# JSC Nurbank

**Interim Condensed Consolidated Financial Statements**

*30 June 2011*

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## REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS



### Selected explanatory notes to interim condensed consolidated financial statements

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# REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders and Board of Directors of JSC Nurbank –

*Introduction*

We have reviewed the accompanying interim condensed consolidated financial statements of JSC Nurbank ("the Bank") and its subsidiaries (together the "Group") as at 30 June 2011, comprising of the interim condensed consolidated statement of financial position as at 30 June 2011 and the related interim condensed consolidated income statement and statement of comprehensive income for the six months then ended, interim condensed consolidated statement of changes in equity and of cash flows for the six months then ended and selected explanatory notes. Management is responsible for the preparation and presentation of these interim condensed consolidated 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 consolidated 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 in an audit. Accordingly, we do not express an audit opinion.

*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements of the Group are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young LLP

Zhemaletdinov Evgeny
Auditor/General Director
Ernst & Young LLP

Жемалетдинов Евгений Филадьевич * Казахстан Республикасының аудиторы *
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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

15 August 2011

# Interim condensed consolidated statement of financial position
**As at 30 June 2011**

*(Thousands of Kazakh tenge)*

| | *Notes* | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | 5 | **76,552,076** | 55,971,175 |
| Trading securities | 7 | **3,432,419** | 3,742,792 |
| Amounts due from credit institutions | 6 | **753,836** | 1,522,622 |
| Investment securities: | 8 | | |
| - available-for-sale | | **26,097,426** | 23,477,643 |
| - held-to-maturity | | **830,923** | 778,274 |
| Loans to customers | 9 | **191,814,818** | 190,444,143 |
| Property and equipment | | **4,519,151** | 4,774,037 |
| Current income tax assets | | **542,737** | 488,863 |
| Deferred income tax assets | 10 | **1,712,439** | 1,761,838 |
| Other assets | | **2,523,176** | 3,142,011 |
| **Total assets** | | **308,779,001** | 286,103,398 |
| | | | |
| **Liabilities** | | | |
| Amounts due to the Government | | **10,920,375** | 12,190,166 |
| Amounts due to credit institutions | 12 | **2,416,981** | 3,259,554 |
| Amounts due to customers | 13 | **178,982,626** | 150,584,760 |
| Debt securities issued | 14 | **41,544,985** | 46,994,360 |
| Other liabilities | | **3,748,433** | 3,438,152 |
| **Total liabilities** | | **237,613,400** | 216,466,992 |
| | | | |
| **Equity** | | | |
| Share capital: | 15 | | |
| - common shares | | **127,316,185** | 127,316,185 |
| - preferred shares | | **303,711** | 303,711 |
| - treasury shares | | **(282,252)** | (282,252) |
| Additional paid in capital | | **100** | 100 |
| Other reserves | | **1,753,289** | 944,862 |
| Accumulated deficit | | **(58,099,213)** | (58,796,555) |
| **Total equity attributable to shareholders of the Bank** | | **70,991,820** | 69,486,051 |
| **Non-controlling interests** | | **173,781** | 150,355 |
| **Total equity** | | **71,165,601** | 69,636,406 |
| | | | |
| **Total equity and liabilities** | | **308,779,001** | 286,103,398 |

**Signed and authorised for release on behalf of the Management Board of the Bank**

Rauan S. Daukenov — Acting Chairman of the Board

Gulnar A. Suleimanova — Chief Accountant

15 August 2011

*The accompanying selected explanatory notes on pages 6 to 20 are an integral part of these interim condensed consolidated financial statements*

## Interim condensed consolidated income statement
**For the six months ended 30 June 2011**

*(Thousands of Kazakh tenge)*

| | Notes | For the six months ended 30 June 2011 (unaudited) | 2010 |
|---|---|---|---|
| **Interest income** | | | |
| Loans to customers | | **8,713,363** | 15,505,502 |
| Investment securities | | **789,996** | 441,632 |
| Cash and cash equivalents | | **100,315** | 128,084 |
| | | **9,603,674** | 16,075,218 |
| Trading securities | | **124,021** | 35,288 |
| **Interest expense** | | | |
| Amounts due to the Government | | **(421,674)** | (512,373) |
| Amounts due to customers | | **(4,202,271)** | (6,174,165) |
| Amounts due to credit institutions | | **(29,367)** | (345,981) |
| Debt securities issued | | **(2,383,634)** | (2,590,093) |
| | | **(7,036,946)** | (9,622,612) |
| **Net interest income** | | **2,690,749** | 6,487,894 |
| Reversal of allowance/(allowance for impairment) | 6,9 | **1,127,155** | (45,913,560) |
| **Net interest income/(loss) after allowance for impairment** | | **3,817,904** | (39,425,666) |
| Net fee and commission income | 17 | **1,480,867** | 1,519,986 |
| Losses less gains from trading securities | | **(291,012)** | (593,808) |
| Net gains from available-for-sale investment securities | | **121,112** | 323,575 |
| Net gains/(losses) from foreign currencies: | | | |
| - dealing | | **231,225** | (273,893) |
| - translation differences | | **196,926** | 170,608 |
| Net insurance underwriting (loss)/income | | **(225,570)** | 384,534 |
| Losses from renegotiation of loans | | **–** | (721,246) |
| Other income | | **128,281** | 72,468 |
| **Non-interest expense** | | **160,962** | (637,762) |
| Personnel expenses | 18 | **(2,084,322)** | (2,569,208) |
| Other operating expenses | 18 | **(2,053,599)** | (2,334,511) |
| Other impairment and provisions | 11 | **(433,794)** | (1,736,970) |
| **Other non-interest expense** | | **(4,571,715)** | (6,640,689) |
| **Profit/(loss) before income tax expense** | | **888,018** | (45,184,131) |
| Income tax (charge)/benefit | 10 | **(61,613)** | 4,337,171 |
| **Profit/(loss) for the period** | | **826,405** | (40,846,960) |
| Attributable to: | | | |
| - shareholders of the Bank | | **794,686** | (40,842,960) |
| - non-controlling interests | | **31,719** | (4,000) |
| **Earnings/(loss) per share (in Kazakh tenge)** | 20 | **75.58** | (12,855.45) |

*The accompanying selected explanatory notes on pages 6 to 20 are an integral part of these interim condensed consolidated financial statements*

