

**EXPLANATORY NOTE**  
**to the Financial Statements of**  
**TSESABANK JSC**  
**as at 30 June 2011**

This explanatory note to the Financial Statements of Tsesnabank JSC as at 30 June 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 30 June 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 30 June 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 JSC. Its primary business activity 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 30 June 2011 the Bank has 19 branches and 79 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 30 June 2011, Tsesna Corporation JSC owned 61.52% 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 %	
			30 June 2011	2010
Tsesna International B.V. Subsidiary Company of Tsesnabank JSC Insurance Company Tsesna Garant	Netherlands	Raising funds on international capital markets and making these funds available to the Bank	100%	100%
	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. 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 30 June 2011, the official exchange rate established by the National Bank of the Republic of Kazakhstan is KZT 145.83 for 1 US dollar. The average weighted rate for the 6 months of 2011 is KZT 146.00 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.

### ***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 30 JUNE 2011**

The Statement of Financial Position of Tsesnabank JSC is prepared for the period from 1 January 2011 to 30 June 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 292,183,800 thousand****Cash and cash equivalents**

As at 30 June 2011 cash and cash equivalents were KZT 18,915,823 thousand.

	<b>30 June 2011 KZT'000</b>	<b>31 December 2010 KZT'000</b>
Cash on hand	6,271,700	5,145,629
Nostro accounts with the NBRK	14,380,633	19,203,645
Mandatory reserve with the NBRK	(6,534,352)	(3,148,170)
Nostro accounts with other banks	3,756,016	4,996,514
Cash equivalents		
Term deposits with other banks	1,041,826	360,372
<b>Total cash and cash equivalents</b>	<b>18,915,823</b>	<b>26,557,990</b>

As at 30 June 2011 none of cash and cash equivalents are impaired or past due.

**Loans and advances to banks**

As at 30 June 2011 loans and advances to banks and other financial institutions were KZT 7,812,684 thousand, including:

	<b>30 June 2011 KZT'000</b>	<b>31 December 2010 KZT'000</b>
Mandatory reserve with the NBRK	6,534,352	3,148,170
Loans and deposits	1,326,462	3,746,516
Impairment allowance	(48 130)	(48,130)
<b>Net loans and advances to banks</b>	<b>7,812,684</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 30 June 2011 financial instruments at fair value through profit or loss were KZT 11,606,973 thousand, including:

	<b>30 June 2011 KZT'000</b>	<b>31 December 2010 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	4,018,502	4,980,078
Notes of the NBRK	999,398	2,998,425
<b>- Total government and municipal bonds</b>	<b>5,017,900</b>	<b>7,978,503</b>
<b>- Corporate bonds</b>		
Bank CenterCredit JSC	-	1,236,683
Kazakhstan Mortgage Company JSC	1,058,229	1,024,726

BTA Bank JSC	153,450	21,441
Sberbank JSC	1,190,375	60,284
Bank VTB OJSC	-	316,159
Development Bank of Kazakhstan - Leasing JSC	1,003,390	-
NAC Kazatomprom JSC	373,655	-
NC KazMunaiGaz JSC	501,555	-
NC Food Contract Corporation JSC	704,143	712,948
National Welfare Fund Samruk Kazyna JSC	771,224	-
<b>Total corporate bonds</b>	<b>5,756,021</b>	<b>3,372,241</b>
<b>Equity instruments</b>		
<b>Common corporate shares</b>		
KazMunaiGaz Exploration Production JSC	611,118	587,232
Kazaktelecom JSC	9,849	9,252
Halyk Bank JSC	8,843	10,382
Eurasian Natural Resources Corporation	-	144,233
<b>Preferred corporate shares</b>		
Kazaktelecom JSC	5,594	5,406
<b>Global Depository Receipts</b>		
KazMunaiGaz Exploration Production JSC	191,252	366,022
BTA Bank JSC	5,977	-
<b>Total equity instruments</b>	<b>832,633</b>	<b>1,122,527</b>
<b>Derivative financial instruments (spot)</b>	<b>419</b>	<b>423</b>
	<b>11,606,973</b>	<b>12,473,694</b>

