Kazyna Capital Management JSC
Consolidated financial statements

Year ended 31 December 2011
Together with Independent Auditors' Report

CONTENTS

INDEPENDENT AUDITORS' REPORT

CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

To the Shareholder and Board of Directors of Kazyna Capital Management JSC

We have audited the accompanying consolidated financial statements of Kazyna Capital Management JSC and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

ERNST & YOUNG

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kazyna Capital Management JSC as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Evgeny Zhemaletdinov
Auditor / General Director
Ernst & Young LLP

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

Auditor Qualification Certificate No. 0000553 dated 24 December 2003

26 March 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

(Thousands of Tenge)

	Notes	*2011*	*2010*
Assets			
Cash and cash equivalents	5	**1,835,103**	11,821,187
Due from credit institutions	6	**27,985,959**	30,056,179
Financial instruments at fair value through profit or loss	7	**7,026,120**	2,928,430
Investment securities:			
- available-for-sale	8	**41,166,632**	26,320,993
- held-to-maturity	8	**–**	4,431,669
Property and equipment	9	**43,160**	40,941
Intangible assets		**12,952**	9,952
Current income tax assets	10	**288,620**	432,734
Deferred income tax assets	10	**5,060**	4,847
Other assets		**21,119**	25,403
Total assets		**78,384,725**	76,072,335
Liabilities			
Trade and other accounts payable		**58,038**	57,251
Total liabilities		**58,038**	57,251
Equity			
Share capital	11	**67,040,000**	67,040,000
Revaluation reserve for available-for-sale securities		**(777,829)**	(67,660)
Foreign currency translation reserve		**6,534**	(15,330)
Retained earnings		**12,054,964**	9,046,613
Total equity attributable to shareholder of the Group		**78,323,669**	76,003,623
Non-controlling interest		**3,018**	11,461
Total equity		**78,326,687**	76,015,084
Total equity and liabilities		**78,384,725**	76,072,335

Signed and authorised for release on behalf of the Management Board of the Group

Beguliyev T. E. — Deputy Chairman of the Board

Kim I. L. — Chief accountant

26 March 2012

The accompanying notes on pages 6 to 33are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

(Thousands of Tenge)

	Notes	2011	2010
Interest income			
Due from credit institutions		**1,982,370**	2,156,493
Investment securities		**2,048,766**	548,879
Loan to related party		**–**	210,767
		4,031,136	2,916,139
Interest expenses		**–**	–
Net interest income		**4,031,136**	2,916,139
Non-interest income			
Net gains from investment securities available-for-sale previously recognized in other comprehensive income		**255,516**	292,368
Net gains from financial instruments at fair value through profit or loss		**(40,574)**	143,055
Net gains from other financial instruments at fair value through profit or loss		**–**	24,260
		214,942	459,683
Non-interest expenses			
Net gains/(losses) from foreign currency			
– translation differences		**187,646**	(185,509)
–dealing		**(2,685)**	(6,946)
Personnel expenses	12	**(304,804)**	(251,188)
Depreciation of property and equipment and amortization of intangible assets		**(16,510)**	(13,608)
Administrative and other operating expenses	12	**(331,990)**	(242,656)
Other income / (expenses)		**13,056**	(423)
		(455,287)	(700,330)
Net non-interest (expense)		**(240,345)**	(240,647)
Profit before income tax expenses		**3,790,791**	2,675,492
Income tax expenses	10	**(454,546)**	(433,435)
Profit for the reporting year		**3,336,245**	2,242,057
Attributable to:			
- shareholder of the Company		**3,344,688**	2,242,241
- non-controlling interest		**(8,443)**	(184)

The accompanying notes on pages 6 to 33 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2011

(Thousands of Tenge)

	Notes	*2011*	*2010*
Profit for the reporting year		**3,336,245**	2,242,057
Other comprehensive income			
Unrealised (losses) / gains on investment securities available-for-sale, net of tax		**(454,653)**	217,333
Realised gains on investment securities available-for-sale reclassified to the income statement		**(255,516)**	(292,368)
Foreign exchange revaluation		**21,864**	(16,569)
Other comprehensive income for the year		**(688,305)**	(91,064)
Total comprehensive income		**2,647,940**	2,150,993
Attributable to:			
- shareholder of the Company		**2,656,383**	2,151,177
- non-controlling interest		**(8,443)**	(184)

The accompanying notes on pages 6 to 33 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
(Thousands of Tenge)

	Attributable to shareholders of the Group						
	Share capital	*Retained earnings*	*Foreign currency translation reserve*	*Revaluation reserve for available-for-sale securities*	*Total*	*Non-controlling interest*	*Total equity*
At 31 December, 2009	52,040,000	7,533,813	1,239	6,835	59,581,887	11,645	59,593,532
Comprehensive income /(loss) for the year	–	2,242,241	(16,569)	(74,495)	2,151,177	(184)	2,150,993
Increase in share capital (Note 11)	15,000,000	–	–	–	15,000,000	–	15,000,000
Dividends to the shareholder of the Group (Note 11)	–	(729,441)	–	–	(729,441)	–	(729,441)
At 31 December, 2010	**67,040,000**	**9,046,613**	**(15,330)**	**(67,660)**	**76,003,623**	**11,461**	**76,015,084**
Comprehensive income /(loss) for the year	**–**	**3,344,688**	**21,864**	**(710,169)**	**2,656,383**	**(8,443)**	**2,647,940**
Dividends to the shareholder of the Group (Note 11)	**–**	**(336,336)**	**–**	**–**	**(336,336)**	**–**	**(336,336)**
At 31 December, 2011	**67,040,000**	**12,054,964**	**6,534**	**(777,829)**	**78,323,669**	**3,018**	**78,326,687**

The accompanying notes on pages 6 to 33 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

(Thousands of Tenge)

	Notes	2011	2010
Cash flows from operating activities:			
Interest received		**4,060,066**	2,356,420
Personnel expenses paid		**(311,977)**	(231,082)
Other operating expenses paid		**(323,255)**	(292,239)
Realised gains less losses from dealing in foreign currencies		**(2,685)**	(6,946)
Gains from financial instruments at fair value through profit or loss		**15,566**	–
Other operating income / (expenses) received		**13,236**	(24)
Cash flows from operating activities before changes in operating assets and liabilities		**3,450,951**	1,826,129
Net (increase)/decrease in operating assets			
Due from credit institutions		**1,946,100**	(487,299)
Financial instruments at fair value through profit or loss		**(4,131,964)**	(1,307,950)
Loan to a related party		**–**	6,000,000
Other assets		**4,283**	(5,196)
Net (increase) / decrease in operating liabilities			
Financial instruments at fair value through profit or loss		**–**	(213,094)
Other liabilities		**(938)**	40,552
Net cash flows from operating activities before income tax		**1,268,432**	5,853,142
Income tax paid		**(310,645)**	(809,010)
Net cash used in operating activities		**957,787**	5,044,132
Cash flows from investing activities			
Purchase of investment securities		**(29,193,122)**	(18,418,906)
Proceeds from sale and redemption of investment securities		**14,175,106**	259,269
Purchase of held-to-maturity investment securities		**–**	(4,449,137)
Proceeds from redemption of held-to-maturity investment securities		**4,431,669**	–
Purchase of property and equipment	9	**(15,902)**	(15,698)
Proceeds from sale of property and equipment		**–**	(397)
Purchase of intangible assets		**(6,006)**	(4,580)
Net cash used in investing activities		**(10,608,255)**	(22,629,449)
Cash flows from financing activities			
Proceeds from issue of share capital	11	**–**	15,000,000
Dividends paid to shareholders of the Group	11	**(336,336)**	(729,441)
Net cash (used in)/from financing activities		**(336,336)**	14,270,559
Effect of exchange rates changes on cash and cash equivalents		**720**	(16,569)
Net decrease of cash and cash equivalents		**(9,986,084)**	(3,331,327)
Cash and cash equivalents, beginning		**11,821,187**	15,152,514
Cash and cash equivalents, ending	5	**1,835,103**	11,821,187

The accompanying notes on pages 6 to 33 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Thousands of Tenge)

1. Principal activities

Kazyna Capital Management Joint Stock Company ("the Company") and its subsidiaries (together referred to as "the Group") was established by the Government of the Republic of Kazakhstan in 2007. As at 31 December 2011 and 2010, Sovereign Wealth Fund "Samruk-Kazyna" JSC owned 100% shares of the Company. The ultimate principal shareholder of the Group is the Government of the Republic of Kazakhstan.