# Interim condensed consolidated statement of comprehensive income (unaudited)
**For the six months ended 30 June 2011**

*(Thousands of Kazakh tenge)*

| | *Notes* | *For the six months ended 30 June* *2011 (unaudited)* | *2010* |
|---|---|---|---|
| **Profit/(loss) for the period** | | **826,405** | (40,846,960) |
| **Other comprehensive income/(expense)** | | | |
| Unrealised gains on investment securities available-for-sale, net of tax | | **820,594** | 437,926 |
| Realised gains on investment securities available-for-sale, reclassified to the income statement, net of tax | | **(117,506)** | (467,377) |
| Change in tax rate effect on revaluation reserves for property and equipment | | **–** | (64,587) |
| Currency translation differences | | **(298)** | 65,987 |
| **Other comprehensive income/(loss) for the period, net of tax** | | **702,790** | (28,051) |
| **Total comprehensive income/(loss) for the period** | | **1,529,195** | (40,875,011) |
| Attributable to: | | | |
| - shareholders of the Bank | | **1,505,769** | (40,871,011) |
| - non-controlling interests | | **23,426** | (4,000) |

*The accompanying selected explanatory notes on pages 6 to 20 are an integral part of these interim condensed consolidated financial statements*

## Interim condensed consolidated statement of changes in equity
**For the six months ended 30 June 2011**

*(Thousands of Kazakh tenge)*

| | Attributable to shareholders of the Bank | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | | Treasury shares | | | | | | | |
| | *Common shares* | *Preferred shares* | *Common shares* | *Preferred shares* | *Additional paid-in capital* | *Accumulated deficit* | *Other reserves* | *Total* | *Non-controlling interests* | *Total equity* |
| **As at 1 January 2010** | 31,652,370 | 303,711 | (263,398) | (15,003) | 237,220 | 10,323,638 | 616,778 | 42,855,316 | 262,651 | 43,117,967 |
| Total comprehensive loss for the period | – | – | – | – | – | (40,842,960) | (28,051) | (40,871,011) | (4,000) | (40,875,011) |
| Depreciation of revaluation reserve, net of tax | – | – | – | – | – | 9,949 | (9,949) | – | – | – |
| Transfer *(Note 16)* | 118,560 | – | – | – | (237,120) | 118,560 | – | – | – | – |
| Acquisition of non-controlling interests *(Note 4)* | – | – | – | – | – | 33,697 | – | 33,697 | (51,641) | (17,944) |
| Purchase of treasury shares *(Note 16)* | – | – | (4,500) | – | – | – | – | (4,500) | – | (4,500) |
| **At 30 June 2010** | 31,770,930 | 303,711 | (267,898) | (15,003) | 100 | (30,357,116) | 578,778 | 2,013,502 | 207,010 | 2,220,512 |
| **As at 1 January 2011** | 127,316,185 | 303,711 | (267,249) | (15,003) | 100 | (58,796,555) | 944,862 | 69,486,051 | 150,355 | 69,636,406 |
| Total comprehensive income for the period (unaudited) | – | – | – | – | – | **794,686** | **711,083** | **1,505,769** | **23,426** | **1,529,195** |
| Depreciation of revaluation reserve, net of tax (unaudited) *(Note 16)* | – | – | – | – | – | **13,776** | **(13,776)** | – | – | – |
| Transfers (unaudited) | – | – | – | – | – | **(111,120)** | **111,120** | – | – | – |
| **At 30 June 2011 (unaudited)** | **127,316,185** | **303,711** | **(267,249)** | **(15,003)** | **100** | **(58,099,213)** | **1,753,289** | **70,991,820** | **173,781** | **71,165,601** |

*The accompanying selected explanatory notes on pages 6 to 20 are an integral part of these interim condensed consolidated financial statements.*

## Interim condensed consolidated statement of cash flows
**For the six months ended 30 June 2011**

*(Thousands of Kazakh tenge)*

| | Notes | *For the six months ended 30 June* 2011 (unaudited) | 2010 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Interest received | | **12,668,036** | 9,716,909 |
| Interest paid | | **(6,976,579)** | (9,071,670) |
| Realised gains less losses from dealing in foreign currencies | | **350,647** | (117,726) |
| Fees and commissions received | | **1,679,073** | 1,523,695 |
| Fees and commissions paid | | **(198,545)** | (77,743) |
| Personnel expenses paid | | **(2,074,747)** | (2,561,195) |
| Operating expenses paid | | **(1,302,960)** | (2,143,907) |
| Other operating expenses paid | | **139,812** | (44,856) |
| **Cash flows from/(used in) operating activities before changes in operating assets and liabilities** | | **4,284,737** | (2,776,493) |
| **Net (increase)/decrease in operating assets:** | | | |
| Amounts due from credit institutions | | **767,417** | 627,209 |
| Trading securities | | **(32,813)** | (3,066,077) |
| Loans to customers | | **(2,972,244)** | (6,816,180) |
| Other assets | | **268,633** | (722,787) |
| **Net increase/(decrease) in operating liabilities:** | | | |
| Amounts due to the Government | | **(1,269,806)** | (629,959) |
| Amounts due to credit institutions | | **(856,890)** | (3,098,614) |
| Amounts due to customers | | **28,350,855** | 35,166,708 |
| Other liabilities | | **(413,936)** | 13,165 |
| **Net cash flows from operating activities before income tax** | | **28,125,953** | 18,696,972 |
| Income tax paid | | **(66,088)** | (424,740) |
| **Net cash from operating activities** | | **28,059,865** | 18,272,232 |
| **Cash flows from investing activities:** | | | |
| Purchase of available-for-sale investment securities | | **(11,299,029)** | (16,635,678) |
| Sale of available-for-sale investment securities | | **9,440,160** | 4,948,684 |
| Redemption of held-to-maturity securities | | **–** | 96,677 |
| Share in cash of acquired subsidiaries | | **–** | 1,229 |
| Purchase of property and equipment | | **(3,509)** | (263,036) |
| Proceeds from sale of property and equipment | | **–** | 8,859 |
| **Net cash used in investing activities** | | **(1,862,378)** | (11,843,265) |
| **Cash flows from financing activities:** | | | |
| Acquisition of non-controlling interest | 4 | **(128,119)** | (169,164) |
| Debt securities redeemed | | **(5,522,464)** | (1,235,796) |
| Purchase of treasury shares | 15 | **–** | (4,500) |
| **Net cash used in financing activities** | | **(5,650,583)** | (1,409,460) |
| **Net increase in cash and cash equivalents** | | **20,546,904** | 5,019,507 |
| Effects of exchange rates changes on cash and equivalents | | **33,997** | (158,665) |
| **Net change in cash and cash equivalents** | | **20,580,901** | 4,860,842 |
| **Cash and cash equivalents, 1 January** | 5 | **55,971,175** | 22,792,472 |
| **Cash and cash equivalents, 30 June** | 5 | **76,552,076** | 27,653,314 |

*The accompanying selected explanatory notes on pages 6 to 20 are an integral part of these interim condensed consolidated financial statements*

# 1. Principal activities

JSC Nurbank (the "Bank") was formed in 1993 under the laws of the Republic of Kazakhstan. The Bank operates under a general banking licence No. 142 issued on 13 December 2007 by Agency of the Republic of Kazakhstan for Regulation and Supervision of Financial Markets and Financial Organizations (the "FMSC").