#### Available-for-sale assets

As at 30 June 2011 available-for-sale assets were KZT 2,544,489 thousand, including:

	30 June 2011 KZT'000	31 December 2010 KZT'000
<b>Debt instruments</b>		
<b>Government and municipal bonds</b>		
- Regional authorities and municipal bonds	792,789	785,535
<b>Total government and municipal bonds</b>	<b>792,789</b>	<b>785,535</b>
<b>Corporate bonds</b>	272,444	
<b>Total corporate bonds</b>	<b>272,444</b>	-
<b>Equity instruments</b>		
Corporate shares	1,479,256	1,756,140
	<b>2,544,489</b>	<b>2,541,675</b>

#### Loans to customers

As at 30 June 2011 loans to customers were KZT 227,414,110 thousand, including:

	30 June 2011 KZT'000	31 December 2010 KZT'000
<b>Loans to corporate customers</b>		
Loans to large corporates	194,186,913	124,373,537
Loans to small and medium size companies	9,882,499	7,997,655



	30 June 2011 KZT'000	31 December 2010 KZT'000
<b>Total loans to corporate customers</b>	<b>204,069,412</b>	<b>132,371,192</b>
<b>Loans to retail customers</b>		
Mortgage loans	18,040,580	17,245,722
Consumer loans	14,589,086	12,315,155
Express loans	1,016,141	783,153
Auto loans	466,622	392,154
Credit cards	159,209	217,972
<b>Total loans to retail customers</b>	<b>34,271,638</b>	<b>30,954,156</b>
<b>Gross loans to customers</b>	<b>238,341,050</b>	<b>163,325,348</b>
Impairment allowance	(10,926,940)	(10,157,812)
<b>Net loans to customers</b>	<b>227,414,110</b>	<b>153,167,536</b>

### Held-to-maturity investments

As at 30 June 2011 held-to-maturity investments were KZT 8,361,254 thousand, including:

	30 June 2011 KZT'000	31 December 2010 KZT'000
<b>Owned by the Group</b>		
<b>Debt instruments</b>		
<b>Government and municipal bonds</b>		
- Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	6,071,290	8,371,474
<b>Total government and municipal bonds</b>	<b>6,071,290</b>	<b>8,371,474</b>
<b>Corporate bonds</b>		
- Astana Nedvizhimost JSC	2,025,990	1,941,493
- Turan Alem Finance B.V.	-	584,386
- Kazakhstan Mortgage Company JSC	167,265	184,947
- Gazprom OJSC Eurobonds	667,733	
<b>Total corporate bonds</b>	<b>2,860,988</b>	<b>2,710,826</b>
Impairment allowance	(571,024)	(515,255)
<b>Total net corporate bonds</b>	<b>2,289,964</b>	<b>2,195,571</b>
	<b>8,361,254</b>	<b>10,567,045</b>

### Investment in associate

As at 30 June 2011 investment in associate was KZT 211,750 thousand, including:

	30 June 2011 KZT'000	31 December 2010 KZT'000
Investment in associate	211,750	167,650

The associate:

Name	Country of Incorporation	Main activity	% Controlled	
			30 June 2011	2010
Tsesna Capital JSC	Republic of Kazakhstan	Broker and dealer services	49%	49%

### Investment property

	KZT'000
	<b>Land</b>
<b>Cost</b>	
At 1 January 2010	1,267,483
Transfer from property and equipment	-
<b>At 31 December 2010</b>	<b>1,267,483</b>
Transfer from property and equipment	-
<b>At 30 June 2011</b>	<b>1,267,483</b>

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

### Property, equipment and intangible assets

Property, equipment and intangible assets were KZT 8,166,846 thousand, including:

	30 June 2011 KZT'000	31 December 2010 KZT'000
<b>Property and equipment</b>	<b>7,563,973</b>	<b>7,371,634</b>
Depreciation of property and equipment	1,744,325	1,535,318
<b>Intangible assets</b>	<b>602,873</b>	<b>587,066</b>
Depreciation of intangible assets	443,053	385,97
	<b>8,166,846</b>	<b>7,958,700</b>

Property, equipment and intangible assets were not revalued during the reporting period.

