

**EXPLANATORY NOTE**  
**to the Financial Statements of**  
**TSESNA BANK JSC**  
**as at 31 March 2011**

This explanatory note to the Financial Statements of Tsesnabank JSC as at 31 March 2011 includes the following:

- General information on Tsesnabank JSC;
- Information on Accounting Policy of Tsesnabank JSC;
- Information on assets and liabilities of Tsesnabank JSC for the reporting period to the Statement of Financial Position;
- Information on the results of activity of Tsesnabank JSC for the reporting period;
- Information on cash flows for the reporting period;
- Information on changes in equity for the reporting period.

The financial statements of Tsesnabank JSC as at 31 March 2011 are prepared in accordance with the Law of the Republic of Kazakhstan “On accounting and financial statements”, Accounting Policy of Tsesnabank JSC, International Financial Reporting Standards (“IFRS”) and Tax Code of the Republic of Kazakhstan.

The explanatory note is prepared as per unaudited consolidated financial statements of Tsesnabank JSC (the “Bank”) and its subsidiaries (collectively – the “Group”).

## **BACKGROUND**

### **Principal Activities**

Tsesnabank Joint Stock Company (the “Bank”) was established on 17 January 1992 and re-registered as Tsesnabank Open Type Joint Stock Company on 6 February 1997.

In accordance with the Law “On joint stock companies” dated 10 July 1998, the Bank was re-registered and obtained the Certificate of state registration of a legal entity No. 4078-1900-AO dated 12 February 1999 as Tsesnabank Open Joint Stock Company. Due to a change in legislation introduced in 2003, the Bank since 26 December 2003, after re-registration, has been operating as a joint stock company in the Republic of Kazakhstan (Certificate of state re-registration of a legal entity No. 4078-1900-AO dated 26 December 2003).

The form of ownership is private.

The Bank operates based on general license No. 1.2.74/74/29 for banking and other operations, broker-dealer activities, and custodian activities in the securities market granted on 12 October 2009 by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations (the “FMSA”). The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations, and operations with securities and foreign exchange. The activities of the Bank are regulated by statutory acts of the FMSA and the National Bank of the Republic of Kazakhstan (the “NBRK”).

On 3 January 2007 the Bank established a subsidiary, Tsesna International B.V. (the “Subsidiary”), which is a special purpose entity intended to raise funds on international capital markets and make these funds available to the Bank. As at 31 March 2011, the Bank owned 100% of the share capital of Tsesna International B.V.

The authorized share capital of the Subsidiary comprises 900 shares with a nominal value of EUR 100 each. Out of the authorized shares, 180 shares were issued and fully paid by cash.

In accordance with the resolutions of the FMSA No.65 and No.66 dated 18 May 2010, the Bank was given a permission No. 101 dated 18 May 2010 to purchase a subsidiary – Subsidiary Company of Tsesnabank JSC Insurance Company Tsesna Garant (“Tsesna Garant”). The primary business activity of Tsesna Garant is insurance of vehicle owners’ civil liability, employers’ civil liability, property, cargo, vehicle, air, railway and water transport, casualty and other insurance.

Subsidiary Company of Tsesnabank JSC Insurance Company Tsesna Garant JSC (“Tsesna Garant” or “Company”) was established on 18 July 2008 (Certificate of state re-registration of a legal entity No. 101804-1910-AO).

The Company has license No. 2.1.49 dated 25 June 2010 issued by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organisations to conduct insurance activity under the ‘General Insurance’ sector.

The share capital comprises 8,900 common shares. Currently Tsesnabank JSC acquired 100% of the shares and is a sole shareholder of the company.

As at 31 March 2011 the Bank has 19 branches and 75 sub-branches from which it conducts business throughout the Republic of Kazakhstan. The registered address of the Bank’s Head Office is 29 Pobedy Avenue, Astana, Republic of Kazakhstan. The majority of the Bank’s assets and liabilities are located in the Republic of Kazakhstan.

At 31 March 2011, Tsesna Corporation JSC owned 63.89% of the outstanding common shares of the Bank. Other shareholders have less than 5% of the outstanding shares each.