JSC Nurbank and its subsidiaries (together the "Group") provide retail and corporate banking, pensions, asset management and insurance services in Kazakhstan. The Bank accepts deposits from the public and extends credit, transfers payments in Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers. The Bank has a primary listing on the Kazakh Stock Exchange (the "KASE") and certain of the Bank's debt securities are primarily listed on the London Stock Exchange with a secondary listing on KASE. Its head office is located in Almaty, Kazakhstan.

The Bank is a member of the obligatory deposit insurance system. The system operates under the Law of the Republic of Kazakhstan on "Obligatory insurance of second tier banks deposits" dated 7 July 2006 and is governed by the FMSC. Insurance covers the Bank's liabilities to individual depositors for amounts up to five million Kazakh Tenge for each individual in the event of business failure and revocation of the National Bank of the Republic of Kazakhstan's (the "NBRK") banking licence.

The address of the Bank's registered office is: 168B Zheltoksan Street, Almaty, 050013, Republic of Kazakhstan. As at 30 June 2011and 31 December 2010 the Bank had 16 branches and 54 cash settlement units.

As at 30 June 2011, the following shareholders own outstanding shares:

| *Shareholders* | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| Sarsenova S.T. | **68.57** | 68.57 |
| LLP «Helios» | **9.67** | 9.67 |
| Other shareholders owing less than 5% | **21.76** | 21.76 |
| **Total** | **100.00** | 100.00 |

As at 30 June 2011 and 31 December 2010, members of the Board of Directors and Management Board do not own shares of the Bank.

As at 30 June 2011, the Bank was ultimately controlled by Mrs. S. T. Sarsenova.

# 2. Basis of preparation

### General

The interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2010.

These consolidated financial statements are presented in thousands of Kazakh tenge ("KZT" or "Tenge"), except per share amounts and unless otherwise indicated.

### Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2010, except for the adoption of new Standards and Interpretations as of 1 January 2011 , noted below:

*Amendments to IAS 32 "Financial instruments: Presentation": Classification of Rights Issues"*

In October 2009, the IASB issued an amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. This amendment had no impact on the Group's consolidated financial statements.

*(Thousands of Kazakh tenge)*

## 2. Basis of preparation (continued)

### Changes in accounting policies (continued)

*IAS 24 "Related party disclosures" (Revised)*

The revised IAS 24, issued in November 2009, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The revised IAS 24 is effective for annual periods beginning on or after 1 January 2011. The disclosure of transactions with related parties prepared in accordance with the new version of IAS 24 is presented in Note 21.

*IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"*

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. IFRIC 19 did not have a material impact on the Group's consolidated financial statements.

*Improvements to IFRSs*

In May 2010, the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in the May 2010 "Improvements to IFRS" had no impact on the accounting policies, financial position or performance of the Group, except for the improvements described below.

- IFRS 3 Business combinations: limits the scope of the measurement choices that only the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. The amendments to IFRS 3 have no impact on the financial statements of the Group.
- IFRS 7 Financial instruments: Disclosures introduces amendments to quantitative and credit risk disclosures. The additional requirements will be introduced in the annual financial statements.
- IAS 34 Interim Financial Reporting: adds disclosure requirements about the circumstances affecting fair values and classification of financial instruments, about transfers of financial instruments between levels of the fair value hierarchy, changes in classification of financial assets and changes in contingent liabilities and assets. Disclosure on transfers of financial instruments between levels of the fair value hierarchy is presented in Note 19, and disclosure on contingent liabilities is presented in Note 16.
- Amendments to IFRS 1, IAS 1, IAS 27 and IFRIC 13 have no impact on the accounting policies, financial position or performance of the Group.

## 3. Segment information

For management purposes, the Group is organised into three operating segments:

| | |
|---|---|
| Retail banking | Principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and funds transfer facilities. |
| Corporate banking | Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers. |
| Central functions | Treasury, finance and other central functions. |

Where the Group cannot directly attribute or reasonably allocate items of revenue and operating expenses to segments, it reports them as unallocated.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

*(Thousands of Kazakh tenge)*

## 3. Segment information (continued)

The following tables present income and profit information regarding the Group's operating segments for the six months ended 30 June 2011 and 2010, respectively:

| *Six months ended 30 June 2011 (unaudited)* | *Retail Banking* | *Corporate Banking* | *Central Functions* | *Unallocated* | *Total* |
|---|---|---|---|---|---|
| ***External income*** | | | | | |
| Interest income | **1,881,894** | **7,680,207** | **39,903** | **125,691** | **9,727,695** |
| Interest expense | **(2,046,408)** | **(2,562,625)** | **(2,427,818)** | **(95)** | **(7,036,946)** |
| **Net interest income** | **(164,514)** | **5,117,582** | **(2,387,915)** | **125,596** | **2,690,749** |
| (Allowance for impairment)/reversal of allowance for impairment | **(684,966)** | **1,812,121** | **–** | **–** | **1,127,155** |
| **Net interest income after allowance for impairment** | **(849,480)** | **6,929,703** | **(2,387,915)** | **125,596** | **3,817,904** |
| Net fee and commission income | **721,152** | **730,262** | **(6,681)** | **36,134** | **1,480,867** |
| Non-interest expense | **(490)** | **(97,688)** | **(107,165)** | **366,305** | **160,962** |
| Other non-interest expense | **234,421** | **(650,002)** | **–** | **(4,156,134)** | **(4,571,715)** |
| **Segment profit/(loss)** | **105,603** | **6,912,275** | **(2,501,761)** | **(3,628,099)** | **888,018** |
| Income tax charge | | | | | **(61,613)** |
| **Profit for the period** | | | | | **826,405** |

| *Six months ended 30 June 2010* | *Retail Banking* | *Corporate Banking* | *Central Functions* | *Unallocated* | *Total* |
|---|---|---|---|---|---|
| ***External income*** | | | | | |
| Interest income | 2,282,070 | 13,265,201 | 435,151 | 128,084 | 16,110,506 |
| Interest expense | (2,181,511) | (4,865,685) | – | (2,575,416) | (9,622,612) |
| **Net interest income** | 100,559 | 8,399,516 | 435,151 | (2,447,332) | 6,487,894 |
| Allowance for impairment | (1,031,750) | (44,881,810) | – | – | (45,913,560) |
| **Net interest income after allowance for impairment** | (931,191) | (36,482,294) | 435,151 | (2,447,332) | (39,425,666) |
| Net fee and commission income | 633,327 | 800,893 | – | 85,766 | 1,519,986 |
| Non-interest expense | (157,424) | 203,217 | (301,298) | (382,257) | (637,762) |
| Other non-interest expense | (116,309) | (2,079,360) | (75,355) | (4,369,665) | (6,640,689) |
| **Segment loss** | (571,597) | (37,557,544) | 58,498 | (7,113,488) | (45,184,131) |
| Income tax benefit | | | | | 4,337,171 |
| **Loss for the period** | | | | | (40,846,960) |

The following table presents segment assets of the Group's operating segment:

| **Segment assets** | *Corporate Banking* | *Retail Banking* | *Central Functions* | *Unallocated* | *Total* |
|---|---|---|---|---|---|
| At 30 June 2011 (unaudited) | **183,735,918** | **23,609,191** | **82,734,529** | **18,699,363** | **308,779,001** |
| At 31 December 2010 | 34,660,085 | 160,710,821 | 46,271,134 | 44,461,358 | 286,103,398 |

## 4. Acquisition of non-controlling interest

Acquisition of additional interest in JSC Accumulated Pension Fund "Atameken".