### Current tax asset

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

	30 June 2011 KZT'000	31 December 2010 KZT'000
Current tax asset	46,404	30,935
	<b>46,404</b>	<b>30,935</b>

### Deferred tax asset

	30 June 2011 KZT'000	31 December 2010 KZT'000
Deferred tax asset	52,074	43,650
	<b>52,074</b>	<b>43,650</b>

### Other assets

As at 30 June 2011 other assets were KZT 5,783,910 thousand and comprised the following:

	30 June 2011 KZT'000	31 December 2011 KZT'000
Inventory	411,136	423,027

Prepaid interest and expenses	386,479	254,083
Accrued fee and commission income	367,189	343,413
Overdue commission income	64,972	40,203
Settlements on taxes and other mandatory payments to budget	28,433	5,526
Settlements with professional participants of the securities market	51,845	57,134
Settlements with employees	34,018	3,477
Debtors on capital investments	1,211,286	1,011,611
Other debtors under banking activity	3,337,912	2,698,506
Debtors on guarantees	102,593	114,736
Other debtors under non-principal activity	96,743	58,028
Other transit accounts	71,055	15,999
Reserves (provisions) for losses on accounts receivable related to banking activities	(518,356)	(515,100)
Reserves (provisions) for losses on accounts receivable related to non-principal activities	(12,718)	(12,666)
Insurance premiums	104,521	6,186
Other assets	46,802	46,802
	<b>5,783,910</b>	<b>4,550,965</b>

**Liabilities of the Group: KZT 265,840,104 thousand**

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

As at 30 June 2011 KZT 32,995 thousand was due to the Government and regional authorities of the Republic of Kazakhstan, including:

	<b>30 June 2011 KZT'000</b>	<b>31 December 2010 KZT'000</b>
Loans from the Government and regional authorities of the Republic of Kazakhstan	32,995	51,186
	<b>32,995</b>	<b>51,186</b>

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

As at 30 June 2011 deposits and balances from banks and other financial institutions were KZT 10,921,678 thousand, including:

	<b>30 June 2011 KZT'000</b>	<b>31 December 2010 KZT'000</b>
Loans and deposits from banks and other financial institutions	10,889,127	11,966,197
Vostro accounts	32,551	18,283
	<b>10,921,678</b>	<b>11,984,480</b>

**Current accounts and deposits from customers**

As at 30 June 2011 current accounts and deposits from customers were KZT 231,864,737 thousand, including:

	30 June 2011 KZT'000	31 December 2010 KZT'000
Current accounts and demand deposits		
- Corporate	50,322,225	45,052,819
- Retail	5,675,907	4,905,046
- Accrued interest	0	15,712
Term deposits		
- Corporate	104,049,535	71,385,162
- Retail	71,031,690	54,554,781
- Accrued interest	785,380	766,534
	<b>231,864,737</b>	<b>176,680,054</b>

#### Debt securities issued

As at 30 June 2011 debt securities issued were KZT 8,785,566, including:

	30 June 2011 KZT'000	31 December 2010 KZT'000
Nominal	8,943,410	9,800,910
Discount	(1,160,676)	(1,242,200)
Accrued interest	241,835	246,354
	<b>8,024,569</b>	<b>8,805,064</b>

The summary of bond issues at 30 June 2011 and 31 December 2010 is presented below:

	Issue date	Maturity	Coupon rate	Effective rate	Carrying amount	
					30 June 2011 KZT'000	31 December 2010 KZT'000
KZT denominated bonds of the second issue*	8.08.2005	8.08.2012	9%	10.6%	3,031,042	3,016,327
KZT denominated bonds of the fourth issue*	16.06.2006	16.06.2011	8%	10.7%	-	828,567
KZT denominated bonds of the sixth issue*	14.12.2006	14.12.2015	8.3%	10.8%	2,375,894	2,373,351
KZT denominated bonds of the seventh issue*	11.07.2007	11.07.2027	7.5%	10.9%	2,617,633	2,586,819
USD denominated bonds**	5.02.2007	5.02.2010	9.875%	11.96%	-	-
					<b>8,024,569</b>	<b>8,805,064</b>