The principal subsidiaries are as follows:

Name	Country of incorporation	Principal activities	Ownership %	
			31 March 2011	2010
Tsesna International B.V.	Netherlands	Raising funds on international capital markets and making these funds available to the Bank	100%	100%
Subsidiary Company of Tsesnabank JSC Insurance Company Tsesna Garant	Kazakhstan	Insurance activity	100%	100%

#### Functional and presentation currency

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

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

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

#### SIGNIFICANT ACCOUNTING POLICIES

The Bank’s Accounting Policy is developed in accordance with Law of the Republic of Kazakhstan dated 28 February 2007 No. 234-III “On accounting and financial statements”, International Financial Reporting Standards (“IFRS”), methodology recommendations on application of the IFRS developed by the Ministry of Finance of the Republic of Kazakhstan, National Bank of the Republic of Kazakhstan and other statutory acts of the Republic of Kazakhstan on accounting and financial statements.

The date when Tsesnabank JSC shifted to the IFRS accounting is 1 January 2003. The shift was determined by “Amendments and supplements to the Decree of the President of the Republic of

Kazakhstan that has the force of law “On accounting” (Law of the Republic of Kazakhstan dated 24 June 2002 No. 329) and the resolution of the Government of the Republic of Kazakhstan dated 3 February 2003 No. 119 on approval of the Regulations for determining the organizations whose financial statements are prepared in accordance with the IFRS since 1 January 2003.

When forming its accounting policy, Tsesnabank JSC is guided by the following principles and qualitative characteristics laid in the foundation of accounting standards:

- accrual basis;
- going concern;
- substance over form;
- understandability;
- relevance;
- materiality;
- reliability;
- prudence;
- completeness;
- neutrality;
- comparability;
- timeliness; and
- true and fair view/fair presentation.

## **BASIS OF CONSOLIDATION**

### ***Subsidiaries***

Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases.

### ***Associates***

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group’s share of the total gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group’s share of losses exceeds the Group’s interest (including long-term loans) in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

### ***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies and recognised at cost are retranslated to the functional currency at the exchange rate at the date of the transactions. Assets and liabilities from foreign entities' operations, including goodwill and fair value adjustments arising on acquisition, are translated into KZT at spot exchange rates at the reporting date. The income and expenses of foreign operations are translated into KZT at spot exchange rates at the dates of the transactions.

Foreign currency differences on the translation of foreign operations are recognised in other comprehensive income in the translation reserve. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to profit or loss for the period as part of the profit or loss on disposal.

As at 31 March 2011, the official exchange rate established by the National Bank of the Republic of Kazakhstan is KZT 145.70 for 1 US dollar. The average weighted rate for the 1st quarter of 2011 is KZT 146.41 for 1 US dollar. In respect of converting of KZT into other currencies, the currency exchange regulations apply.

### ***Cash and cash equivalents***

Cash and cash equivalents include cash, nostro accounts held with the NBRK and other banks, which are free from contractual restrictions, and deposits held with other banks with original maturity of less than three months. The mandatory reserve deposit with the NBRK is not considered to be a cash equivalent due to restrictions on its withdrawability. Cash and cash equivalents are carried at amortised cost in the statement of financial position

### ***Recognition***

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

## **Property and equipment**

### ***Owned assets***

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses, except for buildings, which are stated at revalued amounts as described below. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

### **Revaluation**

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

### **Depreciation**

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

- buildings	10 to 60 years
- computer equipment	5 to 10 years
- motor vehicles	7 years
- other	2 to 20 years

### **Investment property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in normal course of business, or for the use in production or supply of goods or services or for administrative purposes. Investment property is measured at fair value through profit or loss.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

### **Intangible assets**

Intangible assets acquired by the Group are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful life is 3.5 years.

### **Loans**

Loans are initially recognised at acquisition cost which corresponds to the fair value of funds received (which is determined using market interest rates for similar instruments if they materially differ from the interest rate on the loan received) less transaction costs.

### **Provisions**

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

### ***Repurchase and reverse repurchase agreements***

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

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

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

### ***Derivative financial instruments***

Derivative financial instruments include swaps, forwards, futures, spot transactions and options in interest rates, foreign exchanges, precious metals and stock markets, and any combinations of these instruments.

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Changes in the fair value of derivatives are recognised immediately in profit or loss.

Derivatives may be embedded in another contractual arrangement (a host contract). An embedded derivative is separated from the host contract and is accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the combined instrument is not measured at fair value with changes in fair value recognised in profit or loss. Derivatives embedded in financial assets or financial liabilities at fair value through profit or loss are not separated.

Although the Group trades in derivative instruments for risk hedging purposes, these instruments do not qualify for hedge accounting.

