



Agrarian Credit Corporation JSC
Interim condensed financial statements

30 June 2012

Together With Report on Review of Interim Condensed Financial Statements

Ernst & Young

 **ERNST & YOUNG**

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholder and Board of Directors of Agrarian Credit Corporation JSC—

Introduction

We have reviewed the accompanying interim condensed financial statements of Agrarian Credit Corporation JSC (the "Corporation") as at 30 June 2012, comprising of the interim condensed statement of financial position as at 30 June 2012 and the related interim condensed statements of income, of comprehensive income, of changes in equity and of cash flows for the six months then ended and selected explanatory notes. Management of the Corporation is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ("IAS 34"). Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified during an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

The accompanying interim condensed statements of income, of comprehensive income, of changes in equity and of cash flows are presented without comparative data subject to disclosure in accordance with IAS 34.

Conclusion

In the course of our review, except for the impact on the interim condensed financial statements of circumstances described in the paragraph *Basis for Qualified Conclusion* nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP



Evgeniy Zhemaletdinov
Auditor/General Director
Ernst & Young LLP



State Audit License for audit activities on the territory of the Republic of Kazakhstan: series МФЮ - 2 No. 0000003 issued by the Ministry of Finance of the Republic of Kazakhstan on 15 July 2005

Auditor Qualification Certificate No. 0000553
dated 24 December 2003

31 October 2012

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

(Thousands of Kazakh Tenge)

| | Notes | 30 June 2012 (unaudited) | 31 December 2011 |
|---|-------|-----------------------------|---------------------|
| Assets | | | |
| Cash and cash equivalents | 3 | 17,784,158 | 5,123,360 |
| Derivative financial instruments | 4 | 245,888 | 348,963 |
| Loans to customers | 5 | 93,436,143 | 80,622,405 |
| Assets held for sale | 6 | 188,907 | 167,666 |
| Current income tax assets | | 322,235 | 271,429 |
| Property and equipment | | 254,837 | 232,920 |
| Intangible assets | | 265,412 | 283,726 |
| Deferred income tax assets | | 1,155,688 | 943,017 |
| Other assets | | 61,702 | 51,600 |
| Total assets | | 113,714,970 | 88,045,086 |
| Liabilities | | | |
| Amounts due to credit institution | 7 | 4,547,301 | 6,776,149 |
| Amounts due to the Shareholder | 8 | 42,798,040 | 14,807,777 |
| Debt securities issued | 9 | 3,050,980 | 5,506,297 |
| Due to state and state-financed organizations | 10 | 128,481 | 134,852 |
| Other liabilities | | 139,995 | 150,014 |
| Total liabilities | | 50,664,797 | 27,375,089 |
| Equity | | | |
| Share capital | 12 | 67,599,371 | 65,349,371 |
| Additional paid-in capital | | 4,038,615 | 3,904,973 |
| Reserve capital | | 702,348 | 533,203 |
| Deemed distribution reserve | | (4,920,718) | (4,655,348) |
| Accumulated deficit | | (4,369,443) | (4,462,202) |
| Total equity | | 63,050,173 | 60,669,997 |
| Total liabilities and equity | | 113,714,970 | 88,045,086 |

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich

Chairman of the Management Board

Kussainova Galiya Dairovna

Head of Accounting and Reporting Department

31 October 2012

INTERIM CONDENSED STATEMENT OF INCOME

For the six months ended 30 June 2012

(Thousands of Kazakh Tenge)

| | Notes | For the six months ended 30 June 2012 (unaudited) |
|--|-------|--|
| Interest income | | |
| Loans to customers | | 2,935,494 |
| Cash and cash equivalents | | 250,603 |
| | | 3,186,097 |
| Interest expense | | |
| Amounts due to credit institution | | (274,677) |
| Amounts due to the Shareholder | | (546,740) |
| Debt securities issued | | (200,617) |
| Due to state and state-financed organizations | | (5,086) |
| | | (1,027,120) |
| Net interest income | | 2,158,977 |
| Loan impairment charge | 5 | (1,427,408) |
| Net interest income after loan impairment charge | | 731,569 |
| Net gains from revaluation of derivative financial instruments | | 146,518 |
| Net losses from revaluation of foreign currency | | (13,606) |
| Other income | | 4,139 |
| Non-interest income | | 137,051 |
| Personnel expenses | 14 | (515,318) |
| Other operating expenses | 14 | (269,937) |
| Loss on impairment of assets held for sale | 6 | (1,200) |
| Non-interest expenses | | (786,455) |
| Profit before income tax benefit | | 82,165 |
| Income tax benefit | 11 | 179,739 |
| Profit for the period | | 261,904 |
| Basic and diluted earnings per share (in Tenge) | 15 | 3.95 |