The principal activities of the Group are the establishment of and participation in investment funds and investments in financial instruments.

Legal and actual address of the Company's Head Office is 291/3a, Dostyk ave., Almaty, Republic of Kazakhstan.

As at 31 December, 2011 and 2010, the Group had five subsidiaries.

Name	*Country of incorporation*	*Principal activities*	*Ownership, %*	
			2011	*2010*
JSC Kazakhstan-Tajikistan fund of direct investments	Republic of Kazakhstan	Participation in investment projects	**80.00**	80.00
Kazyna Seriktes B.V.	Netherlands	Investments in Falah Growth Fund	**99.90**	99.90
Kazyna Investment Holding Cooperatief U.A.	Netherlands	Investments in Falah Growth Fund	**100.00**	100.00
Nurzhol Energy LLP	Republic of Kazakhstan	Investments in Macquarie Renaissance Infrastructure Fund	**100.00**	100.00
MRIF CASP C.V.	Netherlands	Investments in Macquarie Renaissance Infrastructure Fund	**99.00**	99.00

All of the above subsidiaries, except for MRIF CASP C.V., were established by the Group in 2008. The subsidiary MRIF CASP C.V. was established in 2010.

2. Basis of preparation

General

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements are presented in thousands of Kazakh Tenge ("Tenge" or "KZT"), unless otherwise is stated.

The financial statements have been prepared under the historical cost convention except for certain investment securities, financial instruments available-for-sale that have been measured at fair value.

3. Summary of accounting policies

Changes in accounting policies

The Group has adopted the following amended IFRS and new IFRIC Interpretations during the year. The effects of these changes are as follows:

IAS 24 Related Party Disclosures (Revised)

The revised IAS 24, issued in November 2009 and effective for annual periods beginning on or after 1 January 2011, 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 disclosure of the transactions with related parties in accordance with the revised Standard is presented in the Note 17.

Amendment to IAS 32 "Financial Instruments: Presentation": Classification of Rights Issues"

The amendment was issued in October 2009 and became effective for financial years beginning on or after 1 February 2010. The amendment alters the definition of a financial liability to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment 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, 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.

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. This interpretation had no impact on the Group's consolidated financial statements.

Improvement to IFRSs

In May 2010 the IASB issued the third omnibus of amendments, 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. Each standard has its own transitional provisions. Amendments included in Improvements to IFRS had some impact on the financial policy, financial position or financial results of the Group as follows:

- *IFRS 7 Financial Instruments: Disclosures* introduces the amendments to quantitative and credit risk disclosures. Additional requirements have had little impact, since the required information was easily accessible.
- Other amendments to IFRS 1, IFRS 3, IAS 1, IAS 27, IAS 34 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Group.

The following amendments to standards and interpretations did not have any impact on the Group's accounting policies, financial position or results of operations:

- IFRS 1 First-time Adoption of International Financial Reporting Standards - Voluntary exclusion with the limited scope from the requirement on disclosure of comparative information under IFRS 7, for companies using IFRS for the first time
- IFRIC 14 Prepayments of a minimum funding requirement

3. Summary of accounting policies (continued)

Future changes in accounting policies

Standards and interpretations issued but not yet effective

IFRS 9 "Financial Instruments" (first phase)

In November 2009 and 2010 the IASB issued the first phase of IFRS 9 Financial instruments. This Standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement" IFRS 9 is effective for annual periods beginning on or after 1 January 2015. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial assets. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. For financial liabilities designated at fair value through profit or loss using fair value option IFRS 9 requires the amount of change in fair value attributable to changes in credit risk to be presented in other comprehensive income. The Group now evaluates the impact of the adoption of new Standard and considers the initial application date.

IFRS 10 Consolidated Financial Statements

IFRS 10 Consolidated Financial Statements provides a unified control model that is applicable to all types of entities, including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In addition IFRS 10 introduces specific application guidance for agency relationships. The standard also contains accounting requirements and consolidation procedures, which are carried over unchanged from IAS 27. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation—Special Purpose Entities and IAS 27 Consolidated and Separate Financial Statements and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Currently the Group evaluates possible effect of the adoption of IFRS 10 on its financial position and performance.

IFRS 11 Joint Arrangements

IFRS 11 eliminates the possibility of accounting for jointly controlled entities using the proportionate consolidation. Instead, the jointly controlled entities that meet the definition of joint ventures are accounted for using the equity method. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Currently the Group evaluates possible effect of the adoption of IFRS 11 on its financial position and performance.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 combines the disclosure requirements that were previously contained in IAS 27 as related to consolidated financial statements, as well as IAS 31 and IAS 28. These disclosure requirements apply to shares of the company's participation in subsidiaries, joint venture, associates and structured companies. With respect to such companies were introduced a number of new disclosure requirements. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Adoption of this standard will required additional disclosures in the financial statements of the Group however it will have no effect on its financial position of financial performance.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The standard is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The adoption of the IFRS 13 may have effect on the measurement of the Group's assets and liabilities accounted for at fair value. Currently the Group evaluates possible effect of the adoption of IFRS 13 on its financial position and performance.

IAS 27 Separate Financial Statements (Revised in 2011)

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013.

3. Summary of accounting policies (continued)

Future changes in accounting policies (continued)

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed - IAS 28 Investments in Associates and Joint Ventures. Revised standard describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on 1 January 2013.

Amendments to IFRS 7 "Financial Instruments: Disclosures

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

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

In December 2010 the IASB issued amendments to IAS 12 effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset. The Group now evaluates the impact of the adoption of this amendment.

IAS 19 Employee Benefits (Amendment)

The amendment becomes effective for annual periods beginning on or after 1 January 2013. The amendment makes significant changes in accounting for employee benefits, in particular it removes the possibility of deferred recognition in plan assets and liabilities (corridor mechanism). In addition, the amendment limits the change in net pension assets (liabilities) recognized in profit or loss, by net interest income (expense) and costs of services. The amendment will not have any impact on the financial position or performance of the Group.

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income (Amendment)

The amendment becomes effective for annual periods beginning on or after 1 July 2012. The amendment to IAS 1 changes the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment will affect presentation only and will not have any impact on the Group's financial position or performance.

Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards - A significant hyperinflation and cancellation of fixed dates for companies applying IFRS for the first time

This amendment is effective for annual periods beginning on or after 1 July 2011. The amendment introduces an additional exemption for the use of deemed cost by companies that had undergone significant hyperinflation. The amendment will not have any impact on the financial position or performance of the Group.