On 10 March 2011 and 28 March 2011, the Group acquired an additional 5.11% and 0.44% of the voting shares of JSC Accumulated Pension Fund "Atameken", respectively, increasing its ownership on 28 March 2011 to 92.57%. A cash consideration of KZT 128,119 thousand was paid in 2011 to the non-controlling interest shareholders.

The carrying value of the net assets of Atameken at the abovementioned acquisition dates was KZT 2,296,115 thousand and KZT 2,478,164 thousand, respectively, and the carrying value of the additional interest acquired was KZT 128,119 thousand. The consideration paid was the same as the carrying value of the interest acquired and no gain or loss has been recognised in the interim condensed consolidated financial statements.

On 27 April 2010 and 20 May 2010, the Group acquired an additional 1.87% and 10.70% of the voting shares of JSC Accumulated Pension Fund "Atameken", respectively, increasing its ownership to 87%. A cash consideration of KZT 169,164 thousand was paid to the non-controlling interest shareholders.

The carrying value of the net assets of Atameken at these dates was KZT 1,017,069 thousand and KZT 1,424,627 thousand, respectively, and the carrying value of the additional interest acquired was KZT 51,641 thousand. The difference of KZT 33,697 thousand between the consideration paid and the carrying value of the interest acquired has been recognized in accumulated loss within equity.

*(Thousands of Kazakh tenge)*

## 5. Cash and cash equivalents

Cash and cash equivalents comprise:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| Cash on hand | **3,323,154** | 6,807,393 |
| Current accounts with other credit institutions | **44,872,154** | 6,963,474 |
| Time deposits with credit institutions up to 90 days | **–** | 35,006,111 |
| Time deposit with the NBRK | **12,003,500** | – |
| Reverse repurchase agreements with credit institutions up to 90 days | **9,882,057** | 3,790,650 |
| Obligatory reserve deposits with the National Bank of the Republic of Kazakhstan | **6,471,211** | 3,403,547 |
| **Cash and cash equivalents** | **76,552,076** | 55,971,175 |

Under Kazakh legislation, the Bank is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Bank. Such reserves must be held in either non-interest bearing deposits with the NBRK or in physical cash and maintained based on average balances of the aggregate of deposits with the NBRK and physical cash in national or freely convertible currency for the period of reserves formation.

As at 30 June 2011, obligatory reserves amounted to KZT 6,471,211 thousand (31 December 2010: KZT 3,403,547 thousand).

## 6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

| | *30 June2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| Time deposits for more than 90 days | **753,836** | 1,522,622 |
| **Amounts due from credit institutions** | **753,836** | 1,522,622 |

The movements in allowances for impairment of amounts due from credit institutions were as follows:

| | |
|---|---|
| **1 January 2010** | 1,879,883 |
| Reversal | (8,004) |
| Write-offs | (286,789) |
| Foreign currency | 70,059 |
| **As at 30 June 2010** | 1,655,149 |
| | |
| **31 December 2010** | – |
| Reversal | – |
| Write-offs | – |
| **30 June 2011 (unaudited)** | – |

## 7. Trading securities

Trading securities comprise:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| **Debt securities:** | | |
| Treasury bills of the Ministry of Finance | **1,995,632** | 1,926,470 |
| Bonds of Kazakh banks | **1,313,471** | 1,287,322 |
| Treasury bills of OECD central governments | **56,044** | – |
| Eurobonds of foreign banks | **29,431** | – |
| Eurobonds of Kazakh banks | **–** | 330,603 |
| | **3,394,578** | 3,544,395 |
| **Equity securities:** | | |
| Preferred shares of local credit institutions | **7,114** | 107,965 |
| Common shares of local credit institutions | **30,727** | 90,432 |
| | **37,841** | 198,397 |
| **Trading securities** | **3,432,419** | 3,742,792 |

*(Thousands of Kazakh tenge)*

## 8. Investment securities

Available-for-sale investment securities comprise:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| **Debt securities:** | | |
| Treasury bills of the Ministry of Finance | **17,392,898** | 19,626,759 |
| Bonds of Kazakh credit institutions, other than banks | **2,737,146** | 2,030,989 |
| Corporate bonds | **2,528,283** | 75,583 |
| Eurobonds of Kazakh banks | **1,099,529** | 794,652 |
| Bonds of Kazakh banks | **1,131,366** | 449,094 |
| Eurobonds of foreign banks | **622,013** | – |
| Notes of foreign banks | **327,137** | 333,893 |
| Treasury bills of OECD central governments | **27,957** | – |
| Preferred shares of local banks and financial institutions | **1,467** | – |
| | **25,867,796** | 23,310,970 |
| **Equity securities:** | | |
| Corporate shares | **188,564** | 70,669 |
| Common shares of local banks and other credit institutions | **41,066** | 96,004 |
| | **229,630** | 166,673 |
| **Available-for-sale investment securities** | **26,097,426** | 23,477,643 |

*Reclassifications*

Following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", during the first half of 2009 the Group's subsidiaries (JSC APF "Atameken" and JSC Insurance Company "Nurpolicy") reclassified certain financial assets that met the definition of loans and receivables out of available-for-sale category to held-to-maturity investments securities. Information about the reclassified financial assets is presented in the table below:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| Fair value of securities reclassified from AFS to HTM at reclassification date | **395,251** | 395,251 |
| Carrying amount | **275,847** | 272,767 |
| Fair value | **302,320** | 292,113 |
| Fair value gain/(loss) that would have been recognized on the reclassified assets for the 6 months/year if the reclassification had not been made | **11,692** | 17,777 |
| Effective interest rate as at date of reclassification | **19%** | 18% |
| Estimated cash flows expected to be recovered as at date of reclassification | **546,503** | 546,503 |

Held-to-maturity investment securities comprise:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| Treasury bills of the Ministry of Finance of the Republic of Kazakhstan | **427,777** | 441,016 |
| Bonds of Kazakh credit institutions, other than banks | **244,383** | 237,861 |
| Bonds of Kazakh banks | **102,116** | 99,397 |
| Corporate bonds | **56,647** | – |
| **Held-to-maturity investment securities** | **830,923** | 778,274 |

## 9. Loans to customers

Loans to customers comprise:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| Individually significant corporate borrowers | **194,356,852** | 192,187,444 |
| Individually insignificant corporate and medium size borrowers | **36,765,104** | 39,596,572 |
| Consumer lending | **20,721,439** | 20,033,572 |
| Residential mortgages | **8,799,290** | 8,856,527 |
| **Gross loans to customers** | **260,642,685** | 260,674,115 |
| Less – Allowance for impairment | **(68,827,867)** | (70,229,972) |
| **Loans to customers** | **191,814,818** | 190,444,143 |

(Thousands of Kazakh tenge)

## 9. Loans to customers (continued)

### Allowance for impairment of loans to customers

The accounting policy for recognition of impairment losses has not changed since financial statements for the year ended 31 December 2010.