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich



Chairman of the Management Board

Kussainova Galiya Dairovna

Head of Accounting and Reporting Department

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

(Thousands of Kazakh Tenge)

| | Notes | <i>For the six months ended 30 June 2012 (unaudited)</i> |
|--|-------|--|
| Profit for the period | | 261,904 |
| Other comprehensive income | | |
| Deemed distribution reserve | 12 | (331,713) |
| Initial recognition of income from loans obtained from shareholder, state and state-financed organizations at below market rates | 12 | 167,052 |
| Deferred income tax benefit | 12 | 32,933 |
| Other comprehensive loss for the period, net of taxes | | (131,728) |
| Total comprehensive income for the period | | 130,176 |

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich

Chairman of the Management Board

Kussainova Galiya Dairymkulovna

Head of Accounting and Reporting Department



INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012

(Thousands of Kazakh Tenge)

| | Share capital | Additional paid-in capital | Reserve capital | Deemed distribution reserve | Accumulated deficit | Total |
|---|---------------|----------------------------|-----------------|-----------------------------|---------------------|-------------|
| At 31 December 2010 | 48,649,371 | 2,849,181 | 481,883 | (2,319,198) | (4,580,027) | 45,081,210 |
| Total comprehensive loss for the period | – | 1,055,792 | – | (2,336,150) | 169,145 | (1,111,213) |
| Increase in share capital | 16,700,000 | – | – | – | – | 16,700,000 |
| Increase in reserve capital | – | – | 51,320 | – | (51,320) | – |
| At December 31, 2011 | 65,349,371 | 3,904,973 | 533,203 | (4,655,348) | (4,462,202) | 60,669,997 |
| Total comprehensive income for the period (unaudited) | – | 133,642 | – | (265,370) | 261,904 | 130,176 |
| Increase in share capital (Note 12) (unaudited) | 2,250,000 | – | – | – | – | 2,250,000 |
| Increase in reserve capital (Note 12) (unaudited) | – | – | 169,145 | – | (169,145) | – |
| At 30 June 2012 (unaudited) | 67,599,371 | 4,038,615 | 702,348 | (4,920,718) | (4,369,443) | 63,050,173 |

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich

Chairman of the Management Board

Kussainova Galiya Dairovna

Head of Accounting and Reporting Department



INTERIM CONDENSED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2012

(Thousands of Kazakh Tenge)

| | Notes | For the six months ended 30 June 2012 (unaudited) |
|--|-------|---|
| Cash flows from operating activities | | |
| Interest received | | 1,763,475 |
| Interest paid | | (598,749) |
| Realised income on derivative financial assets | | 146,518 |
| Realised loss on operations with foreign currencies | | (11,056) |
| Personnel expenses paid | | (488,675) |
| Other operating expenses paid | | (227,728) |
| Cash flows from operating activities before changes in operating assets and liabilities | | 583,785 |
| <i>Net increase in operating assets</i> | | |
| Loans to customers | | (13,101,518) |
| Other assets | | (10,102) |
| <i>Net increase in operating liabilities</i> | | |
| Due to state and state-financed organizations | | (11,330) |
| Other liabilities | | (36,710) |
| Net cash used in operating activities before income tax | | (12,575,875) |
| Income tax paid | | (37,590) |
| Net cash used in operating activities | | (12,613,465) |
| Cash flows from investing activities | | |
| Proceeds from sale of assets held for sale | 6 | 31,915 |
| Purchase of property and equipment | | (37,962) |
| Purchase of intangible assets | | (3,661) |
| Net cash used in investing activities | | (9,708) |
| Cash flows from financing activities | | |
| Proceeds from issue of share capital | 12 | 2,250,000 |
| Repayment of borrowings from credit institution | 7 | (2,226,350) |
| Proceeds from loans from the Shareholder | 8 | 29,748,931 |
| Repayment of borrowings from the Shareholder | | (2,061,410) |
| Debt securities repurchased | 9 | (2,427,200) |
| Net cash flows from financing activities | | 25,283,971 |
| Net increase of cash and cash equivalents | | 12,660,798 |
| Cash and cash equivalents, beginning | 3 | 5,123,360 |
| Cash and cash equivalents, ending | 3 | 17,784,158 |