### ***Deferred income tax***

Deferred tax assets and liabilities are provided in respect of all temporary differences using the balance sheet liability method. Deferred income tax is recognised in respect of all temporary differences between the amounts of assets and liabilities used for taxation purposes and carrying amounts for financial reporting purposes. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied at the time of asset or liability offset on the basis of effective or announced (and practically adopted) tax rates at the reporting date.

Deferred income tax is recognised in respect of all temporary differences related to investments in associates and subsidiaries, and joint activities except when it is possible to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

### ***Share capital***

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

### ***Dividends***

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Kazakhstan legislation.

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

### ***Income and expense recognition***

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

Accrued discounts and premiums on financial instruments at fair value through profit or loss are recognised in gains less losses from financial instruments at fair value through profit or loss.

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

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

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

### ***Net gain/(loss) on securities operations***

Net gain/(loss) on trading securities operations includes gain and loss on retirement and changes in fair value of trading securities recognised at fair value through profit or loss, as well as realised gain and loss on retirement of investment securities, available-for-sale and held-to-maturity.

### ***Offsetting***

Non-monetary operations are excluded from the statement of cash flows. Therefore, investment and financial operations and the result of the operating activity represent actual monetary operations.

## **INFORMATION TO THE STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011**

The Statement of Financial Position of Tsesnabank JSC is prepared for the period from 1 January 2011 to 31 March 2011. The balance sheet data at the beginning of the reporting period correspond to the balance sheet data at the end of the period preceding the reporting year. The data as at the beginning of the reporting period are stated in accordance with the audited consolidated financial statements for 2010.

**Assets of the Group: KZT 265,249,757 thousand**

### **Cash and cash equivalents**

As at 31 March 2011 cash and cash equivalents were KZT 31,549,047 thousand.

	<b>31 March 2011</b>	<b>31 December 2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
<b>Cash on hand</b>	6,653,997	5,145,629
<b>Nostro accounts with the NBRK</b>	20,495,778	16,055,475
<b>Nostro accounts with other banks</b>	4,376,529	4,996,514
<b>Cash equivalents</b>		
<b>Term deposits with other banks</b>	23,013	360,372
<b>Total cash and cash equivalents</b>	<b>31,549,047</b>	<b>26,557,990</b>

As at 31 March 2011 none of cash and cash equivalents are impaired or past due.

#### **Loans and advances to banks**

As at 31 March 2011 loans and advances to banks and other financial institutions were KZT 6,078,769 thousand, including:

	<b>31 March 2011</b>	<b>31 December 2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
Mandatory reserve with the NBRK	3,702,429	3,148,170
Loans and deposits	2,424,470	3,746,516
Impairment allowance	(48,130)	(48,130)
<b>Net loans and advances to banks</b>	<b>6,078,769</b>	<b>6,846,556</b>

Overdue or impaired loans and advances to banks comprise loans and advances to banks overdue for more than 360 days of KZT 48,130 thousand (2010: overdue for more than 360 days of KZT 48,130 thousand).

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

As at 31 March 2011 financial instruments at fair value through profit or loss were 18,461,464 KZT thousand, including:

	<b>31 March 2011</b>	<b>31 December 2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
<b>Intended for sale</b>		
<b>Debt and other fixed-income instruments</b>		
<b>- Government and municipal bonds</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	4,072,671	4,980,078
Notes of the NBRK	6,749,665	2,998,425
<b>- Total government and municipal bonds</b>	<b>10,822,336</b>	<b>7,978,503</b>
<b>- Corporate bonds</b>		
Bank CenterCredit JSC	1,263,970	1,236,683
Kazakhstan Mortgage Company JSC	1,025,515	1,024,726
BTA Bank JSC	22,558	21,441
Sberbank JSC	1,171,903	60,284



Bank VTB OJSC	334,854	316,159
Development Bank of Kazakhstan - Leasing JSC	988,990	-
NAC Kazatomprom JSC	374,993	-
NC KazMunaiGaz JSC	492,671	-
NC Food Contract Corporation JSC	700,032	712,948
<b>Total corporate bonds</b>	<b>6,375,486</b>	<b>3,372,241</b>
<b>Equity instruments</b>		
<b>Common corporate shares</b>		
KazMunaiGaz Exploration Production JSC	670,507	587,232
Kazaktelecom JSC	10,001	9,252
Halyk Bank JSC	10,252	10,382
Eurasian Natural Resources Corporation	-	144,233
<b>Preferred corporate shares</b>		
Kazaktelecom JSC	5,622	5,406
<b>Global Depository Receipts</b>		
KazMunaiGaz Exploration Production JSC	403,660	366,022
GMK Nornikel OJSC	161,858	-
<b>Total equity instruments</b>	<b>1,261,900</b>	<b>1,122,527</b>
<b>Derivative financial instruments (spot)</b>	<b>1,742</b>	<b>423</b>
	<b>18,461,464</b>	<b>12,473,694</b>