Basis of consolidation

Subsidiaries, which are those entities in which the Group has an interest of more than one half of the voting rights, or otherwise has power to exercise control over their operations, are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated in full; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

3. Summary of accounting policies (continued)

Basis of consolidation (continued)

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it derecognises the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interests, the cumulative translation differences, recorded in equity; recognises the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in profit or loss and reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

In comparison to the above mentioned requirements which were applied on a prospective basis, the following differences applied:

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further excess losses were attributed to the parent, unless the non-controlling interest had a binding obligation to cover these.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost.

Investments in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control.

Those investment funds in which the Group has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, at initial recognition are recorded as financial instruments at fair value through profit or loss in accordance with the scope exemption in IFRS 28 "Investments in Associates".

Initial recognition is made at fair value on the transaction date with subsequent measurement at fair value as at or prior the reporting date. All changes in the fair value of investment funds are recorded in the consolidated income statement.

Interest in joint ventures

The Group has an interest in a joint venture which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes a joint control over the economic activities of the venture. The agreement requires unanimous agreement for financial and operating decisions among the venturers.

Those investment funds which are jointly controlled by the Group, at initial recognition are recorded as financial instruments through profit or loss in accordance with the scope exemption in IFRS 31 "Interest in joint ventures".

Initial recognition is made at fair value on the transaction date with subsequent measurement at fair value as at or prior the reporting date. All changes in the fair value of investment funds are recorded in the consolidated income statement.

Financial assets

Initial recognition

Financial assets in the scope of IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, as appropriate. At initial recognition financial assets are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

Date of recognition

All regular way purchases and sales of financial assets are recognised on the settlement date i.e. the date the asset is delivered to or received from the Group. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

3. Summary of accounting policies (continued)

Financial assets (continued)

'Day 1' profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognises the difference between the transaction price and fair value (a 'Day 1' profit) in the consolidated income statement. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognised in the consolidated income statement when the inputs become observable, or when the instrument is derecognised.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated and effective hedging instruments. Gains or losses on financial assets held for trading are recognised in the consolidated income statement.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Investments intended to be held for an undefined period are not included in this classification. Held-to-maturity investments are subsequently measured at amortised cost. Gains and losses are recognised in the consolidated income statement when the investments are impaired, as well as through the amortisation process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available-for-sale. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale financial assets

Available-for-sale financial assets represent non-derivative financial assets that are classified as available-for-sale or are not included in any of three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains or losses being recognised in other comprehensive income until the investment is derecognised or until the investment is determined to be impaired. At which time the cumulative gain or loss previously reported in other comprehensive income is reclassified to the consolidated income statement. However, interest calculated using the effective interest method is recognised in the consolidated income statement.

Determination of fair value

The fair value for financial instruments traded in active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statement of financial position.

3. Summary of accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Amounts due from credit institutions

In the normal course of business, the Group maintains current accounts or places deposits for various periods of time with other banks. Amounts from credit institutions with fixed maturity are subsequently measured at amortized cost using an effective interest rate. Amounts without fixed maturity are carried at amortized cost based on expected maturity of such assets. Amounts due from credit institutions are recorded less any allowances for impairment.

Repurchase and reverse repurchase agreements and securities lending

Sale and repurchase agreements ("repos") are treated as secured financing transactions. Securities sold under sale and repurchase agreements are retained in the statement of financial position and, in case the transferee has the right by contract or custom to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers. Securities purchased under agreements to resell ("reverse repo") are recorded as amounts due from credit institutions or loans to customers as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of repo agreements using the effective yield method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within gains less losses from trading securities in the consolidated statement of income. The obligation to return them is recorded at fair value as a trading liability.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments in the foreign exchange and capital markets. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative.

Gains and losses resulting from these instruments are included in the consolidated income statement as net gains/(losses) from trading securities or net gains/(losses) from foreign currencies (dealing), depending on the nature of the instrument.

Derivatives embedded in other financial instruments are accounted for separately and recorded at fair value if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not held for trading or revalued at fair value though profit or loss. The embedded derivatives separated from the host are carried at fair on the trading portfolio with changes in fair value recognised in the consolidated income statement.

Lease

Operating – Group as lessee

Leases of assets under which the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as expenses on a straight-line basis over the lease term and included into other operating expenses.

Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Held-to-maturity financial investments:

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, any amounts formerly charged are credited to the consolidated income statement.

Financial investments available-for-sale

For available-for-sale financial investments, the Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement – is reclassified from other comprehensive income to the consolidated income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. Future interest income is based on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded in the consolidated income statement. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated income statement, the impairment loss is reversed through the consolidated income statement.

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized from the consolidated statement of financial position where:

- the rights to receive cash flows from the asset have expired;
- The Group has transferred its rights to receive cash flows from the asset, or retained the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; and
- the Group either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash-settled option on a net basis or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value. In this case the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

Taxation

The current corporate income tax expense is calculated in accordance with the regulations of the Republic of Kazakhstan.

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

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Kazakhstan also has various operating taxes that are assessed on the Group's activities. These taxes are included as a component of other operating expenses within taxes other than corporate income taxes.

Property and equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment. Such cost includes the cost of replacing part of equipment when that cost is incurred if the recognition criteria are met.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Depreciation of an asset begins when it is available for use. Depreciation is calculated on a straight-line basis over the following estimated useful lives:

	Years
Computer hardware	3 to 6 years
Motor vehicles	4 to 7 years
Other	5 to 15 years

The asset's residual values, useful lives and methods are reviewed and adjusted as appropriate, at each financial year-end.

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Intangible assets

Intangible assets include computer software and licences.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Amortisation of intangible assets is calculated on a straight-line basis over their estimated useful lives and recorded within profit or loss. The useful lives of intangible assets are 5 years.

3. Summary of accounting policies (continued)

Share capital

Share capital

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as additional capital.

Dividends on common shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event in accordance with IAS 10 "Subsequent events" and are appropriately disclosed.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are approved before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised.

Contingencies

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

Recognition of income and expenses

Revenue is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest and similar income and expense

For all financial instruments measured at amortised cost and interest bearing financial instruments classified as trading and available-for-sale instruments, interest income or expense is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Income from dividends

Revenue is recognised when the Group's right to receive the payment is established.

Foreign currency translation

The financial statements are presented in Kazakhstani Tenge, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into KZT at the market exchange rate quoted by the Kazakhstan Stock Exchange (the "KASE") at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the consolidated statement of income as gains less losses from foreign currencies - translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Differences between the contractual exchange rate of a transaction in a foreign currency and the KASE exchange rate on the date of the transaction are included in gains less losses from foreign currencies dealing.

(Thousands of Tenge)

3. Summary of accounting policies (continued)

Foreign currency translation (continued)

Below are the exchange rates at 31 December which have been used by the Group when preparing the financial statements:

	2011	*2010*
KZT/USD	**148.40**	147.50
KZT/EURO	**191.72**	196.88
KZT/GBR	**228.80**	228.29

4. Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, management has used its judgements and made estimates in determining the amounts recognised in the financial statements. The most significant use of judgements and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss comprise unquoted equity securities of ten investment funds. These investment funds are at the stage of the investment period and post-investment perod. It is impossible to measure reliably the fair value of investments at the stage of the investment period, for which the market does not exist and no trading operations were recently held. In the majority of cases, the investment funds have not commenced the operating activities, and investments with the carrying amount of KZT 4,153,830 thousand were acquired during 2011 (2010: KZT 1,608,672 thousand). For this reason the management of the Company believes that the fair value of these investments as at 31 December 2011 does not significantly differ from their carrying amount, which represents the sum of actual investments made. Upon termination of the investment period it is possible to measure the fair value of the investment fund more precisely and the Group begins to measure the fair value using the method of net asset value. The carrying amount of the investment funds measured using this method as at 31 December 2011 was KZT 413,783 thousand (2010: 0).

