29,948	19,317,269
31 December 2011	12,523,655	3,568,062	608,291	-	16,700,008

As at 31 December 2012 and 2011, property and equipment included fully depreciated equipment of KZT 2,094,784 thousand and KZT 2,705,757 thousand, respectively.

17. OTHER ASSETS

	31 December 2012	31 December 2011
Other financial assets recorded as loans and receivables in accordance with IAS 39:		
Settlements with brokers	598,078	639,173
Fee income accrued	248,989	157,309
Prepayment for SPOT	4,906	-
	851,973	796,482
Other non financial assets:		
Prepayment for rent	490,035	529,552
Prepayments on capital expenditure	484,352	313,911
Prepayments	133,396	55,037
Receivables from legal action	128,609	160,660
Receivables from one-time transfers	102,132	16,827
Prepayment for advertisement	74,931	47,166
Inventory	56,002	104,197
Non-current assets, held for sale	51,170	18,492
Taxes, other than income tax	18,961	28,509
Receivables on VISA on cash operations	-	42,353
Other	222,551	126,542
	1,762,139	1,443,246
Less allowance for impairment losses	(295,028)	(290,521)
	1,467,111	1,152,725
Total other assets	2,319,084	1,949,207

Movements in allowances for impairment of other assets for the years ended 31 December 2012 and 2011, are disclosed in Note 5.

18. DUE TO BANKS

	31 December 2012	31 December 2011
Recorded at amortised cost:		
Time deposits of banks and other financial institutions	25,012,921	10,541,861
Loans from banks and international financial institutions	3,373,021	5,535,032
Repo agreements	10,610,517	2,470,092
Correspondent accounts with other banks	-	5
Total due to banks	38,996,459	18,546,990

As at 31 December 2012 and 2011, accrued interest of KZT 218,309 thousand and KZT 471,294 thousand, respectively, were included in due to banks.

The Group is obligated to comply with financial covenants in relation to due to banks. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2012 and 2011.

Repurchase agreements which were classified as due to banks as at 31 December 2012 and 2011 are presented as follows:

	31 December 2012		31 December 2011	
	Carrying amount of loans	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
Bonds of the Ministry of Finance of the Republic of Kazakhstan	10,575,421	11,518,837	2,470,092	2,659,994
Eurobonds of JSC Development Bank of Kazakhstan	35,096	38,606	-	-
Total reverse repo	10,610,517	11,557,443	2,470,092	2,659,994

Details of transferred financial assets that are not derecognised in their entirety as at 31 December 2012 are disclosed below:

	Financial assets at fair value through profit or loss (Note 11)	**Investments available-for-sale (Note 14)**	**Investments held-to-maturity (Note 15)**	**Total**
As at 31 December 2012:				
Carrying amount of transferred assets	57,754	10,331,276	1,321,369	11,710,399
Carrying amount of associated liabilities	51,965	9,322,699	1,235,853	10,610,517

19. CUSTOMER ACCOUNTS

	31 December 2012	**31 December 2011**
Recorded at amortised cost:		
Time deposits	374,897,590	292,760,495
Current accounts and demand deposits	42,269,713	29,351,441
Total customer accounts	417,167,303	322,111,936

As at 31 December 2012 and 2011, accrued interest of KZT 3,922,583 thousand and KZT 3,911,459 thousand, respectively, were included in customer accounts.

As at 31 December 2012 and 2011, customer accounts of KZT 1,342,837 thousand and KZT 2,992,936 thousand, respectively, were held as security against loans, letters of credit, guarantees issued by the Group and other transactions related to contingent obligations.

As at 31 December 2012 and 2011, the customer accounts of KZT 127,124,470 thousand (30.5%) and KZT 135,398,709 thousand (42.0%), respectively, were due to 20 customers, which represents significant concentration.

	31 December 2012	31 December 2011
Analysis by sector		
Individuals	321,935,712	224,967,475
Government	49,801,007	59,507,150
Services	28,077,165	23,143,744
Trade	6,609,769	6,279,533
Construction	4,455,910	3,401,376
Manufacturing	2,424,007	1,634,206
Oil and chemical industry	1,127,181	1,020,726
Agriculture	781,586	1,003,147
Transportation and communication	278,332	320,359
Other	1,676,634	834,220
Total customer accounts	417,167,303	322,111,936

20. DEBT SECURITIES ISSUED

	Maturity date month/year	Annual interest coupon rate %	31 December 2012	Annual interest coupon rate %	31 December 2011
Recorded at amortised cost:					
Bond program – second issue	May 2015	8.50	8,137,336	8.50	8,068,206
Second bond program – second issue	July 2016	8.00	4,069,870	8.00	2,108,951
Bond program – first issue	January 2012	-	-	9.30	3,620,059
Total debt securities issued			12,207,206		13,797,216

As at 31 December 2012 and 2011, accrued interest of KZT 248,558 thousand and KZT 324,434 thousand, respectively, were included in debt securities issued.

21. OTHER LIABILITIES

	31 December 2012	31 December 2011
Other financial liabilities		
Accrued administrative expenses	470,528	243,985
Accrued dividends	5	5,000
Accrued commission expenses	3,829	3,795
	474,362	252,780
Other non financial liabilities:		
Due to employees	5,237,746	1,315,873
Vacation reserve	365,831	279,205
Taxes payable, other than income tax	332,178	288,539
Due to Kazakhstan interbank settlement center	216,992	100,820
Creditors on capital investments	55,426	71,966
Creditors on other non-banking activity	28,562	88,172
Prepayments	28,193	2,233
Other	441,809	117,662
	6,706,737	2,264,470
Total other liabilities	7,181,099	2,517,250

22. SUBORDINATED DEBT

	Currency	Maturity	Interest rate %	31 December 2012	Interest rate %	31 December 2011
Subordinated debt securities issued:						
Third issue within the bond programme	tenge	June 2018	8.00	3,586,924	10.50	3,569,687
Forth issue within the bond programme	tenge	June 2019	7.00	6,251,341	10.30	6,354,737
Fifth issue within the bond programme	tenge	June 2019	7.00	5,074,005	10.30	5,116,048
First issue within the first bond programme	tenge	July 2021	6.00	5,814,145	11.00	2,407,467
Preference shares				19,838		19,838
Total subordinated debt				20,746,253		17,467,777

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

As at 31 December 2012 and 2011, accrued interest of KZT 586,035 thousand and KZT 733,252 thousand, respectively, was included in subordinated debt.

23. SHARE CAPITAL

As at 31 December 2012 and 2011, the share capital of the Group authorized for issue consisted of 1,500,000 of ordinary shares and 500,000 of preference shares.