A reconciliation of the allowance for impairment of loans to customers by class is as follows:

| *2011* | *Individually significant corporate borrowers* | *Individually insignificant corporate and medium size borrowers* | *Consumer lending* | *Residential mortgages* | *Total* |
|---|---|---|---|---|---|
| **At 1 January 2011** | **64,755,071** | **4,376,159** | **836,764** | **261,978** | **70,229,972** |
| Charge/(reversal) | **(2,315,943)** | **503,822** | **687,906** | **(2,940)** | **(1,127,155)** |
| Amounts written off | **(274,950)** | **–** | **–** | **–** | **(274,950)** |
| **At 30 June 2011 (unaudited)** | **62,164,178** | **4,879,981** | **1,524,670** | **259,038** | **68,827,867** |

Gross amount of loans as at 30 June 2011, individually determined to be impaired, before deducting any individually assessed impairment allowance was KZT 118,476,451 thousand (31 December 2010: KZT 112,194,153).

| *2010* | *Individually significant corporate borrowers* | *Individually insignificant corporate and medium size borrowers* | *Consumer lending* | *Residential mortgages* | *Total* |
|---|---|---|---|---|---|
| **At 1 January 2010** | 10,100,128 | 9,655,905 | 510,539 | 44,846 | 20,311,418 |
| Charge/(reversal) | 50,351,881 | (5,157,207) | 510,425 | 216,465 | 45,921,564 |
| Amounts written-off | (1,109,494) | (340,106) | (77,187) | (19,755) | (1,546,542) |
| **At 30 June 2010** | 59,342,515 | 4,158,592 | 943,777 | 241,556 | 64,686,440 |

## 10. Taxation

The corporate income tax expense comprises:

| | *For the six months ended 30 June* | |
|---|---|---|
| | *2011 (unaudited)* | *2010* |
| Current tax (charge)/benefit | **(15,658)** | 253,707 |
| Deferred tax (charge)/benefit - origination and reversal of temporary differences | **(49,399)** | 4,148,051 |
| Less: deferred tax recognised directly in other comprehensive income | **3,444** | (64,587) |
| **Income tax (charge)/benefit** | **(61,613)** | 4,337,171 |

The tax rate for the Bank and its subsidiaries other than its insurance subsidiary was 20% in 2011 and 2010. The tax rate for the insurance company was ranged between 4% and 8% on its gross revenues for 2011 and 2010.

Deferred tax assets and liabilities as at 30 June comprise:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| Deferred tax asset | **17,492,923** | 18,642,001 |
| Deferred tax liabilities | **(3,657,245)** | (4,045,818) |
| | **13,835,678** | 14,596,183 |
| Allowance for deferred tax asset | **(12,123,239)** | (12,834,345) |
| **Net deferred tax assets** | **1,712,439** | 1,761,838 |

Deferred tax assets mainly comprise of temporary difference in loan losses. The Bank did not recognize a deferred tax asset to the extent of probable future profits, which cannot be reliably measured.

*(Thousands of Kazakh tenge)*

## 11. Other impairment and provisions

The movements in other impairment allowances and provisions were as follow:

| | *Guarantees and commitments* | *Other assets* | *Total* |
|---|---|---|---|
| **1 January 2010** | 108,086 | 162,342 | 270,428 |
| Charge | 1,255,082 | 481,888 | 1,736,970 |
| Write-offs | – | (46,096) | (46,096) |
| Recoveries of amounts previously written off | – | 5,434 | 5,434 |
| Foreign exchange difference | (16,233) | 5,684 | (10,549) |
| **30 June 2010** | 1,346,935 | 609,252 | 1,956,187 |
| | | | |
| **1 January 2011** | 2,167,851 | 1,069,618 | 3,237,469 |
| Charge (unaudited) | **181,458** | **252,336** | **433,794** |
| Write-offs (unaudited) | **(27,003)** | **(119,649)** | **(146,652)** |
| **30 June 2011 (unaudited)** | **2,322,306** | **1,202,305** | **3,524,611** |

Allowances for impairment of other assets are deducted from the related assets.

## 12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| Current accounts | **1,945** | 1,705 |
| Loans from credit institutions, other than banks | **1,496,195** | 1,756,005 |
| Deposits from Kazakh banks and non OECD banks | **522,700** | 1,018,308 |
| Deposits from OECD banks | **396,141** | 483,536 |
| **Amounts due to credit institutions** | **2,416,981** | 3,259,554 |

## 13. Amounts due to customers

The amounts due to customers comprise:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| **Current accounts:** | | |
| Legal entities | **36,147,639** | 41,652,951 |
| Individuals | **20,896,549** | 4,021,164 |
| Held as security against letters of credit | **6,221** | 82,820 |
| **Time deposits:** | | |
| Legal entities | **62,148,284** | 71,397,483 |
| Individuals | **59,783,933** | 33,430,342 |
| **Amounts due to customers** | **178,982,626** | 150,584,760 |

Included in time deposits are deposits of individuals amounting to KZT 59,783,933 thousand (31 December 2010: KZT 33,430,342 thousand). In accordance with the Kazakh Civil Code, the Bank is obliged to repay such deposits upon demand of a depositor. In the event that a term deposit is repaid upon demand of the depositor prior to maturity, interest on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the agreement.

At 30 June 2011, amounts due to customers of KZT 39,464,336 thousand or 22% of total amounts due to customers were due to the ten largest customers (31 December 2010: KZT 55,343,882 thousand or 37%).