Taxation

Kazakh tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. As such, additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. The review may cover longer periods under certain circumstances. As at 31 December 2011 the management believes that its interpretation of the relevant legislation is appropriate.

5. Cash and cash equivalents

Cash and cash equivalents comprise the following:

	2011	*2010*
Time deposits with contractual maturities less than 90 days as of the origination date	**1,500,067**	11,375,356
Current accounts with other financial organizations	**335,036**	445,831
	1,835,103	11,821,187

Total amount of cash and cash equivalents denominated in foreign currencies was KZT 124,479 thousand as at 31 December (2010: KZT 49,274 thousand).

(Thousands of Tenge)

6. Due from credit institutions

Amounts due from credit institutions comprise term deposits with maturity over 90 days as of the origination date. As at 31 December 2011, due from credit institutions amounted to KZT 27,985,959 thousand (2010: KZT 30,056,179 thousand).

As at 31 December 2011, due from credit institutions denominated in foreign currencies totalled KZT 14,461,056 thousand (2010: KZT 11,636,891 thousand).

7. Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss as at 31 December 2011 and 2010 comprise unquoted equity securities of the following investment funds:

	Ownership, %	*2011*	*2010*
MACQUARIE RENAISSANCE Infrastructure Fund	4.76%	**1,529,914**	781,548
Wolfenson Capital Partners	9.94%	**1,774,686**	778,940
ADM KCRF	49.50%	**1,542,263**	106,889
Kazakhstan Growth Fund	49.99%	**877,456**	284,682
Citic–Kazyna Investment Fund L.P.	49.90%	**652,331**	294,387
Aureos Central Asia Fund	14.28%	**413,783**	342,788
Falah Growth Fund	10.00%	**111,704**	338,236
Kazakhstan Hong Kong Development fund C.V.	25.00%	**110,518**	–
CITIC–KAZYNA GP Ltd	50.00%	**12,506**	–
Kazakhstan Hong Kong General Partner BV	25.00%	**872**	872
CITIC Kazyna Manager Ltd	49.50%	**87**	88
		7,026,120	2,928,430

According to the Group's accounting policy specified in Note 3, investment funds in which the Group has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, at initial recognition are recorded as financial instruments at fair value through profit or loss in accordance with the scope exemption in IFRS 28 "Investments in Associates of investment funds" and IAS 31 "Interest in joint ventures".

During the investment period of up to five years, the above mentioned investment funds receive funds from the Company in the amount of 1.5% to 2.25% of the total amount of capital commitments to pay for the management services. Such services include search and cost-effectiveness analysis of potential projects, due diligence, search of additional financing sources. In accordance with the contractual terms and conditions of these investment funds, costs of management services are a part of capital commitments and repayable in case of acquisition of income by the investment fund. The management believes that these costs are directly associated with the activities of the funds and form an intergral part of investments of the Group. As a result, the Group includes these costs into the cost of investments. As at 31 December 2011, the investment period of these funds has not finalised, other than Aureos Central Asia Fund, for which the investment period was over on 31 December 2011. In this connection, the Group revalued the fair value of this investment under the net asset value method. As a result, the Group recognized a loss from change in the cost of investments in this fund in the amount of KZT 56, 140 thousand within net gains / losses from operations with financial instruments at fair value through profit or loss

(Thousands of Tenge)

7. Financial instruments at fair value through profit or loss (continued)

Financial activity of each fund is described below:

2011

Funds	*Ownership, %*	*Country*	*Activity*	*Group share in net income/ (loss)*	*Total assets*	*Total liabilities*	*Net assets*
Macquarie Renaissance Infrastructure Fund	**4.76**	**Great Britain**	**Investments**	**(24,031**	**12,190,763**	**306,891**	**11,883,872**
Wolfenson Capital Partners LP	**9.94**	**The Cayman Islands**	**Investments**	**(93,634**	**12,112,355**	**110,945**	**12,001,410**
ADM Kazakhstan Capital Restructuring Fund CV	**49.50**	**Netherlands**	**Investments**	**(280,681**	**2,712,119**	**151,107**	**2,561,012**
Kazakhstan Growth Fund LP	**49.99**	**The Cayman Islands**	**Investments**	**(195,418**	**878,583**	**68,256**	**810,327**
Citic–Kazyna Investment Fund L.P.	**49.90**	**The Cayman Islands**	**Investments**	**(351,095**	**196,068**	**177,309**	**18,759**
Aureos Central Asia Fund LLC	**14.28**	**The Republic of Mauritius**	**Investments**	**(53,366**	**2,901,542**	**3,900**	**2,897,642**
Falah Growth Fund LP	**10.00**	**The Cayman Islands**	**Investments**	**(26,062**	**29,781**	**7,744**	**22,037**
Kazakhstan Hong Kong Development Fund CV	**25.00**	**Netherlands**	**Investments**	**(87,500**	**102,480**	**7,274**	**95,206**
CITIC–KAZYNA GP Ltd	**50.00**	**The Cayman Islands**	**Fund management**	**–**	**–**	**–**	**–**
Kazakhstan–Hong Kong General partnership	**25.00**	**Netherlands**	**Fund management**	**(1,770**	**26,775**	**29,999**	**(3,224)**
CITIC Kazyna Manager Ltd	**49.50**	**The Cayman Islands**	**Fund management**	**–**	**–**	**–**	**–**

2010

Funds	*Ownership, %*	*Country*	*Activity*	*Group share in net income/ (loss)*	*Total assets*	*Total liabilities*	*Net assets*
Macquarie Renaissance Infrastructure Fund	4.76	Great Britain	Investments	(52,201)	9,587,500	1,017,750	8,569,750
Wolfenson Capital Partners LP	9.94	The Cayman Islands	Investments	(67,895)	4,947,985	56,655	4,891,330
ADM Kazakhstan Capital Restructuring Fund CV	49.50	Netherlands	Investments	(106,055)	5,738	4,100	1,638
Kazakhstan Growth Fund LP	49.99	The Cayman Islands	Investments	(135,828)	131,696	69,547	62,149
Citic–Kazyna Investment Fund L.P.	49.90	The Cayman Islands	Investments	(296,438)	23,557	27,033	(3,476)
Aureos Central Asia Fund LLC	14.28	The Republic of Mauritius	Investments	(7,991)	2,349,800	2,812	2,346,988
Falah Growth Fund LP	10.00	The Cayman Islands	Investments	(23,203)	2,638,531	1,002	2,637,529
Kazakhstan Hong Kong Development Fund CV	25.00	Netherlands	Investments	–	–	–	–
CITIC Kazyna Manager Ltd	49.50	The Cayman Islands	Fund management	107,569	339,003	121,199	217,804

Additional information on investment funds is presented in Notes 13 and 15.