As at 31 December 2012, the Group's share capital comprised the following:

	Share capital at beginning of the year	Change in share capital	Total share capital issued
Ordinary shares	79,500	-	79,500
Preference shares	26,500	-	26,500
Total	106,000	-	106,000

As at 31 December 2011, the Group's share capital comprised the following:

	Share capital at beginning of the year	Share capital increase	Total share capital issued
Ordinary shares	79,500	-	79,500
Preference shares	-	26,500	26,500
Total	79,500	26,500	106,000

During 2011, the Group authorized and issued 500,000 preference shares with par value of KZT 53 each, with no voting right.

The table below provides a reconciliation of the change in the number of shares outstanding as at 31 December 2012 and 2011:

	Preference shares	Ordinary shares
31 December 2010	-	1,500,000
Issue of shares	500,000	-
31 December 2011	500,000	1,500,000
Issue of shares	-	-
31 December 2012	500,000	1,500,000

Share premium represents an excess of contributions received over the nominal value of shares issued and amounts received as a result of the resale of shares over their purchase price.

According to Kazakhstan legislation on Joint Stock companies, additional dividend payments on the preference shares cannot be less than the dividends paid on ordinary shares.

The liability component of preference shares was classified as subordinated debt. Preference shares are nonconvertible.

24. COMMITMENTS AND CONTINGENCIES

In the normal course of business the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit policy in undertaking contingent commitments as it does for on-balance operations.

As at 31 December 2012 and 2011, provision for losses on contingent liabilities amounted to KZT 313 thousand and KZT 5,158 thousand, respectively.

As at 31 December 2012 and 2011, the Group's nominal amounts, or amounts under the financial commitments contracts comprised the following:

	Notes	31 December 2012 Nominal amount	31 December 2011 Nominal amount
Contingent liabilities and credit commitments			
Commitments on loans and unused credit lines		151,386,982	69,678,376
Guarantees issued and similar commitments		1,381,748	1,186,630
		152,768,730	70,865,006
Less allowance for impairment losses	5	(313)	(5,158)
Total contingent liabilities and credit commitments		152,768,417	70,859,848

As at 31 December 2012 and 2011, commitments on loans and unused credit lines included into contingent liabilities, represents the Group's commitments to extend loans within unused credit line limits with the following conditions: a borrower has to apply to the Group each time it wants to extend its borrowings within preliminary unused credit lines; and the Group may approve or deny the extension of finance based on a borrower's financial performance, debt service and other credit risk characteristics. As at 31 December 2012 and 2011 such unused credit lines come to KZT 151,386,982 thousand and KZT 69,678,376 thousand, respectively.

Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred and accordingly no provision has been made in these consolidated financial statements.

Taxation

Kazakhstani commercial legislation and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Group may be assessed additional taxes, penalties and interest. The Group believes that it has already made all tax payments, and therefore no allowance has been made in the consolidated financial statements. Tax years remain open to review by the tax authorities for five years.

Operating environment

Emerging markets such as the Republic of Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory and political environment.

Because the Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

25. TRANSACTIONS WITH RELATED PARTIES

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Group had the following transactions with related parties:

	31 December 2012		31 December 2011	
	Transaction with related parties	**Total category as per financial statements captions**	**Transaction with related parties**	**Total category as per financial statements captions**
Consolidated statement of financial position				
Loans to customers	983,939	511,272,719	1,035,989	384,431,999
- to key management personnel of the Group	952,346		942,443	
- to other related parties	31,593		93,546	
Allowance for impairment losses on loans to customers	(139,996)	(76,439,810)	(140,746)	(60,235,361)
- to key management personnel of the Group	(139,996)		(135,618)	
- to other related parties	-		(5,128)	
Customer accounts	780,733	417,167,303	965,232	322,111,936
- of key management personnel of the Group	177,440		208,171	
- of other related parties	603,293		757,061	
Commitment and contingencies				
Commitments on loans and unused credit lines	158,374	151,386,982	177,771	69,678,376
- to key management personnel of the Group	142,660		153,155	
- of other related parties	15,714		24,616	

Secured and unsecured loans and guarantees are made to key management personnel of the entity and shareholders in the ordinary course of business. These loans are made on substantially the same terms, including interest rates, as for comparable transactions with persons of a similar standing or, where applicable, with other employees. The transactions did not involve more than the normal risk of repayment or present other unfavorable features.

Amounts deposited by key management personnel earn interest at the same rates as those offered to the market or on the same terms and conditions applicable to other employees within the Group.

Compensation to directors and other members of key management is presented as follows:

	For the year ended 31 December 2012		For the year ended 31 December 2011	
	Transaction with related parties	**Total category as per financial statements captions**	**Transaction with related parties**	**Total category as per financial statements captions**
Compensation to key management personnel:				
Short-term benefits	(704,745)	(13,670,135)	(49,165)	(705,007)

Included in the consolidated income statement for the years ended 31 December 2012 and 2011 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2012		**Year ended 31 December 2011**	
	Transaction with related parties	**Total category as per financial statements captions**	**Transaction with related parties**	**Total category as per financial statements captions**
Interest income	60,303	70,998,481	6,511	3,402,101
- key management personnel of the Group	57,081		5,991	
- other related parties	3,222		520	
Interest expense	(47,428)	(34,732,164)	(5,053)	(1,684,082)
- key management personnel of the Group	(11,527)		(827)	
- other related parties	(35,901)		(4,226)	
Recovery/(provision) for impairment losses	750	(25,490,213)	(10,014)	(1,543,090)
- key management personnel of the Group	(4,378)		(9,953)	
- other related parties	5,128		(61)	
Fee and commission income	28,804	39,342,194	4	1,453,124
- key management personnel of the Group	28,804		4	

26. SEGMENT REPORTING

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 "Operating segments" and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows:

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Investment banking – representing financial instruments trading, structured financing, corporate leasing, and merger and acquisitions advice.

The segment information below is presented on the basis used by the Group's chief operating decision maker to evaluate performance, in accordance with IFRS 8. The Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which do not include the effects of intercompany eliminations.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position, but excluding taxation. Internal charges and transfer pricing adjustments have been reflected in the performance of each business. All revenues and expenses are attributable only to external customers, and there are no transactions between business segments.

More specific information on the revenues from external customers for each service line, or each group of similar service lines is not available and the cost to develop it is excessive. Hence the Group presents operating segments on the basis of three main service lines.