Signed and authorised for release on behalf of the Management Board of the Corporation:

Malelov Nurlybek Tulebayevich

Chairman of the Management Board

Kussainova Galiya Dairovna

Head of Accounting and Reporting Department



1. Principal activities

Agrarian Credit Corporation JSC (the "Corporation") was established by the Decree of the Government of the Republic of Kazakhstan No. 137 dated 25 January 2001 "On issues of credit financing of agricultural sector" in the form of a joint stock company in accordance with the legislation of the Republic of Kazakhstan. The Corporation performs its activities on the basis of a license issued by the National Bank of the Republic of Kazakhstan Committee on Regulation and Supervision of the Financial Market and Financial Organizations (the "FMSC") for conducting operations specified by the banking legislation of the Republic of Kazakhstan No. 24 dated 3 February 2006. Additionally, the Corporation has a status of a financial agency assigned by the resolution of the Management Board of the Committee of the Republic of Kazakhstan on Regulation and Supervision of the Financial Market and Financial Organizations dated 30 July 2005 No. 274.

The Company's principal activities are:

- development and implementation of state programs to support an agricultural sector;
- attraction of domestic and foreign investments for realization of own projects in agricultural sector;
- development and realization of projects in agricultural sector;
- realization of collateral and agricultural products received as repayment of loans originated;
- performing bank borrowing operations based on appropriate license;
- leasing activities.

The address of the Corporation's registered office is: Republic of Kazakhstan, Astana, Imanov Str. 11

The sole shareholder of the Corporation is JSC National Management Holding "KazAgro" ("KazAgro" or "Shareholder"). The Government of the Republic of Kazakhstan is the sole shareholder of KazAgro.

As at 30 June 2012 the Corporation has 13 registered branches throughout the Republic of Kazakhstan (as at 31 December 2011 – 13 branches).

2. Basis of preparation

General

These interim condensed financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Financial Reporting Standard IAS 34, "Interim Financial Reporting" ("IAS 34") and should be read in conjunction with the annual financial statements of the Corporation for the year ended 31 December 2011.

The Corporation has prepared the interim condensed financial statements for the six-months period for the first time, so the interim statements of income, comprehensive income, changes in equity, statement cash flows and the related notes are presented without the comparative data for the six months period ended 30 June 2011.

These interim condensed financial statements are presented in thousands of Kazakh Tenge ("thousand of Tenge"), except per share amounts and unless otherwise indicated.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements of the Corporation for the year ended 31 December 2011, except for the adoption of new standards and interpretations starting from 1 January 2012, listed below :

Amendments to IFRS 7 "Financial Instruments: Disclosures"

In October 2010 the IASB issued amendments to IFRS 7 effective for financial years beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Corporation's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment changes requirements to disclosures only and will not have any impact on the Corporation's financial position or performance.

2. Basis of preparation (continued)

Changes in accounting policy (continued)

Amendments to IAS 12 "Income Taxes" – Deferred tax: Recovery of underlying assets"

In October 2010 the IASB issued amendments to IAS 12 effective for financial years beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Besides, the amendment introduces a requirement to calculate deferred tax on non-depreciable assets revalued as per revaluation model in IAS 16 only on the basis of the asset sale assumption. These amendments did not have any impact on financial statements of the Corporation.

3. Cash and cash equivalents

Cash comprises the following positions:

| | <u>30 June 2012</u> <u>(unaudited)</u> | <u>31 December</u> <u>2011</u> |
|----------------------------------|---|-----------------------------------|
| Cash on hand | 1 | 72 |
| Cash on current account | 17,784,157 | 5,123,288 |
| Cash and cash equivalents | 17,784,158 | 5,123,360 |

As at 30 June 2012 concentration of cash placed with one bank amounted to KZT 7,038,396 thousand (2011: KZT 3,552,116 thousand).

4. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts.

| | <u>30 June 2012 (unaudited)</u> | | | <u>31 December 2011</u> | | |
|----------------|---------------------------------|-------------------|------------------|-------------------------|-------------------|------------------|
| | <u>Notional</u> | <u>Fair value</u> | | <u>Notional</u> | <u>Fair value</u> | |
| | <u>principal</u> | <u>Asset</u> | <u>Liability</u> | <u>principal</u> | <u>Asset</u> | <u>Liability</u> |
| Options | 1,350,859 | 245,888 | – | 2,304,335 | 348,963 | – |

Options are contractual agreements that convey the right, but not the obligation of a buyer either to buy or sell a specific amount of financial instruments at a fixed price at a specified date in future or at any time during a specified period.