(Thousands of Tenge)

8. Investment securities

Available-for-sale investment securities as at 31 December comprise:

	2011	*2010*
Corporate bonds	**40,665,517**	20,111,220
Bonds of the Ministry of Finance of the Republic of Kazakhstan	**511,115**	6,209,773
Available-for-sale securities	**41,166,632**	26,320,993

As at 31 December 2011 concentration of investment available-for-sale securities purchased at the active market on five large issuers amounted to KZT 20,240,089 thousand or 49.00% of the total amount of available-for-sale securities (2010: KZT 20,420,226 thousand or 77.58%).

Held-to-maturity securities comprise:

	2011	*2010*
Corporate bonds	–	4,431,669
Held-to-maturity securities	–	4,431,669

As at 31 December 2010 held-to-maturity investment securities are represented by bonds of Bank CenterCredit JSC, which were fully redeemed in February 2011.

9. Property and equipment

The movements in property and equipment were as follows:

	Computer hardware	*Motor vehicles*	*Other*	*Total*
Cost:				
31 December 2009	21,058	6,927	25,623	53,608
Additions	2,692	10,171	2,835	15,698
Disposals	–	(6,927)	–	(6,927)
31 December 2010	23,750	10,171	28,458	62,379
Additions	1,982	12,000	1,920	15,902
Disposal	(186)	–	–	(186)
31 December 2011	**25,546**	**22,171**	**30,378**	**78,095**
Accumulated depreciation				
31 December 2009	(3,805)	(1,011)	7,207	(12,023)
Charge for the year	(2,921)	(848)	(6,656)	(10,425)
Disposal	–	1,010	–	1,010
31 December 2010	(6,726)	(848)	(13,863)	(21,438)
Charge for the year	(3,987)	(2,521)	(6,996)	(13,504)
Disposal	7	–	–	7
31 December 2011	**(10,706)**	**(3,370)**	**(20,859)**	**(34,935)**
Net book value				
31 December 2009	17,253	5,916	18,416	41,585
31 December 2010	17,024	9,322	14,595	40,941
31 December 2011	**14,840**	**18,801**	**9,519**	**43,160**

10. Taxation

Corporate income tax ("CIT") expenses comprise the following:

	2011	*2010*
Current CIT charge	**479,621**	436,396
Deferred CIT benefit - origination and reversal of temporary differences	**(213)**	(2,961)
Adjustment to current CIT for the previous period	**(24,862)**	–
CIT charge	**454,546**	433,435

(Thousands of Tenge)

10. Taxation (continued)

Income of the Group and its subsidiaries is subject to corporate income tax in the Republic of Kazakhstan except for Kazyna Seriktes B.V, Kazyna Investment Holding Cooperatief U.A. and MRIF CASP C.V., which are subject to income tax in Netherlands.

In accordance with the legislation, the applicable CIT rate in 2011 and 2010 is 20%.

As at 31 December the Group had current CIT assets in the amount of KZT 288,620 thousand (31 December 2010: KZT 432,734 thousand).

A reconciliation of CIT expense based on statutory rates with actual is as follows:

	2011	*2010*
Profit before CIT expense	**3,790,791**	2,675,492
Statutory rate, %	**20**	20
CIT calculated at statutory tax rate	**758,158**	535,098
Non-taxable income from state securities and securities included in the official listing of KASE	**(315,843)**	(93,494)
Adjustment to current CIT for the previous period	**(24,862)**	–
Change in unrecognized deferred tax assets	**24,312**	(4,851)
Non-deductible expenses:	**10,705**	69
Other	**2,076**	(3,387)
CIT charge	**454,546**	433,435

Deferred CIT reflects net tax effect of temporary differences between carrying amount of assets and liabilities for financial statements purposes and the amount to be determined for tax purposes. Tax effect of temporary differences as at 31 December 2011 and 2010, is as follows:

Tax effect of deductible temporary differences:	*2009*	*Temporary differences recorded in consolidated income statement*	*2010*	*Temporary differences recorded in consolidated income statement*	*Temporary differences recorded in consolidated statement of comprehensive income*	*2011*
Tax loss carry forward	47,471	(4,851)	42,620	24,312	–	66,932
Available for sale investment securities	–	–	–	–	123,433	123,433
Trade accounts payable	3,780	518	4,298	1,825	–	6,123
Property and equipment	(1,894)	2,443	549	(549)	–	–
Unrecognised deferred tax asset	(47,471)	4,851	(42,620)	(24,312)	(123,433)	(190,365)
Net deferred tax asset	1,886	2,961	4,847	1,276	–	6,123
Tax effect of taxable temporary differences:						
Property and equipment	–	–	–	(1,063)	–	(1,063)
Deferred tax liability	–	–	–	(1,063)	–	(1,063)
Deferred tax asset	1,886	2,961	4,847	213	–	5,060

Tax losses carried forward represent losses of subsidiaries and losses from derivative financial instruments and change in the cost of investments with offset maturities in 2019-2021. Deferred tax assets were not recognized with respect to this item due to low probability that in future the taxable income will flow to the Group against which these tax benefits could be utilized.

(Thousands of Tenge)

11. Equity

In November 2010 at the general meeting of Shareholders the Group declared and placed 1,000,000 ordinary shares with offering price of KZT 15,000 per one ordinary share, which were fully purchased and paid by the Group's sole shareholder Sovereign Wealth Fund "Samruk-Kazyna".

	Common shares		
	Number of authorized ordinary shares	*Number of issued ordinary shares*	*Offering price (KZT)*
At 31 December, 2009	52,040,000	52,040,000	52,040,000
Increase in share capital	1,000,000	1,000,000	15,000,000
At 31 December, 2010	53,040,000	53,040,000	67,040,000
At 31 December, 2011	53,040,000	53,040,000	67,040,000

In 2011, at the general meeting of Shareholders, the Group declared and distributed dividends for 2010 financial year in the amount of KZT 336,336 thousand (2010: KZT 729,441 thousand).

12. Personnel, administrative and other operating expenses

Salaries and other employee benefits and administrative and other operating expenses comprise:

	2011	*2010*
Salaries and other employee benefits		
Salaries and bonuses	**(277,141)**	(230,396)
Other payroll taxes	**(27,663)**	(20,792)
	(304,804)	(251,188)
Administrative and other operating expenses		
Professional services	**(71 548)**	(66,201)
Taxes other than income tax	**(55,231)**	(10,684)
Business travel and related expenses	**(46,729)**	(44,271)
Lease	**(44,556)**	(42,514)
Information and telecommunication services	**(23,697)**	(20,154)
Brokerage services	**(22,192)**	(17,536)
Legal services	**(15,055)**	(9,103)
Sponsorship expenses	**(10,702)**	–
Advertising and marketing	**(8,057)**	(3,714)
Training	**(7,859)**	(7,663)
Insurance	**(6,925)**	(3,947)
Bank charges and fee and commission expenses	**(4,834)**	(3,081)
Office supplies	**(1,586)**	(1,074)
Utilities	**(914)**	(2,819)
Other	**(12,105)**	(9,895)
	(331,990)	(242,656)

13. Commitments and contingencies

The Group entered into the building lease agreement for one year. Future minimum lease payments under non-cancelable operating leases as at 31 December are as follows:

	31 December 2011	*31 December 2010*
Operating lease commitments		
Not later than 1 year	**44,556**	42,514

As at 31 December 2011 the amount of capital commitments of all investors to investment funds, in which the Group has an ownership totalled KZT 345,950,080 thousand (2010: KZT 333,645,000 thousand), of which the share of outstanding commitments of the Group amounted to KZT 66,114,145 thousand (2010: KZT 60,488,184 thousand). These commitments will be fulfilled upon demand of the investment funds during the investment period from three to five years.