#### Available-for-sale assets

As at 31 March 2011 available-for-sale assets were KZT 2,568,866 thousand, including:

	31 March 2011 KZT'000	31 December 2010 KZT'000
<b>Debt instruments</b>		
<b>Government and municipal bonds</b>		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	818,822	785,535
<b>Total government and municipal bonds</b>	<b>818,822</b>	<b>785,535</b>
<b>Corporate bonds</b>	272,088	
<b>Total corporate bonds</b>	<b>272,088</b>	-
<b>Equity instruments</b>		
Corporate shares	1,477,956	1,756,140
	<b>2,568,866</b>	<b>2,541,675</b>

#### Loans to customers

As at 31 March 2011 loans to customers were KZT 181,656,143 thousand, including:

	31 March 2011 KZT'000	31 December 2010 KZT'000
<b>Loans to corporate customers</b>		
Loans to large corporates	151,729,481	124,373,537
Loans to small and medium size companies	9,170,511	7,997,655
<b>Total loans to corporate customers</b>	<b>160,899,992</b>	<b>132,371,192</b>

	<b>31 March 2011</b> <b>KZT'000</b>	<b>31 December</b> <b>2010</b> <b>KZT'000</b>
<b>Loans to retail customers</b>		
Mortgage loans	17,315,616	17,245,722
Consumer loans	12,662,285	12,315,155
Express loans	811,366	783,153
Auto loans	445,297	392,154
Credit cards	207,412	217,972
<b>Total loans to retail customers</b>	<b>31,441,976</b>	<b>30,954,156</b>
<b>Gross loans to customers</b>	<b>192,341,968</b>	<b>163,325,348</b>
Impairment allowance	(10,685,825)	(10,157,812)
<b>Net loans to customers</b>	<b>181,656,143</b>	<b>153,167,536</b>

#### Held-to-maturity investments

As at 31 March 2011 held-to-maturity investments were KZT 10,422,312 thousand, including:

	<b>31 March 2011</b> <b>KZT'000</b>	<b>31 December 2010</b> <b>KZT'000</b>
<b>Government and municipal bonds</b>		
- Municipal bonds and regional authorities bonds	8,153,261	8,371,474
<b>Total government and municipal bonds</b>	<b>8,153,261</b>	<b>8,371,474</b>
<b>Corporate bonds</b>		
- Astana Nedvizhimost JSC	2,007,191	1,941,493
- Turan Alem Finance B.V.	618,795	584,386
- Kazakhstan Mortgage Company JSC	188,500	184,947
<b>Total corporate bonds</b>	<b>2,814,486</b>	<b>2,710,826</b>
Impairment allowance	(525,435)	(515,255)
<b>Total net corporate bonds</b>	<b>2,289,051</b>	<b>2,195,571</b>
	<b>10,442,312</b>	<b>10,567,045</b>

#### Investment in associate

As at 31 March 2011 investment in associate was KZT 167,650 thousand, including:

	<b>31 March 2011</b> <b>KZT'000</b>	<b>31 December</b> <b>2010</b> <b>KZT'000</b>
Investment in associate	167,650	167,650

The associate:

Name	Country of Incorporation	Main activity	% Controlled	
			31 March 2011	2010

Tsesna Capital JSC	Republic of Kazakhstan	Broker and dealer services	49%	49%
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#### Investment property

	KZT'000
	<u>Land</u>
<b>Cost</b>	
At 1 January 2010	1,267,468
Transfer from property and equipment	-
<b>At 31 December 2010</b>	<u>1,267,483</u>
Transfer from property and equipment	-
<b>At 31 March 2011</b>	<u>1,267,483</u>

Investment property comprises a plot of commercial land located in Almaty, purchased in 2007.