At 30 June 2012 and 2011, the Corporation had certain loans linked to a foreign currency, that contemplate fixing of minimum value of foreign currency exchange rate, i.e. when payment of principal and interest indexed to foreign currencies, so that the Corporation has the right to demand a higher amount if the rate of foreign currency specified in the contract will be increased in relation to a certain threshold (the threshold is usually set at a level of cash exchange rate at the date of issuance of the loan). At the same time, if the foreign exchange falls below the set threshold, the payments of principal and interest will remain at the original level.

The Corporation believes that the above indexation represent embedded foreign exchange option, which in turn acts as an embedded derivative to be separated from the host contract and accounted for in financial statements as a separate financial instrument at fair value through profit or loss.

5. Loans to customers

Loans to customers comprise:

| | <u>30 June 2012</u> <u>(unaudited)</u> | <u>31 December</u> <u>2011</u> |
|--|---|-----------------------------------|
| Loans granted to legal entities in the agricultural sector | 95,034,455 | 84,045,313 |
| Loans granted to individuals in the agricultural sector | 9,971,494 | 7,165,328 |
| Total loans to customers | 105,005,949 | 91,210,641 |
| Less allowance for impairment | (11,569,806) | (10,588,236) |
| Loans to customers | 93,436,143 | 80,622,405 |

5. Loans to customers (continued)

Allowance for impairment of loans to customers

A reconciliation of the allowance for impairment of loans is as follows:

| | <i>Loans to customers</i> |
|--|----------------------------------|
| At 31 December 2010 | 7,602,401 |
| Charge for the year | 2,764,349 |
| Recoveries | 221,486 |
| At 31 December 2011 | 10,588,236 |
| Charge for the six-months period (unaudited) | 1,427,408 |
| Write-off (unaudited) | (445,853) |
| Recoveries of amounts previously written off (unaudited) | 15 |
| 30 June 2012 (unaudited) | 11,569,806 |

Collateral and other credit enhancements

The amount and type of collateral required by the Corporation depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- for commercial lending – collateral of real estate properties, agricultural equipment, inventory and accounts receivable, guarantees and securities;
- for retail lending – collateral of residential properties and other assets.

Management monitors the market value of collateral, requests additional collateral in accordance with the underlying agreement, and monitors the market value of collateral obtained during its review of the adequacy of the allowance for impairment.

Concentration of loans to customers

As at 30 June 2012 concentration of loans issued by the Corporation to the ten largest independent parties amounted to KZT 27,587,659 thousand or 26% of the aggregate loan portfolio (31 December 2011: KZT 29,773,210 thousand or 34% of the aggregate loan portfolio).

6. Assets held for sale

Investments in associates represent equity participation in credit partnerships. These partnerships provide financing to the agricultural clients using funds obtained from the Corporation. During 2011 and 2010, the Corporation developed the plan to sell investments in associates and initiated the program to determine customers and finalise the plan. The Corporation started actively selling at the price, which is reasonable in relation to the current fair value of investments.

The table below presents the movement of assets held for sale:

| | <i>Assets held for sale</i> |
|--|------------------------------------|
| Carrying value at 1 January 2011 | 319,979 |
| Sale of assets held for sale | (150,020) |
| Impairment charge for the assets held for sale | (2,293) |
| Carrying value at 1 January 2012 | 167,666 |
| Purchase of assets held for sale | 54,356 |
| Sale of assets held for sale | (31,915) |
| Impairment charge for the assets held for sale | (1,200) |
| Carrying value at 30 June 2012 | 188,907 |

7. Amounts due to credit institution

Long-term borrowing in a foreign currency obtained from the bank includes:

| Bank | Currency | Maturity | Interest rate | 30 June 2012 (unaudited) | 31 December 2011 |
|---------------------------|-----------------|-----------------|----------------------|---|-----------------------------|
| Commerz AG Bank (Note 17) | US Dollars | 25.02.2013 | 10.33% | 4,547,301 | 6,776,149 |

During the six-months period ended 30 June 2012, the Corporation repaid a loan to Commerz AG Bank in the amount of USD 15,000 thousand (KZT 2,226,350 thousand).