Segment information about these businesses as at and for the year ended 31 December 2012 is presented below:

	Retail banking	Corporate banking	Investment banking	Unallocated	Total as at and for the year ended 31 December 2012
Interest income	57,158,675	12,534,866	1,304,940	-	70,998,481
Interest expense	(27,847,157)	(6,381,046)	(503,961)	-	(34,732,164)
Net loss on financial assets and liabilities at fair value through profit or loss	-	-	(375,065)	-	(375,065)
Net gain/(loss) on foreign exchange operations	678,848	(58,429)	-	-	620,419
Fee and commission income	37,185,331	2,156,863	-	-	39,342,194
Fee and commission expense	(388,777)	(302,250)	-	-	(691,027)
Net gain on investments available-for-sale	-	-	132,652	-	132,652
Insurance premium, net of claims paid	82,148	-	-	-	82,148
Other income	-	384	-	42,176	42,560
External operating income	66,869,068	7,950,388	558,566	42,176	75,420,198
Operating expenses	(22,193,524)	(4,284,541)	(26,232)	-	(26,504,297)
Operating profit	44,675,544	3,665,847	532,334	42,176	48,915,901
Provision for impairment losses	(13,932,722)	(11,557,491)	-	-	(25,490,213)
Profit/(loss) before income tax	30,742,822	(7,891,644)	532,334	42,176	23,425,688
Income tax (expense)/ benefit	(5,232,403)	929,155	(62,766)	-	(4,366,014)
Net profit/(loss)	25,510,419	(6,962,489)	469,568	42,176	19,059,674
Segment assets	318,890,694	138,093,704	64,029,992	61,656,880	582,671,270
Segment liabilities	369,010,421	107,436,888	37,885,923	-	514,333,232
Other segment items					
Depreciation charge on property, equipment and intangible assets	(1,598,716)	(307,326)	(1,890)	-	(1,907,932)
Loans to customers	351,260,628	160,012,091	-	-	511,272,719
Provisions for impairment	(48,662,711)	(27,777,099)	-	-	(76,439,810)
Property and equipment	14,101,606	5,215,663	-	-	19,317,269
Customer accounts	321,935,712	95,231,591	-	-	417,167,303
Insurance debtors	187,874	-	-	-	187,874
Capital expenditure	3,571,847	1,321,094	-	-	4,892,941

Segment information about these businesses as at and for the year ended 31 December 2011 is presented below:

	Retail banking	**Corporate banking**	**Investment banking**	**Unallocated**	**Total as at and for the year ended 31 December 2011**
Interest income	2,540,753	792,560	68,788	-	3,402,101
Interest expense	(1,133,668)	(455,256)	(27,720)	-	(1,616,644)
Net gain on financial assets and liabilities at fair value through profit or loss	-	-	24,171	-	24,171
Net (loss)/gain on foreign exchange operations	(11,240)	29,821	-	-	18,581
Fee and commission income	1,316,848	136,276	-	-	1,453,124
Fee and commission expense	(7,726)	(10,863)	-	-	(18,589)
Net gain on investments available-for-sale	-	-	19,688	-	19,688
Insurance premium, net of claims paid	5,821	-	-	-	5,821
Other income	-	2,032	-	9,311	11,343
External operating income	2,710,788	494,570	84,927	9,311	3,299,596
Operating expenses	(1,061,886)	(278,186)	(3,370)	-	(1,343,442)
Operating profit	1,648,902	216,384	81,557	9,311	1,956,154
Provision for impairment losses	(565,790)	(977,300)	-	-	(1,543,090)
Profit/(loss) before income tax	1,083,112	(760,916)	81,557	9,311	413,064
Income tax (expense)/benefit	(219,260)	82,777	(12,370)	-	(148,853)
Net profit/(loss)	863,852	(678,139)	69,187	9,311	264,211
Segment assets	211,764,123	131,506,559	50,779,873	36,739,529	430,790,084
Segment liabilities	243,194,889	105,842,059	31,345,073	-	380,382,021
Other segment items					
Depreciation charge on property, equipment and intangible assets	(91,518)	(24,328)	-	-	(115,846)
Loans to customers	220,628,659	163,803,340	-	-	384,431,999
Provisions for impairment	(21,576,159)	(38,659,202)	-	-	(60,235,361)
Property and equipment	11,022,005	5,678,003	-	-	16,700,008
Customer accounts	224,967,475	97,144,461	-	-	322,111,936
Insurance debtors	120,629	-	-	-	120,629
Capital expenditure	2,457,519	1,265,995	-	-	3,723,514

Geographical segments

Segment information for the main geographical segments of the Group is set out below as at and for the years ended 31 December 2012 and 2011 and for the years then ended.

	Kazakhstan	OECD countries	Non-OECD countries	Total as at and for the year ended 31 December 2012
Interest income	70,938,374	60,107	-	70,998,481
Interest expense	(34,305,275)	(426,882)	(7)	(34,732,164)
Net loss on financial assets at fair value through profit or loss	(356,100)	(18,965)	-	(375,065)
Net gain/(loss) on foreign exchange operations	655,163	(34,744)	-	620,419
Fee and commission income	39,268,192	74,002	-	39,342,194
Fee and commission expense	(474,810)	(216,217)	-	(691,027)
Net gain on disposal and impairment of investments available-for-sale	95,539	37,113	-	132,652
Insurance premium, net of claims paid	82,148	-	-	82,148
Other income	42,173	387	-	42,560
External operating income/(expense)	75,945,404	(525,199)	(7)	75,420,198
Cash and cash equivalents	37,868,949	41,247,950	947,853	80,064,752
Obligatory reserves	7,406,392	-	-	7,406,392
Financial assets at fair value through profit or loss	180,290	8,059	-	188,349
Due from banks	1,344,014	241,265	-	1,585,279
Loans to customers	434,831,325	1,584	-	434,832,909
Investments available-for-sale	19,396,239	3,287	-	19,399,526
Property and equipment	19,317,269	-	-	19,317,269
Capital expenditure	4,892,941	-	-	4,892,941

	Kazakhstan	OECD countries	Non-OECD countries	Total as at and for the year ended 31 December 2011
Interest income	3,392,346	9,751	4	3,402,101
Interest expense	(1,581,741)	(33,414)	(1,489)	(1,616,644)
Net gain on financial assets at fair value through profit or loss	19,778	2,210	2,183	24,171
Net gain on foreign exchange operations	16,934	1,588	59	18,581
Fee and commission income	1,448,957	4,165	2	1,453,124
Fee and commission expense	(18,227)	(347)	(15)	(18,589)
Net gain on disposal and impairment of investments available-for-sale	19,688	-	-	19,688
Insurance premium, net of claims paid	5,819	2	-	5,821
Other income	11,343	-	-	11,343
External operating income/(expense)	3,314,897	(16,045)	744	3,299,596
Cash and cash equivalents	20,314,623	34,260,988	1,301,564	55,877,175
Obligatory reserves	9,019,905	-	-	9,019,905
Financial assets at fair value through profit or loss	75,435	17,250	8,148	100,833
Due from banks	1,522,211	935,460	-	2,457,671
Loans to customers	324,195,504	769	365	324,196,638
Investments available-for-sale	12,021,250	-	-	12,021,250
Property and equipment	16,700,008	-	-	16,700,008
Capital expenditure	3,723,514	-	-	3,723,514

External operating income, assets, capital expenditure have been allocated based on domicile of the counterparty. Tangible assets (cash on hand, property and equipment) have been allocated based on the country in which they are physically held.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

As due from banks are short-term, the book value are estimated to be equal to fair value.