#### Property and equipment and Intangible assets

Property and equipment and Intangible assets were KZT 7,994,092 thousand, including:

##### Property and equipment

As at 31 March 2011 property and equipment were KZT 7,394,766 thousand, including KZT 17,017 thousand for subsidiary Tsesna Garant, depreciation of property and equipment was KZT 1,637,927 thousand, including KZT 2,303 thousand for subsidiary Tsesna Garant. Property and equipment were not revalued during the reporting period.

##### Intangible assets

As at 31 March 2011 intangible assets were KZT 599,326 thousand, including KZT 9,115 thousand for subsidiary Tsesna Garant, depreciation was KZT 409,053 thousand, including KZT 306 thousand for subsidiary Tsesna Garant. Intangible assets were not revalued during the reporting period.

##### Current tax asset

As at 31 March 2011 current tax asset was KZT 30,935 thousand.

##### Deferred tax asset

As at 31 March 2011 deferred tax asset was KZT 43,650 thousand.

##### Other assets

As at 31 March 2011 other assets were KZT 4,989,346 thousand and comprised the following:

- Inventory of KZT 415,443 thousand, including KZT 2,031 thousand for subsidiary Tsesna Garant;
- Prepaid interest and expenses of KZT 288,807 thousand, including KZT 540 thousand for subsidiary Tsesna Garant;
- Accrued fee and commission income of KZT 369,488 thousand;
- Overdue commission income of KZT 52,653 thousand;

- Settlements on taxes and other mandatory payments to budget of KZT 17,603 thousand, including KZT 1,493 thousand for subsidiary Tsesna International B.V.;
- Settlements with professional participants of the securities market of KZT 42,726 thousand, including KZT 221 thousand for subsidiary Tsesna Garant;
- Settlements with employees of KZT 11,586 thousand, including KZT 255 thousand for subsidiary Tsesna Garant;
- Debtors on capital investments of KZT 1,121,741 thousand;
- Other debtors under banking activity of KZT 2,802,589 thousand;
- Debtors on guarantees of KZT 102,593 thousand;
- Other debtors under non-principal activity of KZT 109,059 thousand, including KZT 3,503 thousand for subsidiary Tsesna Garant;
- Other transit accounts of KZT 127,110 thousand;
- Reserves (provisions) for losses on accounts receivable related to banking activities of KZT (517,913) thousand;
- Reserves (provisions) for losses on accounts receivable related to non-principal activities of KZT (12,828) thousand;
- Insurance premiums of subsidiary Tsesna Garant of KZT 11,887 thousand;
- Other assets of KZT 46,802 thousand.

**Liabilities of the Group: KZT 241,152,858 thousand**

**Due to the Government and regional authorities of the Republic of Kazakhstan**

As at 31 March 2011 KZT 44,412 thousand was due to the Government of the Republic of Kazakhstan, including:

	<b>31 March 2011</b>	<b>31 December</b>
	<b>KZT'000</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
Loans from the Government and regional authorities of the Republic of Kazakhstan and national management holding	44,412	51,186
	<b>44,412</b>	<b>51,186</b>

**Deposits and balances from banks and other financial institutions**

As at 31 March 2011 deposits and balances from banks and other financial institutions were KZT 11,295,808 thousand, including:

	<b>31 March 2011</b>	<b>31 December</b>
	<b>KZT'000</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
Loans and deposits from banks and other financial institutions	10,392,977	11,966,197
Vostro accounts	902,831	18,283
	<b>11,295,808</b>	<b>11,984,480</b>

### Current accounts and deposits from customers

As at 31 March 2011 current accounts and deposits from customers were KZT 214,094,211 thousand, including:

	<b>31 March 2011</b> <b>KZT'000</b>	<b>31 December</b> <b>2010</b> <b>KZT'000</b>
Current accounts and demand deposits		
- Corporate	38,277,285	45,052,819
- Retail	4,523,586	4,905,046
- Accrued interest	30,682	15,712
Term deposits		
- Corporate	103,569,297	71,385,162
- Retail	66,881,978	54,554,781
- Accrued interest	811,383	766,534
	<b><u>214,094,211</u></b>	<b><u>176,680,054</u></b>

### Debt securities issued

As at 31 March 2011 debt securities issued were KZT 8,785,566, including:

	<b>31 March 2011</b> <b>KZT'000</b>	<b>31 December</b> <b>2010</b> <b>KZT'000</b>
Nominal	9,785,370	9,800,910
Discount	(1,200,589)	(1,242,200)
Accrued interest	200,785	246,354
	<b><u>8,785,566</u></b>	<b><u>8,805,064</u></b>