13. Commitments and contingencies (continued)

The Group's capital commitments and ownership in investment funds are set out in the following table:

				31 December 2011:		
	The Group's share in equity of investment fund	*Total capital commitments in thousands of US dollars*	*Total capital commitments equivalent of thousands of Tenge*	*Total Group's share in thousands of Tenge*	*Actual investments made by the Group in thousands of Tenge*	*Balance of capital commitments in thousands of Tenge*
Macquarie Renaissance Infrastructure Fund	**4.76**	**630,000**	**93,492,000**	**4,452,020**	**1,529,914**	**2,922,105**
Wolfenson Capital Partners LP	**9.94**	**250,000**	**37,100,000**	**3,688,240**	**1,774,686**	**1,913,554**
ADM Kazakhstan Capital Restructuring Fund CV	**49.50**	**100,000**	**14,840,000**	**7,345,800**	**1,542,263**	**5,803,537**
Kazakhstan Growth Fund LP	**49.99**	**80,000**	**11,872,000**	**5,936,000**	**877,456**	**5,058,544**
Citic–Kazyna Investment Fund L.P.	**49.90**	**200,000**	**29,680,000**	**14,840,000**	**652,331**	**14,187,669**
Aureos Central Asia Fund LLC	**14.28**	**41,200**	**6,114,080**	**1,500,000**	**469,923**	**1,030,077**
Falah Growth Fund LP	**10.00**	**500,000**	**74,200,000**	**7,420,000**	**111,704**	**7,308,296**
Kazakhstan Hong Kong Development Fund CV	**25.00**	**400,000**	**59,360,000**	**14,840,000**	**110,518**	**14,729,482**
JSC Kazakhstan-Tajikistan fund of direct investments*	**80.00**	**80,000**	**11,872,000**	**9,497,600**	**46,720**	**9,450,880**
Russian and Kazakh Fund of nanotechnologies	**50.00**	**50,000**	**7,420,000**	**3,710,000**	**–**	**3,710,000**
		2,331,200	**345,950,080**	**73,229,660**	**7,115,515**	**66,114,145**

*In 2011, the amount of capital commitments of JSC Kazakhstan-Tajikistan fund of direct investments increased up to USD 80,000 thousand (equivalent of KZT 11,800,000 thousand).

				31 December 2010:		
	The Group's share in equity of investment fund	*Total capital commitments in thousands of US dollars*	*Total capital commitments equivalent in thousands of Tenge*	*Total Group's share in thousands of Tenge*	*Actual investments made by the Group in thousands of Tenge*	*Balance of capital commitments in thousands of Tenge*
Macquarie Renaissance Infrastructure Fund	4.76	630,000	92,925,000	4,460,400	781,548	3,678,852
Wolfenson Capital Partners LP	9.94	250,000	36,875,000	3,650,625	778,940	2,871,685
ADM Kazakhstan Capital Restructuring Fund CV	49.50	100,000	14,750,000	7301,250	106,889	7,194,361
Kazakhstan Growth Fund LP	49.99	80,000	11,800,000	5,899971	284,682	5,615,289
Citic–Kazyna Investment Fund L.P.	49.90	200,000	29,500,000	14,750,000	294,387	14,455,613
Aureos Central Asia Fund LLC	14.28	70,000	10,325,000	1,500,000	342,788	1,157,212
Falah Growth Fund LP	10.00	500,000	73,750,000	7,375,000	338,236	7,036,764
Kazakhstan Hong Kong Development Fund CV	25.00	400,000	59,000,000	14,750,000	872	14,749,128
JSC Kazakhstan-Tajikistan fund of direct investments*	80.00	32,000	4,720,000	3,776,000	46,720	3,729,280
		2,262,000	333,645,000	63,463,246	2,975,062	60,488,184

13. Commitments and contingencies (continued)

During the period from January to March 2012 the Group made additional investments into the capital of ADM Kazakhstan Capital Restructuring Fund CV, Kazakhstan-Tajikistan fund of direct investments JSC,Wolfenson Capital Partners L, Macquarie Renaissance Infrastructure Fund, Aureos Central Asia Fund LLC, Falah Growth Fund LP totalling USD 8,660 thousand (equivalent to KZT 1,281,797 thousand).

In accordance with the partnership agreements of the investment funds, in case of failure to pay the amount of capital commitments after the fund manager issued the cash call, certain sanctions may be applied against the Group including payment of interest for a delay, prohibition to receive preliminary fund income distributions, prohibition to participate in the corporate management of funds, forced sale of the Group's share in the fund's to co-investors or third persons. As at 31 December 2011 and 2010 the Group had no overdue capital commitments.

Political and economic 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 Kazakhstani economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. The global financial crisis has resulted in capital markets instability, significant deterioration of liquidity in the banking sector, default of several leading kazakhstani financial organizations and tighter credit conditions within Kazakhstan. While the Kazakhstan Government has introduced a range of stabilization measures aimed at providing liquidity to Kazakhstan banks and companies, there continues to be uncertainty regarding the access to capital and cost of capital for the Group and its counterparties, which could affect the Group's financial position, results of operations and business prospects.

Legal actions and claims

The Group does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Group's financial position or results of operations. As of the date of the report there are no claims and litigation.

The Group assesses the likelihood of material liabilities arising from individual circumstances and makes provision in its financial statements only where it is probable that events giving rise to the liability will occur and the amount of the liability can be reasonably estimated.

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. The Group's policy is to recognize 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 Kazakhstan tax system, the ultimate amount of taxes, penalties and fines, if any, may be in excess of the amount expensed to date and accrued at 31 December 2011. 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.

14. Risk management

Introduction

Risk is inherent in the Group's activities . The Group manages these risks through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Group's continuing profitability and each individual within the Group is accountable for the risk exposures relating to his or her responsibilities. The Group is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Group.

Risk Committee

The Risk Committee has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions.

Risk management

The Risk Management Unit is responsible for implementing and maintaining risk related procedures to ensure an independent control process. The Risk Controlling Unit is also responsible for monitoring compliance with risk policies and limits, across the Group.

Group Treasury

The Group Treasury is responsible for managing the Group's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Group.

Internal Audit

Risk management processes throughout the Group are audited annually by the internal audit function that examines both the adequacy of the procedures and the Group's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Risk measurement and reporting systems

The Group's risks are measured using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. The models make use of probabilities derived from historical experience, adjusted to reflect the economic environment. The Group also runs worst case scenarios that would arise in the event that extreme events which are unlikely to occur do, in fact, occur.

14. Risk management (continued)

Introduction (continued)

Risk measurement and reporting systems (continued)

Monitoring and controlling risks is primarily performed based on limits established by the Group. These limits reflect the business strategy and market environment of the Group as well as the level of risk that the Group is willing to accept, with additional emphasis on selected industries. In addition the Group monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks types and activities.

Group Investment Committee

Investment Committee takes decisions with respect to liquidity management policy.

Risk measurement and reporting systems

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Risk Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, hold limit exceptions, liquidity ratios and risk profile changes. On a monthly basis detailed reporting of industry, customer and geographical regions risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a monthly basis. The Board of Directors receives a comprehensive risk report once a quarter which is designed to provide all the necessary information to assess and conclude on the risks of the Group.