The fair values of due to banks are estimated to be equal to carrying value as:

(1) they are short term;
(2) long term loans represent loans from banks and international financial institutions which have specific end use, thus they can't be compared with the ordinary loans according to the market prices.

Assets for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.

Loans to customers

Loans to individual customers are made both at variable and at fixed rates. As there is no active secondary market in the Republic of Kazakhstan for such loans and advances, there is no reliable market value available for this portfolio.

Variable rate – Management believes that carrying rate may be assumed to be fair value.

Fixed rate – Certain of the loans secured are at a fixed rate. Fair value has been estimated by reference to the market rates available at the balance sheet date for similar loans of maturity equal to the remaining fixed period.

Financial investments – available for sale

Available-for-sale financial assets valued using valuation techniques or pricing models primarily consist of unquoted equities and debt securities.

These assets are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Except as detailed below, management of the Group considers that the fair value of financial assets and liabilities approximates their carrying value:

	31 December 2012		31 December 2011	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair Value**
Loans to customers	434,832,909	453,387,606	324,196,638	342,053,776
Investments held-to-maturity	17,059,425	17,245,381	8,060,614	8,141,488
Debt securities issued	12,207,206	11,859,160	13,797,216	12,975,998
Subordinated debt	20,746,253	23,026,599	17,467,777	19,480,764

Financial assets and liabilities at fair value through profit and loss and investments available-for-sale are carried at fair value in the consolidated statement of financial position. The carrying amount of customer accounts and due to banks approximates fair value as interest rates charged to customers closely approximate market interest rates.

Financial instruments at fair value have been split into three levels depending on accessibility to market quotes:

- price quotes on an active market (level 1) – the valuation makes use of quotes received from an active market for identical assets and liabilities. Additional quotes or a general discount are not applicable for such financial instruments. As a revaluation is based on market quotes, these values do not make use of assumptions;
- valuation methods using market data (level 2) – valuations using data based to a greater or lesser extent on market data, and valuations based on one or several observable market prices according to standard transactions on markets that are considered as inactive;
- valuation methods using information that contains no market data (level 3) – valuations are based on data not regarded as market data or having a significant role in calculating fair value.

The Group's approach to calculating and allocating fair value for specific financial categories of financial instruments at fair value is shown below:

	31 December 2012			31 December 2011		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit or loss	188,349	-	-	100,833	-	-
Investments available-for-sale	19,158,024	185,053	-	11,821,643	146,445	-
Financial liabilities at fair value through profit or loss	70,364	-	-	10,600	-	-

As at 31 December 2012 and 2011, investments available-for-sale included equity shares which are carried at cost in the amount of KZT 56,449 thousand and KZT 53,162 thousand, respectively.

28. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt-to-equity ratio.

The capital structure of the Group consists of debt, which includes subordinated debt disclosed in Note 22, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board reviews the capital structure on a semi-annual basis. As a part of this review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group balances its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

29. RISK MANAGEMENT POLICY

Management of risk is fundamental to the Group's business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to credit exposures, liquidity and market movements in interest rates and foreign exchange rates. A description of the Group's risk management policies in relation to those risks follows.

The Group manages the following risks:

Credit risk

The Group is exposed to credit risk which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Credit risk management and monitoring is performed within set limits of authority, by the Credit Committees and the Group's Management Board. Before any application is made by the Credit Committee, all recommendations on credit processes (borrower's limits approved, or amendments made to loan agreements, etc.) are reviewed and approved by the manager of the Risk Management Department. Day-to-day risk management is performed by the Head of Risk Management Department.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. Limits on the level of credit risk by a borrower and a product (by industry sector, by region) are approved quarterly by the Management Board. The exposure to any one borrower including banks and brokers is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committee. Actual exposures against limits are monitored daily.

Where appropriate, and in the case of most loans, the Group obtains collateral and corporate and personal guarantees. However, a significant portion is individual lending, where no such facilities can be obtained. Such risks are monitored on a continuous basis and subject to annual or more frequent reviews.

Off-balance sheet commitments on loans and unused credit lines represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk on off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments on loans and unused credit lines, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the balance sheet financial instruments, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Maximum Exposure

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

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets recorded on balance the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on.

As at 31 December 2012:

	Maximum exposure	Offset	Net exposure after offset	Pledged collateral	Net exposure after offset and collateral
Financial assets at fair value through profit or loss	188,349	-	188,349	-	188,349
Due from banks	1,585,279	-	1,585,279	582,750	1,002,529
Loans to customers	434,832,909	723,840	434,109,069	219,683,265	214,425,804
Investment available-for-sale	19,399,526	-	19,399,526	-	19,399,526
Investments held-to-maturity	17,059,425	-	17,059,425	-	17,059,425
Insurance debtors	187,874	-	187,874	-	187,874
Other financial assets	851,973	-	851,973	-	851,973
Total financial assets	474,105,335	723,840	473,381,495	220,266,015	253,115,480
Commitments and contingencies	152,768,417	218,762	152,549,655	2,460,760	150,088,895

As at 31 December 2011:

	Maximum exposure	Offset	Net exposure after offset	Pledged collateral	Net exposure after offset and collateral
Financial assets at fair value through profit or loss	100,833	-	100,833	-	100,833
Due from banks	2,457,671	-	2,457,671	1,279,085	1,178,586
Loans to customers	324,196,638	2,235,660	321,960,978	247,472,508	74,488,470
Investment available-for-sale	12,021,250	-	12,021,250	-	12,021,250
Investments held-to-maturity	8,060,614	-	8,060,614	-	8,060,614
Insurance debtors	120,629	-	120,629	-	120,629
Other financial assets	796,482	-	796,482	-	796,482
Total financial assets	347,754,117	2,235,660	345,518,457	248,751,593	96,766,864
Commitments and contingencies	70,859,848	280,202	70,579,646	943,571	69,636,075