The summary of bond issues at 31 March 2011 and 31 December 2010 is presented below:

	Issue date	Maturity	Coupon rate	Effective rate	Carrying amount	
					31 March 2011 KZT'000	31 December 2010 KZT'000
KZT denominated bonds of the second issue *	8.08.2005	8.08.2012	9.0%	10.6%	2,956,185	3,016,327
KZT denominated bonds of the fourth issue *	16.06.2006	16.06.2011	8.0%	10.7%	873,047	828,567
KZT denominated bonds of the sixth issue *	14.12.2006	14.12.2015	8.3%	10.8%	2,419,437	2,373,351
KZT denominated bonds of the seventh issue *	11.07.2007	11.07.2027	7.5%	10.9%	2,536,897	2,586,819
USD denominated bonds **	5.02.2007	5.02.2010	9.875%	11.96%	-	-

Issue date	Maturity	Coupon rate	Effective rate	Carrying amount	
				31 March 2011 KZT'000	31 December 2010 KZT'000
				<b>8,785,566</b>	<b>8,805,064</b>

\* Quoted on Kazakhstan Stock Exchange

\*\* Quoted on London Stock Exchange

### Subordinated debt

As at 31 March 2011 subordinated debt was KZT 3,830,969 thousand, including:

	31 March 2011 KZT'000	31 December 2010 KZT'000
Subordinated bonds	2,857,411	2,792,088
Subordinated loans	973,558	925,336
	<b>3,830,969</b>	<b>3,717,424</b>

### Amounts payable under repurchase agreements

#### Collateral

As at 31 March 2011 amounts payable under repurchase agreements were collateralised by the following securities:

	31 March 2011 KZT'000	31 December 2010 KZT'000
<b>Government bonds and notes</b>		
NBRK notes	-	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	1,579,002	-
	<b>1,579,002</b>	-
<b>Investments in equity instruments</b>		
Corporate shares	-	-
	<b>1,579,002</b>	-

### Other liabilities

As at 31 March 2011 other liabilities were KZT 1,522,890 thousand and comprised the following:

- Future income of KZT 9,946 thousand, including KZT 1,616 thousand for subsidiary Tsesna Garant;
- Accrued fee and commission expense of KZT 10,179 thousand, including KZT 5,594 thousand for subsidiary Tsesna International B.V., and KZT 2,797 thousand for Tsesna Garant;

- Settlements on taxes and other mandatory payments to budget of KZT 158,498 thousand, including KZT 1,248 thousand for subsidiary Tsesna Garant;
- Settlements with shareholders (in respect of dividends) of KZT 313,921 thousand;
- Settlements with employees of KZT 204,245 thousand, including KZT 2,203 thousand for subsidiary Tsesna Garant;
- Creditors on capital investments of KZT 54,266 thousand;
- Other creditors under banking activity of KZT 158,247 thousand, including KZT 255 thousand for subsidiary Tsesna Garant;
- Reserve for vacation payments of KZT 211,284 thousand, including KZT 3,046 thousand for subsidiary Tsesna Garant;
- Other creditors under non-principal activity of KZT 175,925 thousand, including KZT 5,028 thousand for subsidiary Tsesna Garant;
- Guarantees issued of KZT 25,781 thousand;
- Other transit accounts of KZT 45,870 thousand;
- Reserves (provisions) for losses on contingent liabilities of KZT 21,301 thousand;
- Reserves for insurance activity of KZT 129,397 thousand;
- Settlements on insurance activity of KZT 4,030 thousand.

### **The equity of the Group: KZT 24,096,899**

#### **Issued capital and share premium**

As at 31 March 2011 and 31 December 2010, the Bank's authorised share capital comprises 27,500,000 ordinary shares. Issued and outstanding share capital comprises 20,500,000 ordinary shares (2010: 20,500,000) and 2,500,000 preference shares (2010: 2,500,000). The shares do not have par value. During the year ended 31 December 2010, 5,000,000 ordinary shares were issued at KZT 1,000 per share.

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

#### **Cumulative non-redeemable preference shares**

Holders of cumulative non-redeemable preference shares receive a minimum cumulative dividend of 10% per annum on the par value of their shareholding. The preference shares do not carry the right to vote unless the dividend is in arrears. All shares rank equally with regard to the Group's residual assets, except that preference shareholders participate only to the extent of the face value of the shares adjusted for any dividends in arrears. All preference shares were issued and fully paid at their par value of KZT 1,000.