For all levels throughout the Group, specifically tailored risk reports are prepared and distributed in order to ensure that all business divisions have access to extensive, necessary and up-to-date information.

A daily briefing is given to the Management Board and all other relevant employees of the Group on the utilisation of market limits, investments and liquidity, plus any other risk developments.

Risk mitigation

As part of its overall risk management, the Group uses derivatives and other instruments to manage exposures resulting from changes in equity prices, foreign currencies, credit risks and exposures arising from forecast transactions.

The Group actively uses collateral to reduce its credit risks.

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location.

In order to avoid excessive concentrations of risks, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio.

Credit risk

Credit risk is the risk that the Group will incur a loss because its customers, clients or counterparties failed to discharge their contractual obligations. The Group manages and controls credit risk by setting limits on the amount of risk it is willing to accept for individual counterparties and for geographical and industry concentrations, and by monitoring exposures in relation to such limits.

(Thousands of Tenge)

14. Risk management (continued)

Introduction (continued)

Credit risk (continued)

The Group established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions (Monitoring principle). Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating (Principle of limitation). Ratings are reviewed on a regular basis. The credit quality review process allows the Group to assess the potential loss as a result of the risks to which it is exposed and undertake corrective action.

The carrying amount of components of the consolidated statement of financial position without the influence of risk mitigation through the use of master netting agreements and collateral agreements, most accurately reflects the maximum credit exposure on these components.

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

The geographical concentration of the Group's monetary assets and liabilities is set out below:

2011	*Republic of Kazakhstan*	*Russian Federation*	*Other countries*	*Total*
Assets				
Cash and cash equivalents	**1,833,978**	**1,125**	–	**1,835,103**
Due from credit institutions	**27,985,959**	–	–	**27,985,959**
Investment securities:				
- available-for-sale	**23,803498**	**14,468,175**	**2,894,959**	**41,166,632**
Other monetary assets	**9,538**	–		**9,538**
Total assets	**53,632973**	**14,469,300**	**2,894,959**	**70,997,232**
Liabilities				
Trade and other monetary payables	**(56,787)**	**(1,251)**	–	**(58,038)**
Total liabilities	**(56,787)**	**(1,251)**	–	**(58,038)**
Net position on balance sheet assets and liabilities	**53,576,186**	**14,468,049**	**2,894,959**	**70,939,194**

2010	*Republic of Kazakhstan*	*Total*
Assets		
Cash and cash equivalents	11,821,187	11,821,187
Due from credit institutions	30,056,179	30,056,179
Investment securities:		
- available-for-sale	26,320,993	26,320,993
–held-to-maturity	4,431,669	4,431,669
Other monetary assets	7,805	7,805
Total assets	72,637,833	72,637,833
Liabilities		
Trade and other accounts payable	(56,812)	(56,812)
Total liabilities	(56,812)	(56,812)
Net position on balance sheet assets and liabilities	72,581,021	72,581,021

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Thousands of Tenge)

14. Risk management (continued)

Introduction (continued)

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group internal credit ratings. The table below shows the credit quality analysis by class of assets of the consolidated statement of financial position based on the Group's credit rating system.

The Group determines amounts due from credit institutions as standard grade assets. For debt securities the high rating corresponds to Baa3 rating assigned by Moody's agency and higher, standard - lower than Baa3 but higher than B3, substandard - lower than B3.

		Neither past due nor impaired					
	Notes	*High grade 2011*	*Standard grade 2011*	*Substandard grade 2011*	*Past due but not impaired 2011*	*Individually impaired 2011*	*Total 2011*
Due from credit institutions	6	–	27,985,959	–	–	–	27,985,959
Investment securities							
- available-for-sale	8	8,432,898	32,733,734	–	–	–	41,166,632
Total		8,432,898	60,719,693	–	–	–	69,152,591

		Neither past due nor impaired					
	Notes	*High grade 2010*	*Standard grade 2010*	*Substandard grade 2010*	*Past due but not impaired 2010*	*Individuall y impaired 2010*	*Total 2010*
Due from credit institutions	6	–	30,056,179	–	–	–	30,056,179
Investment securities							
- available-for-sale	8	10,580,921	15,740,072	–	–	–	26,320,993
–held-to-maturity	8	–	4,431,669	–	–	–	4,431,669
Total		10,580,921	50,227,920	–	–	–	60,808,841

Impairment assessment

The main considerations for testing of financial assets for impairment comprise: whether any payments of principal or interest are overdue or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract.

Individually impaired financial assets

The Group determines the allowances appropriate for each individually impaired financial asset on an individual basis. Items considered when determining allowance amounts include: projected receipts and the expected dividend payout should bankruptcy ensue, the availability of other financial support, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date. As at 31 December 2011 and 2010 the Group had no individually impaired financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. Also, it manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of highly marketable and diverse assets that can be easily liquidated in the event of an unforeseen interruption of cash flow.

(Thousands of Tenge)

14. Risk management (continued)

Liquidity risk (continued)

The tables below summarizes the maturity profile of the Group's financial liabilities at 31 December 2011 and 2010, based on contractual undiscounted payments.

Analysis of financial liabilities by remaining contractual maturities

	2011					
Financial liabilities	*On demand*	*Less than 3 months*	*3 to 12 months*	*From 1 to 5 years*	*Later than 5 years*	*Total*
Trade and other accounts payable	**(51,041)**	–	–	–	–	**(51,041)**
Total undiscounted financial liabilities	**(51,041)**	–	–	–	–	**(51,041)**
	2010					
Trade and other accounts payable	(50,322)	–	–	–	–	(50,322)
Total undiscounted financial liabilities	(50,322)	–	–	–	–	(50,322)

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The market risk for the trading and non-trading portfolio is managed and monitored based on sensitivity analysis. Except for the concentrations within foreign currency, the Group has no significant concentration of market risk.

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The Board of Directors has established limits on interest rate gap for predetermined periods. Positions are monitored on a monthly basis, and hedging strategy is used to maintain risks within the established limits.

The sensitivity of equity is calculated by revaluing fixed rate available-for-sale investment securities at 31 December for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

2011

Currency	*Increase by %*	*Sensitivity of equity*
Tenge	**0.15**	**(33,459)**
US dollar	**0.15**	**(95,377)**
Great Britain Pound	**0.15**	**(66)**
Russian Rouble	**0.15**	**(9,623)**

Currency	*Decrease by %*	*Sensitivity of equity*
Tenge	**(0.15)**	**33,459**
US dollar	**(0.15)**	**95,377**
Great Britain Pound	**(0.15)**	**66**
Russian Rouble	**(0.15)**	**9,623**

2010

Currency	*Increase by %*	*Sensitivity of equity*
Tenge	1.00	(540,291)
US dollar	1.00	(390,234)
Great Britain Pound	1.00	–
Russian Rouble	1.00	–

Currency	*Decrease by %*	*Sensitivity of equity*
Tenge	(1.00)	540,291
US dollar	(1.00)	390,234
Great Britain Pound	(1.00)	–
Russian Rouble	(1.00)	–

(Thousands of Tenge)

14. Risk management (continued)

Market risk (continued)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2011 on its non-trading monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of a reasonably possible movement of the currency rate against the Tenge, with all other variables held constant on the income statement (due to the fair value of currency sensitive trading monetary assets).

The effect on equity does not differ from the effect on the consolidated income statement. All other variables are held constant. A negative amount in the table reflects a potential net reduction in the consolidated income statement or equity, while a positive amount reflects a net potential increase.