Financial assets are graded according to the current credit rating they have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade of financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group as at 31 December 2012:

	A+	A	BBB+	<BBB	Not rated	Total 31 December 2012
Financial assets at fair value through profit or loss	-	-	58,139	-	130,210	188,349
Due from banks	-	241,184	-	1,343,428	667	1,585,279
Loans to customers	-	-	-	-	434,832,909	434,832,909
Investment available-for-sale	-	-	13,255,821	6,087,256	56,449	19,399,526
Investments held-to-maturity	-	-	15,799,819	1,259,606	-	17,059,425
Insurance debtors	-	-	-	-	187,874	187,874
Other financial assets	-	-	-	-	851,973	851,973

As at 31 December 2011:

	A+	A	BBB	<BBB	Not rated	Total 31 December 2011
Financial assets at fair value through profit or loss	-	-	-	100,833	-	100,833
Due from banks	-	934,920	-	1,270,681	252,070	2,457,671
Loans to customers	-	-	-	-	324,196,638	324,196,638
Investment available-for-sale	-	-	-	9,017,071	3,004,179	12,021,250
Investments held-to-maturity	-	-	-	8,060,614	-	8,060,614
Insurance debtors	-	-	-	-	120,629	120,629
Other financial assets	-	-	-	-	796,482	796,482

Scoring models

The Group has developed and implemented scoring model for evaluation of the risks of potential borrowers within large-scale segment of retail banking. Scoring models are developed using statistical modeling based on the Group's own databases. Besides scoring models for decision making the Group frequently uses automated work model for the First Credit Bureau to define credit history of the potential borrower, and for the State Pension Payment Center to confirm income of the potential borrowers. The scoring models standardize and automate the process of decision making and reduce operational risks of the Group. The scoring model is assessed and analyzed on a continual basis for its effectiveness and validity.

The scoring model developed by the Group evaluates loans at the date of origination and, therefore, the amount is not equal to the consolidated statement of financial position. As such, more detailed information is not being presented as it is not meaningful.

The quality of portfolio for individually significant loans is managed by the Group's internal rating policy. The Group has developed and implemented methodology for client evaluation. As per this methodology the loans to customers are classified under five categories, which are standard, substandard, bad, doubtful and loss loans. The evaluation is made based on the financial performance of the client, regularity of payments and valuation of collateral.

The quality of portfolio for secured homogeneous loans is managed by internal rating policy which is based on loans' servicing level. Rating is applied to the entire homogeneous portfolio to obtain the expected loss values per loan, which are then adjusted individually for collateral fair value.

The quality of portfolio for non-secured homogeneous loans is managed by the vintage and aging analysis, which is based on historical delinquencies in loan servicing. For the vintage analysis delinquencies are analyzed per monthly loan originations and cover the period equal to average term of the loan in the pool. For aging analysis delinquencies per overdue age are analyzed during the period equal to average term of the loan in the pool. The result of the later is then extrapolated and expected loss rate is applied to outstanding portfolio.

The banking industry is generally exposed to credit risk through the loans extended and interbank deposits. Credit risk exposure on loans to customers is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

The following table details the carrying value of assets that are past due but not impaired including their aging:

		Financial assets past due but not impaired				31 December 2012		
	Current financial assets not impaired	0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Assets assessed collectively for impairment	Total
Financial assets at fair value through profit or loss	188,349	-	-	-	-	-	-	188,349
Due from banks	1,585,279	-	-	-	-	-	-	1,585,279
Loans to customers	87,537,634	-	-	-	8,724	60,761,478	362,964,883	511,272,719
Investment available-for-sale	19,214,473	-	-	-	-	185,053	-	19,399,526
Investments held-to-maturity	17,059,425	-	-	-	-	-	-	17,059,425
Insurance debtors	187,874	-	-	-	-	-	-	187,874
Other financial assets	851,973	-	-	-	-	-	-	851,973

		Financial assets past due but not impaired				31 December 2011		
	Current financial assets not impaired	0-3 months	3-6 months	6 months to 1 year	Greater than one year	Financial assets that have been impaired	Assets assessed collectively for impairment	Total
Financial assets at fair value through profit or loss	100,833	-	-	-	-	-	-	100,833
Due from banks	2,457,671	-	-	-	-	-	-	2,457,671
Loans to customers	92,099,368	-	-	-	81,159	63,567,658	228,683,814	384,431,999
Investment available-for-sale	11,874,805	-	-	-	-	146,445	-	12,021,250
Investments held-to-maturity	8,060,614	-	-	-	-	-	-	8,060,614
Insurance debtors	120,629	-	-	-	-	-	-	120,629
Other financial assets	796,482	-	-	-	-	-	-	796,482

Geographical concentration

The Assets and Liabilities Management Committee ("ALMC") exercises control over the risk in the legislation and regulatory arena and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Republic of Kazakhstan. The Group's Management Board sets up country limits, which mainly applies to banks of the Commonwealth of Independent States and Baltic countries.

The geographical concentration of assets and liabilities is set out below:

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2012 Total
FINANCIAL ASSETS				
Cash and cash equivalents	37,868,949	41,247,950	947,853	80,064,752
Obligatory reserves	7,406,392	-	-	7,406,392
Financial assets at fair value through profit or loss	180,290	8,059	-	188,349
Due from banks	1,344,014	241,265	-	1,585,279
Loans to customers	434,831,325	1,584	-	434,832,909
Investments available- for- sale	19,396,239	3,287	-	19,399,526
Investments held-to-maturity	17,059,425	-	-	17,059,425
Insurance debtors	187,874	-	-	187,874
Other financial assets	851,973	-	-	851,973
TOTAL FINANCIAL ASSETS	519,126,481	41,502,145	947,853	561,576,479
FINANCIAL LIABILITIES				
Due to banks	35,623,438	3,373,021	-	38,996,459
Customer accounts	414,899,486	1,919,058	348,759	417,167,303
Financial liabilities at fair value through profit or loss	61,900	8,266	198	70,364
Debt securities issued	12,207,206	-	-	12,207,206
Insurance reserves	17,960,870	-	-	17,960,870
Other financial liabilities	461,355	3,179	9,828	474,362
Subordinated debt	20,746,253	-	-	20,746,253
TOTAL FINANCIAL LIABILITIES	501,960,508	5,303,524	358,785	507,622,817
NET POSITION	17,165,973	36,198,621	589,068	