As at 31 March 2011 the Group accrued dividends on preference shares amounting to KZT 62,500 thousand (31 December 2010: KZT 250,000 thousand).

#### **Earnings per share**

Profit (loss) per share is calculated by dividing the consolidated profit (loss) for the period and a weighted average number of ordinary shares outstanding for the period as follows:

	<b>31 March 2011</b>
Net profit/(loss) attributable to ordinary shareholders, in thousand of KZT	<u>232,677</u>
Weighted average number of ordinary shares	<u>20,500,000</u>
Basic earnings/(loss) per share, in KZT	<u>11.35</u>

$$\text{Carrying value of } \underline{1 \text{ ordinary share}} = \frac{(\text{TA} - \text{IA}) - \text{TL} - \text{PS}}{\text{NO}_{\text{CS}}} =$$

$$\frac{(265249757 - 599326) - 241152858 - 2500000}{20500000} = \text{KZT } 1,024 \text{ thousand}$$

**TA** – assets of the Bank as per the statement of financial position at the date of calculation;

**IA** – intangible assets of the Bank as per the statement of financial position at the date of calculation;

**TL** – liabilities of the Bank as per the statement of financial position at the date of calculation;

**PS** – balance of the Share Capital, Preference Shares account in the statement of financial position at the date of calculation;

**NO<sub>CS</sub>** – number of ordinary shares at the date of calculation.

$$\text{Carrying value of } \underline{1 \text{ preference share}} = \frac{\text{TD}_{\text{PS}} + \text{PS}}{\text{NO}_{\text{PS}}} =$$

$$\frac{312500 + 2500000}{2500000} = \text{KZT } 1,125$$

**TD<sub>PS</sub>** – dividends on preference shares accrued but not paid at the date of calculation.

**PS** – balance of the Share Capital, Preference Shares account in the share issuer's statement of financial position at the date of calculation;

**NO<sub>PS</sub>** – number of preference shares at the date of calculation.

### Share premium

As at 31 March 2011 share premium was KZT 1,770 thousand.

### Reserves

As at 31 March 2011 reserves were KZT 2,892,714 thousand. The reserves include:

- Reserve for general banking risks created out of retained earnings of previous years (reserve capital) of KZT 2,777,280 thousand;
- Revaluation reserve for available-for-sale financial assets of KZT 34,099 thousand, including KZT 15,740 thousand for subsidiary Tsesna Garant;
- Revaluation reserve for property and equipment of KZT 13,908 thousand;
- Cumulative reserve for translation into presentation currency for subsidiary Tsesna International B.V. of KZT 67,437 thousand.

### Retained earnings

Accumulated deficit as at 31 March 2011 was KZT (1,797,585) thousand, including:

- Accumulated deficit for previous years was KZT (2,030,262) thousand, including profit of subsidiaries Tsesna International B.V. of KZT 171,818 thousand and Tsesna Garant of KZT 26,372 thousand;
- Profit as at 31 March 2011 was KZT 232,677 thousand, including profit of subsidiaries Tsesna International B.V. of KZT 8,564 thousand and Tsesna Garant of KZT (13,012) thousand.



## INFORMATION TO THE STATEMENT OF COMPREHENSIVE INCOME AS AT 31 MARCH 2011

The statement of comprehensive income is a statement measuring the results of the Group's activities.

### Net interest income

	<b>31 March 2011</b>
	<b>KZT'000</b>
<b>Interest income</b>	
Loans to customers	5,816,129
Held-to-maturity investments	185,363
Financial instruments at fair value through profit or loss	145,467
Placements with banks and other financial institutions	46,964
Available-for-sale financial assets	8,833
Cash and cash equivalents	10,537
	<u>6,213,293</u>
<b>Interest expense</b>	
Current accounts and deposits from customers	(3,325,021)
Deposits and balances from banks	(226,053)
Debt securities issued	(260,097)
Subordinated debt	(142,564)
Amounts payable under repurchase agreements	(44)
Due to the Government of the Republic of Kazakhstan	(531)
	<u>(3,954,310)</u>

### Net fee and commission income

#### Fee and commission income

	<b>31 March 2011</b>
	<b>KZT'000</b>
Transfer operations	235,923
Guarantee and letter of credit issuance fees	234,478
Cash withdrawal fees	153,883
Settlement fees	81,389
Foreign exchange fees	50,518
Cash collection fees	5,392
Other	170,715
	<u>932,298</u>

**Fee and commission expense**

	<b>31 March 2011</b>
	<b>KZT'000</b>
Transfer operations	(24,606)
Commission expense on received deposits	(38,729)
Client card account maintenance fees	(10,834)
Brokerage	(8,463)
Net claims incurred	(10,596)
Other	(13,544)
	<u>(106,772)</u>

Net earned insurance premiums as at 31 March 2011 were KZT 32,853 thousand.