\* Quoted on Kazakhstan Stock Exchange

\*\* Quoted on London Stock Exchange

#### Subordinated debt

As at 30 June 2011 subordinated debt was KZT 9,486,253 thousand, including:

	30 June 2011	31 December 2010
	KZT'000	KZT'000
Subordinated loans	992,593	925,336
Subordinated bonds	8,274,412	2,790,061
Accrued interest	219,248	2,027
	<b>9,486,253</b>	<b>3,717,424</b>

#### Amounts payable under repurchase agreements

##### Collateral

As at 30 June 2011 amounts payable under repurchase agreements were collateralised by the following securities:

	30 June 2011 KZT'000	31 December 2010 KZT'000
<b>Government bonds and notes</b>		
NBRK notes	954,082	-
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	2,825,289	-
	<b>3,770,371</b>	-
<b>Investments in equity instruments</b>		
Corporate shares	-	-
	<b>3,770,371</b>	-

##### Other liabilities

As at 30 June 2011 other liabilities were KZT 1,522,890 thousand and comprised the following:

	30 June 2011	31 December 2010
	KZT'000	KZT'000
Future income	9,124	7,590
Accrued fee and commission expense	17,651	9,776
Settlements on taxes and other mandatory payments to budget	172,632	169,368
Settlements with shareholders (in respect of dividends)	126,421	251,422
Settlements with employees	382,995	34,744
Creditors on capital investments	35,292	59,001
Other creditors under banking activity	173,843	123,873
Reserve for vacation payments	225,201	180,917
Other creditors under non-principal activity	200,856	102,319
Guarantees issued	15,607	12,856
Other transit accounts	23,058	28,589
Reserves (provisions) for losses on contingent liabilities	42,641	21,564
Reserves for insurance activity	288,873	95,152
Settlements on insurance activity	25,307	3,563
	<b>1,739,501</b>	<b>1,100,734</b>

## Equity of the Group: KZT 26,343,696

### Issued capital and share premium

As at 30 June 2011 and 31 December 2010, the Bank's authorised share capital comprises 27,500,000 ordinary shares. Issued and outstanding share capital comprises 21,824,201 ordinary shares (2010: 20,500,000). The shares do not have par value. During the 6 months of 2011, 1,324,201 ordinary shares were issued at KZT 1,000 per share (2010: 5,000,000 ordinary shares 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 30 June 2011 the Group accrued dividends on preference shares amounting to KZT 125,000 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:

	<u>30 June 2011</u>
Net profit/(loss) attributable to ordinary shareholders, in thousand of KZT	1,169,004
Weighted average number of ordinary shares	20,577,740
Basic earnings/(loss) per share, in KZT	<u>56.81</u>

$$\text{Carrying value of } \underline{\underline{1 \text{ ordinary share}}} = \frac{(\text{TA} - \text{IA}) - \text{TL} - \text{PS}}{\text{NO}_{\text{CS}}} =$$
$$\frac{(292183800 - 602873) - 265840104 - 2500000}{21824201} = \text{KZT 1,065 thousand}$$

**TA** – total 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** – total 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.

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

$$\frac{125000 + 2500000}{2500000} = \text{KZT 1,050 thousand}$$

**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 30 June 2011 share premium was KZT 1,770 thousand (31 December 2010: KZT 1,770 thousand).