Restrictive covenants

In accordance with the terms of the foreign bank loan agreement, the Corporation is required to comply with certain financial covenants. As at 30 June 2012 and 31 December 2011 the Corporation was in compliance with restrictive covenants under the agreement.

8. Amounts due to the Shareholder

| | Maturity | Interest rate | 30 June 2012 (unaudited) | 31 December 2011 |
|---------------------------------------|---------------------|----------------------|-------------------------------------|-----------------------------|
| Loans from the Shareholder | 30 December 2012 | 0.5 – 1.02% | 42,798,040 | 14,807,777 |
| Amounts due to the Shareholder | | | 42,798,040 | 14,807,777 |

During the six-months period ended 30 June 2012, the Corporation obtained long-term amounts of 1,085,376 from the Shareholder as well as short-term amounts of KZT 28,663,555 thousand. Income in the amount of KZT 167,052 thousand resulted from the initial recognition of loans obtained from the Shareholder at below market rates s recognized in an additional paid-in capital.

9. Debt securities issued

| | Maturity | Rate % | Currency | 30 June 2012 (unaudited) | 31 December 2011 |
|---|---------------------|---------------|-----------------|-------------------------------------|-----------------------------|
| Indexed debt securities | 10 August 2012 | 6-9% | Tenge | 3,014,871 | 2,973,443 |
| Fixed income debt securities | 30 December 2014 | 11% | Tenge | 36,109 | 35,784 |
| Fixed income debt securities, 3rd issue | 29 June 2014 | 8% | Tenge | – | 2,497,070 |
| Debt securities issued | | | | 3,050,980 | 5,506,297 |

During the six-months period ended 30 June 2012, the Corporation repurchased issued fixed income debt securities in the amount of KZT 2,427,200 thousand.

10. Due to state and state-financed organizations

| | 30 June 2012 (unaudited) | 31 December 2011 |
|--|-------------------------------------|-----------------------------|
| Administration of business activities and industry in Almaty region | 89,475 | 86,044 |
| Administration of business activities and industry in Zhambyl region | 39,006 | 48,808 |
| | 128,481 | 134,852 |

11. Taxation

A reconciliation of corporate income tax benefits applicable to income before taxation at the statutory corporate income tax rate, with the corporate income tax expenses for the period ended 30 June is set out below:

| | <i>For the six-months period ended 30 June 2012 (unaudited)</i> |
|--|---|
| Current income tax | - |
| Deferred tax - origination and reversal of temporary differences | 212,672 |
| Less: deferred tax benefit recognized in other comprehensive expense | (32,933) |
| Income tax benefit | 179,739 |

12. Equity

Below is information on movement of issued and fully paid shares:

| | <i>Placement price per share (Tenge)</i> | <i>Number of shares</i> | <i>Total (thousands of Tenge)</i> |
|---------------------------------------|--|-------------------------|---------------------------------------|
| At 31 December 2010 | 1.000 | 48,649,371 | 48,649,371 |
| Increase in share capital | | 16,700,000 | 16,700,000 |
| At 31 December 2011 | | 65,349,371 | 65,349,371 |
| Increase in share capital (unaudited) | | 2,250,000 | 2,250,000 |
| At 30 June 2012 (unaudited) | | 67,599,371 | 67,599,371 |

As at 30 June 2012 and 31 December 2011 the total number of authorized shares amounted to 69,349,371 of which 67,599,371 shares were fully paid (31 December 2011 – paid amount is 65,349,371 shares).

On the basis of decision of the sole Shareholder dated 14 February 2011, 26 October 2011 and 21 December 2011 the share capital was increased by 20,700 thousand of ordinary shares, of which 16,700 thousand of shares with the placement value of KZT 1,000 in 2011 were obtained from the sole Shareholder as a contribution to share capital and 2,250 thousand of shares with the placement value of KZT 1,000 were obtained for the first half of 2012.

For the six-months ended 30 June 2012, the Corporation neither declared nor paid any dividends.

In accordance with the Regulation of the Corporation, provisions are made for general bank risks including future losses and other unforeseen risks and obligations. Provisions are subject to allocation based on the decision of shareholders at the general meeting.

Based on the decision of the sole Shareholder dated 30 May 2012 the reserve capital was increased by KZT 169,145 thousand using the accumulated deficit.