*(Thousands of Kazakh tenge)*

## 14. Debt securities issued

Debt securities issued comprise:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| USD Eurobonds | **20,024,413** | 22,045,563 |
| KZT notes | **14,970,911** | 14,828,091 |
| KZT subordinated notes | **4,964,860** | 8,760,657 |
| Preferred shares | **2,043,165** | 2,043,165 |
| | **42,003,349** | 47,677,476 |
| Net unamortized discount and cost of issuance | **(1,589,308)** | (1,740,187) |
| | **40,414,041** | 45,937,289 |
| Interest accrued | **1,130,944** | 1,057,071 |
| **Debt securities issued** | **41,544,985** | 46,994,360 |

KZT subordinated notes are unsecured obligations of the Bank. In accordance with the terms of the USD Eurobonds, the Bank is required to maintain certain financial covenants particularly with regard to its capital adequacy, lending exposures, limitations on transactions unless such transactions are at fair market value. In addition, the Bank is required to obtain the approval of the lender before distributing any dividends to the common shareholders. Furthermore, the terms of the USD Eurobonds include covenants restricting the Bank's ability to create security interests over its assets. In addition, the Bank's default under these covenants could result in cross-defaults under the terms of the Bank's other financing arrangements. The Bank is in compliance with the covenants of the agreements the Bank has with the bonds' trustee and holders as at 30 June 2011.

## 15. Equity

Movements of shares fully paid and outstanding were as follows:

| | *Number of shares* | | *Nominal amount* | | |
|---|---|---|---|---|---|
| | *Preferred* | *Ordinary* | *Preferred* | *Ordinary* | *Total* |
| **1 January 2010** | 28,885 | 3,164,605 | 288,708 | 31,388,972 | 31,677,680 |
| Purchase of treasury shares | – | (165) | – | (4,500) | (4,500) |
| Transfer | – | – | – | 118,560 | 118,560 |
| **30 June 2010 (unaudited)** | 28,885 | 3,164,440 | 288,708 | 31,503,032 | 31,791,740 |
| **31 December 2010** | 28,885 | 10,514,077 | 288,708 | 127,048,936 | 127,337,644 |
| **30 June 2011 (unaudited)** | **28,885** | **10,514,077** | **288,708** | **127,048,936** | **127,337,644** |

As at 30 June 2011 and 31 December 2010, the Bank had 13,375,557 authorised common shares and 300,000 preferred shares. Each common share is entitled to one vote and shares equally in dividends declared.

In accordance with IAS 32, if the non-redeemable preferred share establishes a contractual right to a dividend, it contains a financial liability in respect of the dividends, whereby the net present value of the right to receive dividends is shown as a liability and the balance of the issue proceeds as equity.

The share capital of the Bank was contributed by the shareholders in Tenge and they are entitled to dividends and any capital distribution in Tenge. Preferred shares carry a cumulative dividend of a minimum of KZT 1000 per annum, but not less than the declared dividends on the common shares and do not have any voting rights unless payment of preferred dividends has been delayed for three months or more from the date they became due. All common and preferred shares are Tenge denominated.

No dividends on ordinary shares were declared or paid during the -six month periods ended 30 June 2011 and 2010.

*(Thousands of Kazakh tenge)*

## 15. Equity (continued)

**Movements in other reserves**

Movements in other reserves were as follows:

| | *Revaluation reserve for property and equipment* | *Unrealised gains/(losses) on investment securities available-for-sale* | *Foreign currency translation reserve* | *Insurance reserve* | *Total* |
|---|---|---|---|---|---|
| **At 1 January 2010** | 1,183,561 | (512,219) | (54,564) | – | 616,778 |
| Net unrealised gains on available-for-sale investments | – | 437,926 | – | – | 437,926 |
| Realised gains on investment securities available-for-sale reclassified to the income statement | – | (467,377) | – | – | (467,377) |
| Depreciation of revaluation reserve, net of tax | (9,949) | – | – | – | (9,949) |
| Tax rate effect on revaluation reserves on property and equipment | (64,587) | – | – | – | (64,587) |
| Currency translation differences | – | – | 65,987 | | 65,987 |
| **At 30 June 2010** | 1,109,025 | (541,670) | 11,423 | – | 578,778 |
| **At 1 January 2011** | 986,241 | (41,183) | (196) | – | 944,862 |
| Net unrealised gains on available-for-sale investments | – | **828,887** | – | – | **828,887** |
| Realised gains on investment securities available-for-sale reclassified to the income statement | – | **(117,506)** | – | – | **(117,506)** |
| Depreciation of revaluation reserve, net of tax | **(13,776)** | – | – | – | **(13,776)** |
| Insurance reserve origination | – | – | – | **111,120** | **111,120** |
| Currency translation differences | – | – | **(298)** | – | **(298)** |
| **At 30 June 2011** | **972,465** | **670,198** | **(494)** | **111,120** | **1,753,289** |

*Revaluation reserve for property and equipment*

The revaluation reserve for property and equipment is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

*Unrealised gains(losses) on investment securities available-for-sale*

This reserve records fair value changes on available-for-sale investments.

*Foreign currency translation reserve*

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

*Insurance reserve*

The insurance reserve was created in accordance with NBRK regulation №97 dated 28 November 2008 (last amended on 30 April 2010) in respect of foreseeable requirements of the Group.

*(Thousands of Kazakh tenge)*

## 16. Commitments and contingencies

### Operating environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstan economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Kazakhstan economy has been affected by the global financial crisis. Despite some indications of recovery there continues to be uncertainty regarding further economic growth and cost of capital, which could negatively affect the Bank's future financial position, results of operations and business prospects.

Also, the recent economic downturn has affected the Bank's borrowers' ability to repay the amounts due to the Bank and the value of collateral held against loans and other obligations. To the extent that information is available, the Bank has reflected revised estimates of expected future cash flows in its impairment assessment.

While management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Bank's results and financial position in a manner not currently determinable.

### Legal

In the ordinary course of business, the Group 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 Group.

### Tax contingencies

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakh laws, decrees and related regulations is severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid. The Group believes that it has paid or accrued all taxes that are applicable.

Where legislation concerning the provision of taxes is unclear, the Group has accrued tax liabilities based on management's best estimate. The Group's policy is to recognise provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakh tax system, the ultimate amount of taxes, penalties and interest, if any, as a result of past transactions, may be in excess of the amount expensed to date and accrued at 30 June 2010. Although such amounts are possible and may be material, it is the opinion of the Group's management that these amounts are either not probable, not reasonably determinable, or both.

### Commitments and contingencies

The Group's commitments and contingencies comprised the following:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| **Credit related commitments** | | |
| Undrawn loan commitments | **16,647,271** | 17,109,249 |
| Guarantees | **13,419,180** | 10,496,388 |
| Letters of credit | **334,230** | 375,456 |
| | **30,400,681** | 27,981,093 |
| **Operating lease commitments** | | |
| Not later than 1 year | **123,408** | 336,201 |
| Later than 1 year but not later than 5 years | **236,989** | 481,365 |
| Later than 5 year | **21,411** | 40,404 |
| | **381,808** | 857,970 |
| Less – cash held as security against letters of credit and guarantees | **(6,221)** | (108,651) |
| Less – provisions *(Note 11)* | **(2,322,306)** | (2,167,851) |
| **Commitments and contingencies** | **28,453,962** | 26,562,561 |

The loan commitment agreements stipulate the right of the Bank to unilaterally withdraw from the agreement should any conditions unfavourable to the Bank arise, including change of the refinance rate, inflation, exchange rates and others.