	Kazakhstan	OECD countries	Non-OECD countries	31 December 2011 Total
FINANCIAL ASSETS				
Cash and cash equivalents	20,314,623	34,260,988	1,301,564	55,877,175
Obligatory reserves	9,019,905	-	-	9,019,905
Financial assets at fair value through profit or loss	75,435	17,250	8,148	100,833
Due from banks	1,522,211	935,460	-	2,457,671
Loans to customers	324,195,504	769	365	324,196,638
Investments available- for- sale	12,021,250	-	-	12,021,250
Investments held-to-maturity	8,060,614	-	-	8,060,614
Insurance debtors	120,592	37	-	120,629
Other financial assets	796,482	-	-	796,482
TOTAL FINANCIAL ASSETS	376,126,616	35,214,504	1,310,077	412,651,197
FINANCIAL LIABILITIES				
Due to banks	13,011,666	5,535,324	-	18,546,990
Customer accounts	320,290,575	1,507,593	313,768	322,111,936
Financial liabilities at fair value through profit or loss	1,600	9,000	-	10,600
Debt securities issued	13,797,216	-	-	13,797,216
Insurance reserves	5,919,104	5,990	-	5,925,094
Other financial liabilities	246,494	6,286	-	252,780
Subordinated debt	17,467,777	-	-	17,467,777
TOTAL FINANCIAL LIABILITIES	370,734,432	7,064,193	313,768	378,112,393
NET POSITION	5,392,184	28,150,311	996,309	

Liquidity risk

Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.

The ALMC controls these types of risks by means of maturity analysis, determining the Group's strategy for the next financial period. Current liquidity is managed by the Treasury Department, which deals in the money markets for current liquidity support and cash flow optimization.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is a part of assets/liabilities management process. The Management Board sets limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

An analysis of the liquidity and interest rate risks is presented in the following table. The tables have been drawn up to detail:

(i) The remaining contractual maturity of non-derivative financial liabilities based on the undiscounted cash flows of financial liabilities (both interest and principal cash flows) based on the earliest date on which the Group can be required to pay;
(ii) The expected maturity for non-derivative financial assets based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group anticipates that the cash flow will occur in a different period; and
(iii) Financial assets at fair value through profit or loss are disclosed not according to the maturity of the securities, but according to the nature of accounts.

	Weighted average effective interest rate, %	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2012 Total
FINANCIAL ASSETS							
Cash and cash equivalents	0.55	44,753,166	-	-	-	-	44,753,166
Financial assets at fair value through profit or loss	6.48	188,349	-	-	-	-	188,349
Due from banks	4.50	81	178	241,592	1,001,862	341,566	1,585,279
Loans to customers	20.66	52,264,474	48,767,485	168,508,916	145,380,866	19,911,168	434,832,909
Investments available-for-sale	5.94	565,227	963,178	17,814,672	-	-	19,343,077
Investments held-to-maturity	5.39	69,981	217,001	316,357	12,532,896	3,923,190	17,059,425
Total interest bearing financial assets		97,841,278	49,947,842	186,881,537	158,915,624	24,175,924	517,762,205
Cash and cash equivalents		35,311,586	-	-	-	-	35,311,586
Obligatory reserves		1,179,400	718,722	3,280,550	2,167,592	60,128	7,406,392
Investments available-for-sale (equity securities)		-	-	56,449	-	-	56,449
Insurance debtors		-	-	187,874	-	-	187,874
Other financial assets		836,502	15,471	-	-	-	851,973
Total financial assets		135,168,766	50,682,035	190,406,410	161,083,216	24,236,052	561,576,479
FINANCIAL LIABILITIES							
Due to banks	6.41	11,352,255	-	8,390,392	19,253,551	261	38,996,459
Customer accounts	8.32	63,099,588	45,326,783	199,027,990	105,909,529	3,803,413	417,167,303
Debt securities issued	8.34	139,533	-	109,025	11,958,648	-	12,207,206
Subordinated debt	6.90	554,533	-	31,502	-	20,160,218	20,746,253
Total interest bearing financial liabilities		75,145,909	45,326,783	207,558,909	137,121,728	23,963,892	489,117,221
Financial liabilities at fair value through profit or loss		70,364	-	-	-	-	70,364
Insurance reserves		48,845	422,373	3,375,575	14,114,077	-	17,960,870
Other financial liabilities		474,362	-	-	-	-	474,362
Total financial liabilities		75,739,480	45,749,156	210,934,484	151,235,805	23,963,892	507,622,817
Liquidity gap		59,429,286	4,932,879	(20,528,074)	9,847,411	272,160	
Interest sensitivity gap		22,695,369	4,621,059	(20,677,372)	21,793,896	212,032	
Cumulative interest sensitivity gap		22,695,369	27,316,428	6,639,056	28,432,952	28,644,984	

Liquidity gap from 3 month to 1 year is negative. Based on prior experience, the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over.

	Weighted average effective interest rate, %	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2011 Total
FINANCIAL ASSETS							
Cash and cash equivalents	0.50	42,145,475	-	-	-	-	42,145,475
Financial assets at fair value through profit or loss	6.48	100,833	-	-	-	-	100,833
Due from banks	2.03	764,898	60	1,348,548	-	344,165	2,457,671
Loans to customers	20.69	36,972,031	22,527,385	87,925,500	153,164,538	23,607,184	324,196,638
Investments available-for-sale	7.00	570,290	242,551	11,155,247	-	-	11,968,088
Investments held-to-maturity	5.38	17,486	143,617	212,214	4,130,072	3,329,145	7,832,534
Total interest bearing financial assets		80,571,013	22,913,613	100,641,509	157,294,610	27,280,494	388,701,239
Cash and cash equivalents		13,731,700	-	-	-	-	13,731,700
Obligatory reserves		1,431,585	650,024	4,797,123	2,039,245	101,928	9,019,905
Investments available-for-sale (equity securities)		-	-	53,162	-	-	53,162
Investments held-to-maturity		-	-	228,080	-	-	228,080
Insurance debtors		-	160	120,469	-	-	120,629
Other financial assets		783,566	12,916	-	-	-	796,482
Total financial assets		96,517,864	23,576,713	105,840,343	159,333,855	27,382,422	412,651,197
FINANCIAL LIABILITIES							
Due to banks	4.05	7,878,442	698,860	2,243,688	7,725,739	261	18,546,990
Customer accounts	9.10	44,610,415	24,851,771	186,208,663	62,434,834	4,006,253	322,111,936
Debt securities issued	8.64	3,691,614	-	109,155	9,996,447	-	13,797,216
Subordinated debt	10.44	695,059	-	30,025	-	16,742,693	17,467,777
Total interest bearing financial liabilities		56,875,530	25,550,631	188,591,531	80,157,020	20,749,207	371,923,919
Financial liabilities at fair value through profit or loss		10,600	-	-	-	-	10,600
Insurance reserves		138,078	108,721	1,532,814	4,145,481	-	5,925,094
Other financial liabilities		247,780	-	5,000	-	-	252,780
Total financial liabilities		57,271,988	25,659,352	190,129,345	84,302,501	20,749,207	378,112,393
Liquidity gap		39,245,876	(2,082,639)	(84,289,002)	75,031,354	6,633,215	
Interest sensitivity gap		23,695,483	(2,637,018)	(87,950,022)	77,137,590	6,531,287	
Cumulative interest sensitivity gap		23,695,483	21,058,465	(66,891,557)	10,246,033	16,777,320	