Changes in reserves are represented as follows:

| | <i>Additional paid in capital</i> | <i>Deemed distribution reserves</i> |
|--|---------------------------------------|---|
| As at 31 December 2010 | 2,849,181 | (2,319,198) |
| Deemed distribution reserve | - | (2,920,188) |
| Tax effect on deemed distribution reserve | - | 584,038 |
| Initial recognition of income from loans obtained from shareholder, state and state-financed organizations at below market rates | 1,319,740 | - |
| Tax effect on initial recognition of income from loans obtained from shareholder, state and state-financed organizations at below market rates | (263,948) | - |
| As at 31 December 2011 | 3,904,973 | (4,655,348) |
| Deemed distribution reserve | - | (331,713) |
| Tax effect on deemed distribution reserve | - | 66,343 |
| Initial recognition of income from loans obtained from shareholder, state and state-financed organizations at below market rates | 167,052 | - |
| Tax effect on initial recognition of income from loans obtained from shareholder, state and state-financed organizations at below market rates | (33,410) | - |
| As at 30 June 2012 | 4,038,615 | (4,920,718) |

13. Commitments and contingencies

Legal issues

In the ordinary course of business, the Corporation is subject to legal actions and complaints.

Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Corporation.

Taxation

Kazakhstani commercial, and in particular, tax legislation contain regulations, interpretation of which could vary, and in certain cases the legislation could be amended with indirect retrospective impact. In addition, Corporation's management's interpretation of the legislation may differ from that of tax authorities, and in the result transactions carried out by the Corporation could be estimated by tax authorities in other way, and this could result in additional charge of taxes, fines and penalties. Corporation's management considers that all necessary tax accruals were fulfilled and, correspondingly, there were no any allowances charged in the statements. Tax periods remain open for five years.

Undrawn credit lines

As at 30 June the Corporates's commitments and contingencies comprised the following:

| | <i>30 June 2012</i> <i>(unaudited)</i> | <i>31 December 2011</i> |
|---|---|-------------------------|
| Undrawn credit lines – loans to customers | 23,497,940 | 17,850,497 |

14. Personnel and other operating expenses

Salaries and other employee benefits and other operating expenses comprise:

| | <i>Six months period</i> <i>ended</i> <i>30 June 2012</i> <i>(unaudited)</i> |
|---------------------------------------|---|
| Personnel expenses and other payments | 472,092 |
| Social security costs | 43,226 |
| Personnel expenses | 515,318 |
| Rent | 57,736 |
| Legal and advisory services | 48,187 |
| Depreciation and amortization | 38,022 |
| Business trip expenses | 25,796 |
| State duty | 20,107 |
| Communication services | 16,056 |
| Maintenance of property and equipment | 11,934 |
| Bank charges | 8,826 |
| Charity and sponsorship | 6,593 |
| Insurance | 2,716 |
| Office supplies | 2,419 |
| Training | 1,990 |
| Other | 29,555 |
| Other operating expenses | 269,937 |

15. Earnings per share

Basic and diluted earnings per share is calculated by dividing the net income for the period attributable to common shareholders by the weighted average number of shares outstanding during the period.

The following reflects the income and share data used in the basic and diluted earnings per share computations for the six months ended 30 June:

| | <i>Six-months period ended 30 June 2012 (unaudited)</i> |
|--|---|
| Net income attributable to common shareholders for basic and diluted earnings per share (in KZT thousands) | 261,904 |
| Weighted average number of common shares for basic and diluted earnings per share | 66,260,602 |
| Basic and diluted income per share (in tenge) | 3.95 |

No dilutive instruments were outstanding as of 30 June 2012.

As of 30 June 2012 book value per share is calculated in accordance with the methodology of the listing requirements of the Kazakhstan Stock Exchange amounted to 929 tenge (31 December 2011: 924 tenge)

16. Fair value of financial instruments

The Corporation uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted prices in active markets for identical assets or liabilities;
- ▶ Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

| <i>30 June 2012 (unaudited)</i> | <i>Level 1</i> | <i>Level 2</i> | <i>Level 3</i> | <i>Total</i> |
|---|----------------|----------------|----------------|--------------|
| Financial assets | | | | |
| Embedded derivative financial instruments | - | 245,888 | - | - |
| | - | 245,888 | - | 245,888 |
| <i>31 December 2011</i> | | | | |
| Financial assets | | | | |
| Embedded derivative financial instruments | - | 348,963 | - | - |
| | - | 348,963 | - | 348,963 |

17. Related party transactions

In accordance with IAS 24 – Related Party Disclosures, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Related parties may enter into transactions which unrelated parties might not. Prices and terms of such transactions may differ from prices and terms of transactions between unrelated parties.