### Fiduciary activities

The Group provides fiduciary services to third parties, which involve the Group making allocation, purchase and sales decisions in relation to the trust funds. Those funds that are held in a fiduciary capacity are not included in these consolidated financial statements. As at 30 June 2011, such funds amounted to KZT 66,992,482 thousand (31 December 2010: KZT 64,804,049 thousand).

*(Thousands of Kazakh tenge)*

## 17. Net fee and commission income

Net fee and commission income comprises:

| | For the six months ended 30 June | |
|---|---|---|
| | 2011 (unaudited) | 2010 |
| Pension asset management | **419,885** | 432,891 |
| Guarantees and letter of credit | **234,571** | 346,793 |
| Cash operations | **374,132** | 260,833 |
| Bank transfers | **286,970** | 217,723 |
| Bank cards | **188,704** | 212,641 |
| Purchase – sale of currencies | **68,210** | 88,688 |
| Agent's fees | **32,836** | 35,665 |
| Other | **46,994** | 46,351 |
| **Fee and commission income** | **1,652,302** | 1,641,585 |
| Bank cards | **(37,990)** | (35,127) |
| Bank transfers | **(43,623)** | (31,461) |
| Operations with securities | **(2,221)** | (12,258) |
| Guarantees and letters of credit | **(148)** | (246) |
| Other | **(87,453)** | (42,507) |
| **Fee and commission expense** | **(171,435)** | (121,599) |
| **Net fee and commission income** | **1,480,867** | 1,519,986 |

## 18. Personnel and other operating expenses

Personnel and other operating expenses comprise:

| | For the six months ended 30 June | |
|---|---|---|
| | 2011 (unaudited) | 2010 |
| Salaries and bonuses | **(1,907,320)** | (2,316,507) |
| Social security costs | **(177,002)** | (252,701) |
| **Personnel expenses** | **(2,084,322)** | (2,569,208) |
| Rent | **(449,883)** | (535,809) |
| Depreciation and amortisation | **(327,043)** | (305,853) |
| Deposit insurance | **(281,052)** | (250,762) |
| Professional services | **(191,619)** | (44,909) |
| Taxes other than income tax | **(133,526)** | (202,830) |
| Communication | **(84,838)** | (98,646) |
| Advertising | **(83,387)** | (120,266) |
| Information technology services | **(81,331)** | (38,359) |
| Security | **(64,519)** | (110,970) |
| Repairs and maintenance | **(43,405)** | (171,478) |
| Utilities | **(38,309)** | (18,170) |
| Transportation | **(36,864)** | (48,503) |
| Business trips | **(33,430)** | (33,879) |
| Cash collection expenses | **(20,221)** | (14,808) |
| Other | **(184,172)** | (339,269) |
| **Other operating expenses** | **(2,053,599)** | (2,334,511) |

*(Thousands of Kazakh tenge)*

## 19. Fair values of financial instruments

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other 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.

| *At 30 June 2011 (unaudited)* | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| ***Financial assets*** | | | | |
| Trading securities | **2,096,559** | **1,335,860** | – | **3,432,419** |
| Investment securities - available-for-sale | **25,649,512** | **447,914** | – | **26,097,426** |
| **Total** | **27,746,071** | **1,783,774** | – | **29,529,845** |

| *At 31 December 2010* | *Level 1* | *Level 2* | *Level 3* | *Total* |
|---|---|---|---|---|
| ***Financial assets*** | | | | |
| Trading securities | 1,926,470 | 1,816,322 | – | 3,742,792 |
| Investment securities - available-for-sale | 22,994,438 | 483,205 | – | 23,477,643 |
| **Total** | 24,920,908 | 2,299,527 | – | 27,220,435 |

During first six months of 2011 there were no transfers from level 1 to level 2. The decrease in level 2 by KZT 515,753 thousand was due to decrease in fair value of received securities.

*Financial instruments recorded at fair value*

The following is a description of the determination of fair value for financial instruments which are recorded at fair value using valuation techniques. These incorporate the Group's estimate of assumptions that a market participant would make when valuing the instruments.

*Trading securities and investment securities available-for-sale*

Trading securities and investment securities available-for-sale valued using a valuation technique or pricing models primarily consist of unquoted debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable 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.

## 20. Earnings per share

Basic and diluted earnings per share is calculated by dividing the net profit/(loss) for the period attributable to common shareholders of the Bank by the weighted average number of common shares (excluding treasury shares) (participating shares) outstanding during the year.

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

| | ***For the six months ended 30 June*** | |
|---|---|---|
| | ***2011 (unaudited)*** | ***2010*** |
| Net profit/(loss) for the period attributable to shareholders of the Bank | **794,686** | (40,842,960) |
| Weighted average number of participating shares for basic and diluted earnings per share | **10,514,077** | 3,177,093 |
| Basic and diluted earnings/(loss) per share (in Kazakh tenge) | **75.58** | (12,855.45) |

(Thousands of Kazakh tenge)

## 21. Related party disclosures

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, not merely the legal form.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

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

| | *30 June 2011 (unaudited)* | | |
|---|---|---|---|
| | *Shareholders* | *Entities under common control* | *Key management personnel* |
| **Loans outstanding at 1 January, gross** | – | – | **26,529** |
| Loans issued during the period | – | – | **15,680** |
| Loans repaid during the period | – | – | **(1,321)** |
| **Loans outstanding at 30 June, gross (unaudited)** | – | – | **40,888** |
| Less – Allowance for loan impairment | – | – | **(37)** |
| **Loans outstanding at 30 June, net (unaudited)** | – | – | **40,851** |
| | | | |
| **Amounts due to customers at 1 January** | **853,816** | **382,379** | **4,409** |
| Amounts due to customers received during the period | **69,235,670** | **16,644,108** | **27,960** |
| Amounts due to customers repaid during the period | **(56,978,787)** | **(12,733,866)** | **(30,990)** |
| **Amounts due to customers at 30 June (unaudited)** | **13,110,699** | **4,292,621** | **1,379** |
| | | | |
| **Commitments and guarantees issued (unaudited)** | – | – | **375** |