A further analysis of the liquidity and interest rate risks is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position as the presentation below includes a maturity analysis for financial liabilities that indicates the total remaining contractual payments (including interest payments), which are not recognised in the consolidated statement of financial position under the effective interest rate method.

	Weighted average effective interest rate, %	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2012 Total
FINANCIAL LIABILITIES							
Due to banks	6.41	11,363,892	339,165	9,723,120	21,655,337	261	43,081,775
Customer accounts	8.32	64,417,327	50,034,779	211,017,205	121,143,593	4,141,557	450,754,461
Debt securities issued	8.34	159,467	-	867,476	13,971,509	-	14,998,452
Subordinated debt	6.90	612,503	-	914,887	6,071,716	23,463,326	31,062,432
Total interest bearing financial liabilities		76,553,189	50,373,944	222,522,688	162,842,155	27,605,144	539,897,120
Financial liabilities at fair value through profit or loss		70,364	-	-	-	-	70,364
Insurance reserves		48,845	422,373	3,375,575	14,114,077	-	17,960,870
Other financial liabilities		474,362	-	-	-	-	474,362
		77,146,760	50,796,317	225,898,263	176,956,232	27,605,144	558,402,716

	Weighted average effective interest rate, %	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2011 Total
FINANCIAL LIABILITIES							
Due to banks	4.05	7,878,195	701,559	3,395,149	7,486,899	261	19,462,063
Customer accounts	9.10	45,781,088	29,148,380	196,361,231	73,374,107	4,412,844	349,077,650
Debt securities issued	8.64	3,723,395	-	794,293	12,421,494	-	16,939,182
Subordinated debt	10.44	740,457	-	1,128,847	7,461,898	22,299,764	31,630,966
Total interest bearing financial liabilities		58,123,135	29,849,939	201,679,520	100,744,398	26,712,869	417,109,861
Financial liabilities at fair value through profit or loss		10,600	-	-	-	-	10,600
Insurance reserves		138,078	108,721	1,532,814	4,145,481	-	5,925,094
Other financial liabilities		247,780	-	5,000	-	-	252,780
		58,519,593	29,958,660	203,217,334	104,889,879	26,712,869	423,298,335

Market Risk

Market risk covers interest rate risk, currency risk and other pricing risks to which the Group is exposed. There have been no changes as to the way the Group measures risk or to the risk it is exposed in 2012.

The Group is exposed to interest rate risks as entities in the Group borrow funds at both fixed and floating rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The ALMC also manages interest rate and market risks by matching the Group's interest rate position, which provides the Group with a positive interest margin. The Risk Management Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in interest rates and its influence on the Group's profitability.

The majority of the Group's loan contracts and other financial assets and liabilities that bear interest are either variable or contain clauses enabling the interest rate to be changed at the option of the lender. The Group's Management monitors its interest rate margin and consequently does not consider itself exposed to significant interest rate risk or consequential cash flow risk.

The Group has covenants which it must comply with on due from banks and other financial institutions. The Group has a compliance officer to ensure compliance on an ongoing basis and no instances of non-compliance during the reporting period have occurred.

Interest rate sensitivity analysis

The Group manages fair value interest rate risk through periodic estimation of potential losses that could arise from adverse changes in market conditions. The Risk Management Department conducts monitoring of the Group's current financial performance, estimates the Group's sensitivity to changes in fair value interest rates and its influence on the Group's profitability.

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The level of these changes is determined by management and is contained within the risk reports provided to key management personnel.

Impact on profit before taxes based on asset nominal value as at 31 December 2012 and 2011:

	As at 31 December 2012		**As at 31 December 2011**	
	Interest rate +3%	**Interest rate -3%**	**Interest rate +3%**	**Interest rate -3%**
FINANCIAL ASSETS:				
Financial assets at fair value through profit or loss	(1,169)	807	(4,206)	4,612
Investments available-for-sale	61,739	(61,739)	53,572	(53,572)
Investments held-to-maturity	30,974	(30,974)	-	-
FINANCIAL LIABILITIES:				
Due to banks	(101,744)	101,744	(164,845)	164,845
Debt securities issued	-	-	(105,000)	105,000
Subordinated debt	(635,720)	635,720	(528,707)	528,707
Net impact on profit before tax	(645,920)	(645,558)	(749,186)	749,592

Impact on equity:

	As at 31 December 2012		As at 31 December 2011	
	Interest rate +3%	Interest rate -3%	Interest rate +3%	Interest rate -3%
FINANCIAL ASSETS:				
Financial assets at fair value through profit or loss	(1,169)	807	(4,206)	4,612
Investments available-for-sale (impact on retained earnings)	61,739	(61,739)	53,572	(53,572)
Investments available-for-sale (impact on equity)	(1,376,557)	1,568,784	(531,946)	579,697
Total investments available-for-sale	(1,314,818)	1,507,045	(478,374)	526,125
Investments held-to-maturity	30,974	(30,974)	-	-
FINANCIAL LIABILITIES:				
Due to banks	(101,744)	101,744	(164,845)	164,845
Debt securities issued	-	-	(105,000)	105,000
Subordinated debt	(635,720)	635,720	(528,707)	528,707
Net impact on equity	(2,022,477)	2,214,342	(1,281,132)	1,329,289

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The ALMC controls currency risk by management of the open currency position on the estimated basis of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rates fluctuations toward national and foreign currencies. The Treasury Department performs daily monitoring of the Group's open currency position with the aim to match the requirements of NBRK.