Net gain/(loss) on financial instruments at fair value through profit or loss as at 31 March 2011 was KZT 6,311 thousand.

**Net foreign exchange income**

	<b>31 March 2011</b>
	<b>KZT'000</b>
Gain on spot transactions and derivatives	179,679
Loss from revaluation of financial assets and liabilities	29,664
	<u>209,343</u>

Dividend income as at 31 March 2011 includes income related to receipt of dividends on shares amounting to KZT 3,581 thousand.

**Operating income**

	<b>31 March 2011</b>
	<b>KZT'000</b>
Penalties	10,668
Income from sale of property and equipment, and inventory	4,394
Other income	56,425
	<u>71,487</u>

**Impairment losses**

	<b>31 March 2011</b>
	<b>KZT'000</b>
Loans to customers	(563,321)
Commitments	-
Other assets	5,103
	<u>568,424</u>

**Personnel expenses**

	<b>31 March 2011</b>
	<b>KZT'000</b>
Employee compensation	(1,055,410)
Payroll related taxes	(77,669)
	<b><u>1,133,079</u></b>

**Other general administrative expenses**

	<b>31 March 2011</b>
	<b>KZT'000</b>
Occupancy	(592,230)
Depreciation and amortisation	(127,896)
Taxes other than on income	(144,507)
Contributions to deposit insurance fund	(135,174)
Advertising and marketing	(81,751)
Security	(50,048)
Transportation	(50,768)
Communications and information services	(30,959)
Travel expenses	(23,657)
Professional services	(32,070)
Repairs and maintenance	(5,350)
Encashment expenses	(10,580)
Insurance	(2,829)
Insurance tax expense	(2,925)
Other	(156,341)
	<b><u>(1,447,085)</u></b>

Income tax expense as at 31 March 2011 was KZT (26,819) thousand.

Total profit as at 31 March 2011 was KZT 232,677 thousand.

**INFORMATION ON CASH FLOWS AS AT 31 MARCH 2011****Cash and cash equivalents**

As at 31 March 2011 cash and cash equivalents recognised in the consolidated statement of cash flows were as follows:

	<b>31 March</b>	<b>31 December</b>
	<b>2011</b>	<b>2010</b>
	<b>KZT'000</b>	<b>KZT'000</b>
Cash	6,653,997	5,145,629
Account and deposits with the National Bank of the Republic of Kazakhstan	24,198,207	19,203,645

	<b>31 March 2011 KZT'000</b>	<b>31 December 2010 KZT'000</b>
Nostro accounts with other banks	4,376,259	4,996,514
Term deposits with other banks	23,013	360,372
Mandatory reserves	(3,702,429)	(3,148,170)
	<b>31,549,048</b>	<b>26,557,990</b>

Net flow of cash and cash equivalents for the reporting period was KZT 4,991,058 thousand.

#### **INFORMATION TO THE STATEMENT ON CHANGES IN EQUITY AS AT 31 MARCH 2011**

The equity of the Group at the reporting date was KZT 24,096,899 thousand.

The changes were as follows:

- Revaluation reserve for available-for-sale assets increased by KZT 36,358 thousand;
- Foreign currency translation reserve relating to foreign activities decreased by KZT 7,073 thousand;
- Revaluation reserve for property and equipment decreased by KZT 221 thousand, as a result of the transfer to retained earnings.

Retained earnings increased by KZT 232,898 thousand, due to:

- Net income for the period of KZT 232,677 thousand, including for subsidiary Tsesna International B.V. of KZT 8,564 thousand and Tsesna Garant of KZT (13,012) thousand; and
- Transfer of revaluation reserve for property and equipment to undistributed cost in respect of the use of revalued property of KZT 221 thousand.



**Dauren Zhaksybek**  
Chairman of the Board




**Amina Sagindykova**  
Acting Chief Accountant