The volumes of related party transactions, outstanding balances at 30 June 2012 and related expense and income for the year are as follows:

| | <i>30 June 2012</i> | | | | <i>31 December 2011</i> | | | |
|--------------------------|---------------------|--------------------------------------|-------------------|------------------------------|-------------------------|--------------------------------------|-------------------|------------------------------|
| | <i>Shareholder</i> | <i>Entities under common control</i> | <i>Associates</i> | <i>Due to the government</i> | <i>Shareholder</i> | <i>Entities under common control</i> | <i>Associates</i> | <i>Due to the government</i> |
| Loans to customers as at | - | 1,230,015 | - | - | - | 1,127,481 | - | - |
| Payable as at | 42,798,040 | 169,118 | - | 128,481 | 14,807,777 | 165,741 | 16,508 | 134,852 |

17. Related party transactions

| | <i>Six-months period ended 30 June 2012</i> | | | |
|-----------------------------------|---|--------------------------------------|-------------------|--------------------------------------|
| | <i>Shareholder</i> | <i>Entities under common control</i> | <i>Associates</i> | <i>Amounts due to the Government</i> |
| Interest income during the year | – | 19,317 | – | – |
| Interest expenses during the year | 546,740 | 6,904 | 908 | 5,086 |

Compensation of key management personnel was comprised of the following:

| | <i>Six-months period ended 30 June 2012</i> | |
|--|---|---------------|
| | <i>2012</i> | <i>2011</i> |
| Salaries and other short-term benefits | 27,522 | 27,522 |
| Social security costs | 2,766 | 2,766 |
| Total key management personnel compensation | 30,288 | 30,288 |
| Undrawn credit lines – loans to associates | 1,027,002 | 2,420,324 |
| Guarantees issued by the Shareholder (Note 7) | 4,547,301 | 6,776,149 |

18. Capital adequacy

The Corporation maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Corporation's capital is monitored using, among other measures, the ratios established by the FMSC in supervising the Corporation.

The primary objectives of the Corporation's capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholder' value. During the six months ended 30 June 2012, the Corporation complied with all capital requirements externally established by the RK legislation.

Capital adequacy ratio established by the Committee

FMSC requires entities engaged in certain types of banking activities to maintain a capital adequacy ratio of 1 level (k1) of at least 6% of assets; capital adequacy ratio (k1-2) in the amount of not less than 6% of risk weighted assets and contingent liabilities; and the total capital adequacy ratio (k1-3) in the amount of at least 12% of risk /operational weighted assets and contingent and possible liabilities and operational risk. As at 30 June 2012 and 31 December 2011 the risk-weighted assets, calculated under FMSC requirements were obtained on the basis of Corporation's financial statements prepared in accordance with Kazakhstani Accounting Standards. As at 30 June 2012 and 31 December 2011 the capital adequacy ratio of the Corporation on this basis was as follows:

| | <i>30 June 2012 (unaudited)</i> | <i>31 December 2011</i> |
|---|-------------------------------------|-------------------------|
| Tier 1 capital | 62,759,328 | 60,471,332 |
| Tier 2 capital | 261,904 | 169,145 |
| Participatory shares in charter capital of legal entity | (134,550) | (167,666) |
| Total equity | 62,886,682 | 60,472,811 |
| Risk weighted assets | 111,358,656 | 87,469,936 |
| Commitments and contingencies | 11,748,970 | 8,925,249 |
| Operational risk | 862,439 | 1,648,621 |
| Capital adequacy ratio (k1) | 55.2% | 68.7% |
| Capital adequacy ratio (k1-2) | 51.0% | 62.7% |
| Capital adequacy ratio (k1-3) | 50.7% | 61.7% |

19. Event after the end of the interim period

10 August 2012 is the maturity date of issued bonds KZZ2C0Y05C515, the Corporation fully repaid the nominal amount of bonds of KZT 2,938,886 thousand.

In the third quarter of 2012 the Corporation received contribution from the sole shareholder in amount of KZT 1,750,000 thousand as the contribution to the authorized capital. Thus, as at 31 October 2012 the total number of authorized and paid shares amounted to 69,349,371 shares.