The Group's exposure to foreign currency exchange rate risk is presented in the table below:

	Tenge	USD 1 USD = 150.74	EUR EUR 1 = 199.22	Other currency	31 December 2012 Total
FINANCIAL ASSETS					
Cash and cash equivalents	21,176,879	49,424,570	8,608,673	854,630	80,064,752
Obligatory reserves	7,406,392	-	-	-	7,406,392
Financial assets at fair value through profit or loss	140,139	43,229	4,981	-	188,349
Due from banks	1,002,448	582,831	-	-	1,585,279
Loans to customers	401,520,911	31,546,904	1,765,094	-	434,832,909
Investments available-for-sale	19,396,239	-	3,287	-	19,399,526
Investments held-to-maturity	13,583,087	3,476,338	-	-	17,059,425
Insurance debtors	187,874	-	-	-	187,874
Other financial assets	851,973	-	-	-	851,973
TOTAL FINANCIAL ASSETS	465,265,942	85,073,872	10,382,035	854,630	561,576,479
FINANCIAL LIABILITIES					
Due to banks	17,489,416	21,507,043	-	-	38,996,459
Customer accounts	290,717,389	118,422,544	7,864,541	162,829	417,167,303
Financial liabilities at fair value through profit or loss	61,900	8,266	-	198	70,364
Debt securities issued	12,207,206	-	-	-	12,207,206
Insurance reserves	17,960,870	-	-	-	17,960,870
Other financial liabilities	473,315	1,047	-	-	474,362
Subordinated debt	20,746,253	-	-	-	20,746,253
TOTAL FINANCIAL LIABILITIES	359,656,349	139,938,900	7,864,541	163,027	507,622,817
OPEN BALANCE SHEET POSITION	105,609,593	(54,865,028)	2,517,494	691,603	

	Tenge	USD 1 USD = 148.4	EUR EUR 1 = 191.72	Other currency	31 December 2011 Total
FINANCIAL ASSETS					
Cash and cash equivalents	12,056,344	35,477,714	7,724,499	618,618	55,877,175
Obligatory reserves	9,019,905	-	-	-	9,019,905
Financial assets at fair value through profit or loss	92,685	-	-	8,148	100,833
Due from banks	1,178,517	1,279,154	-	-	2,457,671
Loans to customers	283,028,227	39,435,132	1,733,279	-	324,196,638
Investments available-for-sale	10,474,125	1,547,125	-	-	12,021,250
Investments held-to-maturity	4,679,145	3,381,469	-	-	8,060,614
Insurance debtors	120,592	37	-	-	120,629
Other financial assets	796,482	-	-	-	796,482
TOTAL FINANCIAL ASSETS	321,446,022	81,120,631	9,457,778	626,766	412,651,197
FINANCIAL LIABILITIES					
Due to banks	7,601,106	9,987,252	958,627	5	18,546,990
Customer accounts	232,426,195	80,690,331	8,858,754	136,656	322,111,936
Financial liabilities at fair value through profit or loss	10,600	-	-	-	10,600
Debt securities issued	13,797,216	-	-	-	13,797,216
Insurance reserves	5,919,104	5,990	-	-	5,925,094
Other financial liabilities	250,010	1,811	959	-	252,780
Subordinated debt	17,467,777	-	-	-	17,467,777
TOTAL FINANCIAL LIABILITIES	277,472,008	90,685,384	9,818,340	136,661	378,112,393
OPEN BALANCE SHEET POSITION	43,974,014	(9,564,753)	(360,562)	490,105	

Derivative financial instruments and spot contracts

Fair value of derivative financial instruments and spot contracts are included in the currency analysis presented above and the following table presents further analysis of currency risk by types of derivative financial instruments and spot contracts as at 31 December 2012 and 2011:

	Tenge	USD 1 USD = 150.74	EUR EUR 1 = 199.22	Other currency	Total 31 December 2012
Accounts payable on spot and derivative contracts	(64,536,274)	(19,168,000)	(5,219,564)	(5,070,310)	(93,994,148)
Accounts receivable on spot and derivative contracts	-	67,164,770	996,100	4,466,649	72,627,519
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(64,536,274)	47,996,770	(4,223,464)	(603,661)	

	Tenge	USD 1 USD = 148.4	EUR EUR 1 = 191.72	Other currency	Total 31 December 2011
Accounts payable on spot and derivative contracts	(15,907,460)	(3,413,200)	-	(512,206)	(19,832,866)
Accounts receivable on spot and derivative contracts	3,434,950	16,398,200	-	-	19,833,150
NET SPOT AND DERIVATIVE FINANCIAL INSTRUMENTS POSITION	(12,472,510)	12,985,000	-	(512,206)	

Currency risk sensitivity analysis

The following table details the Group's Sensitivity to an increase and decrease in the USD and EUR against the KZT. 10-15% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at 31 December 2012 for a 10-15% and at 31 December 2011 for a 10-15% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower.

Impact on net profit and equity based on the asset nominal value as at 31 December 2012 and 2011, is presented as follows:

	As at 31 December 2012		As at 31 December 2011	
	Tenge/USD +10%	Tenge/USD -15%	Tenge/USD +10%	Tenge/USD -15%
Impact on profit and loss	(686,826)	1,030,239	342,025	(513,037)
Impact on equity	(686,826)	1,030,239	342,025	(513,037)

	As at 31 December 2012		As at 31 December 2011	
	Tenge/EUR +10%	Tenge/EUR -15%	Tenge/EUR +10%	Tenge/EUR -15%
Impact on profit and loss	(170,597)	255,896	(36,056)	54,084
Impact on equity	(170,597)	255,896	(36,056)	54,084

Limitations of sensitivity analysis

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

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

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

Compliance risk

The Group has covenants which it must comply with on due from banks and other financial institutions. The Group has a compliance officer to ensure compliance on an ongoing basis and no instances of non-compliance during the reporting period have occurred.

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

The Group manages price risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin and collateral requirements. With respect to undrawn loan commitments the Group is potentially exposed to a loss of an amount equal to the total amount of such commitments.

However, the likely amount of a loss is less than that, since most commitments are contingent upon certain conditions set out in the loan agreements.

Equity price sensitivity analysis

The table below represents interest rate sensitivity analysis determined based on the position on investments to equity securities at the reporting date.

If equity prices had been 25% higher/lower for 2012 and 2011:

	As at 31 December 2012		**As at 31 December 2011**	
	25% increase in equity securities price:	**25% decrease in equity securities price:**	**25% increase in equity securities price:**	**25% decrease in equity securities price:**
Investments available-for-sale fair value reserve	14,112	(14,112)	13,291	(13,291)

30. SUBSEQUENT EVENTS

The management is not aware of any material events subsequent to the reporting date.