#### Reserves

As at 30 June 2011 reserves were KZT 2,945,011 thousand. The reserves include:

	30 June 2011 KZT'000	31 December 2010 KZT'000
Reserve for general banking risks created out of retained earnings of previous years (reserve capital)	2,843,529	2,777,280
Revaluation reserve for available-for-sale financial assets	19,839	(2,259)
Revaluation reserve for property and equipment	13,687	14,129
Cumulative reserve for translation into presentation currency	67,956	74,500
	<b>2,945,011</b>	<b>2,863,650</b>

#### Accumulated deficit

Accumulated deficit as at 30 June 2011 was KZT (927,286) thousand, including:

	30 June 2011 KZT'000	31 December 2010 KZT'000
<b>Accumulated deficit for previous years</b>	<b>(2,096,290)</b>	<b>(2,716,437)</b>
including:		
- Tsesna International B.V.	171,818	132,334
- Tsesna Garant	26,372	-
<b>Profit for the period</b>	<b>1,169,004</b>	<b>685,954</b>
including:		
- Tsesna International B.V.	18,004	39,484
- Tsesna Garant	(9,032)	23,174
	<b>(927,286)</b>	<b>(2,030,483)</b>

#### INFORMATION TO THE STATEMENT OF COMPREHENSIVE INCOME AS AT 30 JUNE 2011

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

#### Net interest income

	30 June 2011 KZT'000	30 June 2010 KZT'000
<b>Interest income</b>		

Loans to customers	12,945,411	9,383,159
Held-to-maturity investments	298,666	296,806
Financial instruments at fair value through profit or loss	324,143	345,221
Placements with banks and other financial institutions	85,756	50,087
Available-for-sale financial assets	38,143	25,114
Cash and cash equivalents	15,748	16,691
	<b>13,707,867</b>	<b>10,117,078</b>
<b>Interest expense</b>		
Current accounts and deposits from customers	(7,098,600)	(5,211,443)
Deposits and balances from banks	(437,059)	(680,459)
Debt securities issued	(478,256)	(569,854)
Subordinated debt	(355,794)	(276,392)
Amounts payable under repurchase agreements	(3,186)	(19,901)
Due to the Government of the Republic of Kazakhstan	(951)	(1,829)
	<b>(8,373,846)</b>	<b>(6,759,878)</b>

#### Net fee and commission income

##### Fee and commission income

	30 June 2011 KZT'000	30 June 2010 KZT'000
Transfer operations	539,918	383,620
Guarantee and letter of credit issuance fees	579,798	226,792
Cash withdrawal fees	386,825	282,681
Settlement fees	176,624	114,947
Foreign exchange fees	136,945	76,065
Cash collection fees	11,650	9,959
Insurance activity	13,032	0
Other	408,509	336,642
	<b>2,253,301</b>	<b>1,430,706</b>

##### Fee and commission expense

	30 June 2011 KZT'000	30 June 2010 KZT'000
Transfer operations	(49,576)	(46,089)
Commission expense on received deposits	(72,116)	(43,147)
Client card account maintenance fees	(22,907)	(18,954)
Brokerage	(31,712)	(8,753)
Net claims incurred	(14,556)	(1,382)
Other	(23,846)	(17,321)
	<b>(214,713)</b>	<b>(135,646)</b>



Net earned insurance premiums for the 6 months of 2011 were KZT 109,375 thousand, for the respective period of the previous year: KZT 21,503 thousand.

Net gain/(loss) on financial instruments at fair value through profit or loss for the 6 months of 2011 was KZT (122,595) thousand, for the respective period of the previous year: KZT (388,342) thousand.

#### Net foreign exchange income

	30 June 2011 KZT'000	30 June 2010 KZT'000
Gain on spot transactions and derivatives	445,543	287,825
Loss from revaluation of financial assets and liabilities	21,281	(84,530)
	<b>466,824</b>	<b>203,295</b>

Net gain on available-for-sale financial assets for the 6 months of 2011 was nil, for the respective period of the previous year: KZT 34 thousand.

Dividend income for the 6 months of 2011 including income related to receipt of dividends on shares was KZT 38,284 thousand, for the respective period of the previous year: KZT 3,336 thousand.