| | *31 December 2010* | | |
|---|---|---|---|
| | *Shareholders* | *Entities under common control* | *Key management personnel* |
| **Loans outstanding at 1 January, gross** | – | – | 840,759 |
| Loans issued during the year | – | – | 51,461 |
| Loans repaid during the year | – | – | (865,691) |
| **Loans outstanding at 31 December, gross** | – | – | 26,529 |
| Less – Allowance for loan impairment | – | – | (1,326) |
| **Loans outstanding at 31 December, net** | – | – | 25,203 |
| | | | |
| **Amounts due to customers at 1 January** | 6,917,377 | – | 64,433 |
| Amounts due to customers received during the period | 1,687,077,537 | 19,516,177 | 991,377 |
| Amounts due to customers repaid during the period | (1,693,141,098) | (19,133,798) | (1,051,401) |
| **Amounts due to customers at 31 December** | 853,816 | 382,379 | 4,409 |
| **Commitments and guarantees issued** | – | 24 | 378,651 |

| | *For the six months ended 30 June* | | | | | |
|---|---|---|---|---|---|---|
| | *2011 (unaudited)* | | | *2010* | | |
| | *Shareholders* | *Entities under common control* | *Key management personnel* | *Shareholders* | *Entities under common control* | *Key management personnel* |
| Interest income | – | – | **2,036** | – | – | 56,376 |
| Allowance for loan impairment | – | – | – | – | – | (15) |
| Interest expense on time deposit | **(83,095)** | **(53,258)** | **(92)** | (447,583) | – | (1,459) |
| Fee and commission income | **3,758** | **3,596** | **8** | 4,599 | – | 41 |
| Other operating expenses | – | – | **(792)** | (8,497) | – | (2,900) |

*(Thousands of Kazakh tenge)*

## 21. Related party disclosures (continued)

The interest rates and maturities of transactions with related parties are as follow:

| | *For the six months ended 30 June* | | | | | |
|---|---|---|---|---|---|---|
| | *2011 (unaudited)* | | | *2010* | | |
| | *Shareholders* | *Entities under common control* | *Key management personnel* | *Shareholders* | *Entities under common control* | *Key management personnel* |
| **Loans:** | | | | | | |
| Maturity | – | – | **2012-2030** | – | – | 2018-2027 |
| Interest rate in KZT | – | – | **13.7%** | – | – | 10-18% |
| **Deposits:** | | | | | | |
| Maturity | **2011-2014** | **2011-2014** | **2011-2015** | 2013-2014 | 2011-2014 | 2013-2015 |
| Interest rate in KZT | **5.5%-12.5%** | **5.5%-9%** | **8%-10%** | 11% | 6.2%-13.8% | 11%-13% |
| Interest rate in EUR | – | – | – | – | – | 10% |
| Interest rate in USD | **6%-10.5%** | – | **8%** | 9% | – | 8%-10% |

Compensation of seven in 2011 (2010: six) members of Management and the Board of Directors comprised the following:

| | *For the six months ended 30 June* | |
|---|---|---|
| | *2011 (unaudited)* | *2010* |
| Salaries and other short-term benefits | **63,542** | 424,695 |
| Termination benefits | – | 13,197 |
| Social security costs | **91** | 15,404 |
| **Total key management personnel compensation** | **63,633** | 453,296 |

### Subsidiaries

The consolidated financial statements include the following subsidiaries:

| *Subsidiary* | *Ownership/ Voting, % 30 June 2011* | *Ownership/ Voting, % 31 December 2010* | *Country* | *Date of incorporation* | *Industry* | *Date of acquisition* |
|---|---|---|---|---|---|---|
| JSC "KUPA Nur-Trust " | **100** | 100 | Kazakhstan | 2001 | Asset Management | 2001 |
| LLP "Leasing company Nur-Invest" | **100** | 100 | Kazakhstan | 2001 | Leasing | 2001 |
| JSC "Money Experts" | **100** | 100 | Kazakhstan | 2002 | Brokerage | 2002 |
| JSC "Insurance Company Nurpolicy" | **100** | 100 | Kazakhstan | 1999 | Insurance | 2004 |
| JSC APF "Atameken" | **92.57** | 87.00 | Kazakhstan | 1997 | Pension Fund | 2006 |
| NurFinance B.V. | **100** | 100 | Netherlands | 2006 | SPE | 2006 |

On 10 March 2011 and 28 March 2011, the Bank increased its holding in the share capital of JSC Accumulated Pension Fund "Atameken" from 87.00% to 92.11% and from 92.11% to 92.57%, respectively. The Bank purchased 8,702 and 1,298 common shares from a non-controlling interest holder for total consideration of KZT 128,119 thousand.

On 15 October 2010 the Board of Directors of the Bank ordered to develop liquidation plan of JSC "Kupa Nur-trust". The liquidation process is planned to be completed in 2011. According to the liquidation plan, JSC "Kupa Nur-trust" assets will be transferred to the Bank and liabilities will be assumed by the Bank and its subsidiary JSC APF "Atameken". All assets and liabilities of JSC "Kupa Nur-trust" as at 31 December 2010 and 2009 are stated at their estimated net realizable value.

### Special purpose entities

On 31 July 2006, the Bank established a wholly owned special purpose entity ("SPE") NurFinance B.V. The SPE was created for the purpose of issuing Eurobonds. The Bank consolidates special purpose entities it controls. In assessing and determining if the Bank controls such special purpose entities, judgment is made about the Bank's exposure to the risks, rewards and its ability to make operational decisions.

On 19 August 2010 the issuer was changed from NurFinance B.V to JSC "Nurbank" with respect to 5 years bonds.

On 26 November 2010 Management of the Board of the Bank decided to discontinue operations of NurFinance B.V.

*(Thousands of Kazakh tenge)*

## 22. Capital Adequacy

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

During six month of 2011 and as at 31 December 2010, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

*FMSC capital adequacy ratio*

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. No changes were made in the objectives, policies and processes from the previous years. FMSC requires Banks to maintain capital adequacy ratio k1-1 at a rate of minimum 6% of total assets under FMSC rules, k 1-2 at a rate of 6% and k2 at 12% of the assets, contingent liabilities, potential claims and liabilities and operational risks. As at 30 June 2011 and 31 December 2010, the Bank's capital adequacy ratio exceeded the statutory minimum.

As at 30 June 2011 and 31 December 2010, the Bank's capital adequacy ratio, calculated in accordance with the requirements of the FMSC were as follows:

| | *30 June 2011 (unaudited)* | *31 December 2010* |
|---|---|---|
| Tier 1 capital | 42,901,954 | 42,888,173 |
| Tier 2 capital | 7,255,583 | 6,340,397 |
| **Total regulatory capital** | **50,157,537** | 49,228,570 |
| **Total assets under the FMSC rules** | **288,290,130** | 261,507,583 |
| **Risk- weighted assets and contingent liabilities, potential claims and liabilities** | **204,582,356** | 213,973,637 |
| **Operational risk** | **2,695,457** | 2,695,457 |
| **Capital adequacy ratio k1-1** | **14.9%** | 16.4% |
| **Capital adequacy ratio k1-2** | **19.3%** | 20.0% |
| **Capital adequacy ratio k2** | **22.5%** | 23.0% |