#### Operating income

	30 June 2011 KZT'000	30 June 2010 KZT'000
Penalties	20,092	7,451
Gain/(loss) on sale of property, equipment and inventory	102	(3,249)
Other income	65,560	53,828
	<b>85,754</b>	<b>58,030</b>

#### Impairment losses

	30 June 2011 KZT'000	30 June 2010 KZT'000
Loans to customers	(812,030)	(688,038)
Commitments	(21,249)	-
Other assets	(291,846)	50,665
	<b>(1,125,125)</b>	<b>(637,373)</b>

#### Personnel expenses

	30 June 2011 KZT'000	30 June 2010 KZT'000
Employee compensation	(2,241,735)	(1,383,086)
Payroll related taxes	(163,534)	(89,222)
	<b>(2,405,269)</b>	<b>(1,472,308)</b>

#### Other general and administrative expenses

	30 June 2011	30 June 2010

	KZT'000	KZT'000
Occupancy	1,222,958	1,022,945
Depreciation and amortisation	271,976	233,458
Taxes other than on income	278,119	162,946
Contributions to deposit insurance fund	280,145	157,936
Advertising and marketing	158,720	123,342
Security	103,932	85,879
Transportation	106,113	80,158
Communications and information services	71,957	61,036
Travel expenses	42,004	34,734
Professional services	42,454	34,650
Repairs and maintenance	20,511	12,469
Encashment expenses	22,231	14,444
Insurance	10,723	790
Other	559,760	240,398
	<b>3,191,603</b>	<b>2,265,185</b>

Income tax expense for the 6 months of 2011 was KZT (59,250) thousand, for the respective period of the previous year: KZT (40,703) thousand.

Total profit for the 6 months of 2011 was KZT 1,169,004 thousand, for the respective period of the previous year: KZT 134,547 thousand.

#### INFORMATION ON CASH FLOWS AS AT 30 JUNE 2011

##### Cash and cash equivalents

As at 30 June 2011 cash and cash equivalents recognised in the consolidated statement of cash flows were as follows:

	30 June 2011 KZT'000	31 December 2010 KZT'000
Cash	6,271,700	5,145,629
Account and deposits with the National Bank of the Republic of Kazakhstan	14,380,633	19,203,645
Nostro accounts with other banks	3,756,016	4,996,514
Term deposits with other banks	1,041,826	360,372
Mandatory reserves	(6,534,352)	(3,148,170)
	<b>18,915,823</b>	<b>26,557,990</b>

Net flow of cash and cash equivalents for the reporting period was KZT 7,642,167 thousand.

#### INFORMATION TO THE STATEMENT ON CHANGES IN EQUITY AS AT 30 JUNE 2011

The equity of the Group at the reporting date was KZT 26,343,696 thousand.

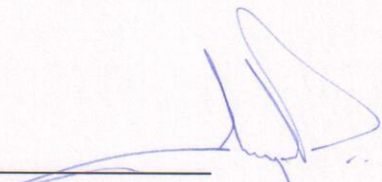
The changes were as follows:

- Share capital increased by KZT 1,324,201 thousand due to issue of shares;

- Revaluation reserve for available-for-sale assets increased by KZT 22,098 thousand;
- Cumulative translation reserve decreased by KZT 6,544 thousand;
- Revaluation reserve for property and equipment decreased by KZT 442 thousand, as a result of the transfer to retained earnings; and
- Reserve for general banking risks increased by KZT 66,249 thousand.

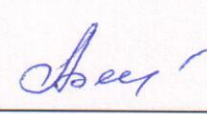
Retained earnings increased by KZT 1,103,197 thousand, due to:

- Net income of KZT 1,169,004 thousand for the period, including for subsidiary Tsesna International B.V. of KZT 18,004 thousand and Tsesna Garant of KZT (9,032) thousand;
- Transfer of revaluation reserve for property and equipment of KZT 442 thousand to undistributed cost in respect of the use of revalued property; and
- Creation of reserve capital by retained earnings of KZT (66,249) thousand.



**Rustam Yakupbayev**

**Acting Chairman of the Management Board**

**Lyudmila Beskrovnaya**

**Acting Chief Accountant**