	2011		*2010*	
Currency	*Increase in currency rate in %*	*Effect on profit before tax*	*Increase in currency rate in %*	*Effect on profit before tax*
US dollar	**10.72**	**5,640,460**	8.31	3,823,749
Euro	**16.33**	**(16)**	12.86	5,034
Great Britain Pound	**16.58**	**74,580**	13.34	5,027
Russian Rouble	**16.01**	**416,846**	–	–

	2011		*2010*	
Currency	*Decrease in currency rate in %*	*Effect on profit before tax*	*Decrease in currency rate in %*	*Effect on profit before tax*
US dollar	**(10.72)**	**(5,640,460)**	(8.31)	(3,823,749)
Euro	**(16.33)**	**16**	(12.86)	(5,034)
Great Britain Pound	**(16.58)**	**(74,580)**	(13.34)	(5,027)
Russian Rouble	**(16.01)**	**(416,846)**	–	–

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Group is able to manage the risks. Controls include effective segregation of duties, access rights, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

15. Fair value of financial instruments

The Group 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: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

(Thousands of Tenge)

15. Fair value of financial instruments (continued)

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

2011	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Financial instruments at fair value through profit or loss	**–**	**–**	**7,026,120**	**7,026,120**
Available for sale investment securities	**41,166,632**	**–**	**–**	**41,166,632**

2010	*Level 1*	*Level 2*	*Level 3*	*Total*
Financial assets				
Financial instruments at fair value through profit or loss	–	–	2,928,420	2,928,420
Available for sale investment securities	26,320,993	–	–	26,320,993

Financial instruments at fair value through profit or loss comprise unquoted equity securities of ten investment funds. The market does not exist for these investments and no operations were recently held, which would enable to measure reliably the fair value of these investments. However, in the majority of cases, the funds have not commenced the operating activities, and investments with the carrying amount of KZT 4,153,830 thousand were acquired during 2011 (2010: KZT 1,608,672 thousand). Thus the management of the Company believes that it is unlikely that the fair value of these investments at the year end would differ significantly from their carrying amount.

The estimates of fair value are intended to accurately measure the amount for which a financial instrument can be exchanged between knowledgeable, willing parties in an arm's length transaction. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Movements in level 3 financial instruments measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 financial assets and liabilities which are recorded at fair value:

	Movements in level 3	
	2011	*2010*
Financial assets		
Financial instruments at fair value through profit or loss at 1 January	**2,928,430**	1,319,748
Purchased and revalued during the period	**4,097,690**	1,608,682
Total financial assets of level 3 at 31 December	**7,026,120**	2,928,430

As at 31 December 2011 and 2010 all financial instruments of the Group recorded at carrying value in the consolidated statement of financial position approximate to their fair value.

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the consolidated financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value.

Fixed rate financial instruments

The fair value of fixed rate financial assets and liabilities carried at amortised cost are estimated by comparing market interest rates when they were first recognised with current market rates offered for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For quoted debt issued the fair values are calculated based on quoted market prices. For those notes issued where quoted market prices are not available, a discounted cash flow model is used based on a current interest rate yield curve appropriate for the remaining term to maturity.

(Thousands of Tenge)

16. Maturity analysis of assets and liabilities

The table below shows an analysis of financial assets and liabilities according to when they are expected to be recovered or settled as at 31 December 2011 and 2010. See Note 14 "Risk management", "Liquidity risk" for the Group's contractual undiscounted repayment obligations.

	2011							
	On demand	*Less than 3 months*	*3 months to 1 year*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Without maturity*	*Total*
Assets:								
Cash and cash equivalents	335,036	1,500,067	–	–	–	–	–	1,835,103
Due from credit institutions	–	–	27,985,959	–	–	–	–	27,985,959
Financial instruments at fair value through profit or loss	–	–	–	–	–	–	7,026,120	7,026,120
Investment securities:								
- available-for-sale	–	–	2,188,002	17,068,118	16,501,588	5,408,924	–	41,166,632
Property and equipment	–	–	–	–	–	–	43,160	43,160
Intangible assets	–	–	–	–	–	–	12,952	12,952
Current income tax assets	–	–	–	–	–	–	288,620	288,620
Deferred income tax assets	–	–	–	–	–	–	5,060	5,060
Other assets	21,119	–	–	–	–	–	–	21,119
	356,155	1,500,067	30,173,961	17,068,118	16,501,588	5,408,924	7,375,912	78,384,725
Liabilities:								
Trade and other accounts payable	(58,038)	–	–	–	–	–	–	(58,038)
	(58,038)	–	–	–	–	–	–	(58,038)
Net position	298,117	1,500,067	30,173,961	17,068,118	16,501,588	5,408,924	7,375,912	78,326,687
Accumulated gap	298,117	1,798,184	31,972,145	49,040,263	65,541,851	70,950,775	78,326,687	

	2010							
	On demand	*Less than 3 months*	*3 months to 1 year*	*1 to 3 years*	*3 to 5 years*	*Over 5 years*	*Without maturity*	*Total*
Assets:								
Cash and cash equivalents	336,599	11,484,588	–	–	–	–	–	11,821,187
Due from credit institutions	–	–	8,827,060	–	21,229,119	–	–	30,056,179
Financial instruments at fair value through profit or loss	–	–	–	–	–	–	2,928,430	2,928,430
Investment securities:								
- available-for-sale	–	–	1,965,800	5,991,104	18,364,089	–	–	26,320,993
–held-to-maturity	–	4,431,669	–	–	–	–	–	4,431,669
Loan to a related party	–	–	–	–	–	–	–	–
Property and equipment	–	–	–	–	–	–	40,941	40,941
Intangible assets	–	–	–	–	–	–	9,952	9,952
Current income tax assets	–	–	–	–	–	–	432,734	432,734
Deferred income tax assets	–	–	–	–	–	–	4,847	4,847
Other assets	25,403	–	–	–	–	–		25,403
	362,002	15,916,257	10,792,860	5,991,104	39,593,208	–	3,416,904	76,072,335
Liabilities:								
Trade and other accounts payable	(57,251)	–	–	–	–	–	–	(57,251)
	(57,251)	–	–	–	–	–	–	(57,251)
Net position	304,751	15,916,257	10,792,860	5,991,104	39,593,208	–	3,416,904	76,015,084
Accumulated gap	304,751	16,221,008	27,013,868	33,004,972	72,598,180	72,598,180	76,015,084	

(Thousands of Tenge)

17. Related party transactions

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

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

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

		2011		*2010*	
	Notes	*Government institutions*	*Entities under common control*	*Government institutions*	*Entities under common control*
Cash and cash equivalents	5				
Deposits at 1 January		–	**305,880**	–	1,610,420
Deposits received		–	**2,785,227**	–	51,360,060
Deposits paid		–	**(3,088,169)**	–	(52,934,600)
Deposits at 31 December		–	**2,938**	–	305,880
Interest rates, % per annum			***0.04% to 1.5%***		*0.04% to 1.5%*
Due from credit institutions	6				
Deposits at 1 January		–	**2,084,389**	–	8,265,190
Deposits received		–	–	–	
Deposits paid		–	**(2,084,389)**	–	(6,180,801)
Deposits at 31 December		–	–	–	2,084,389
Interest rates, %			***0.8% to 6.5%***		*4.9% to 9.5%*
Available for sale investment securities	7				
Securities at 1 January		**6,209,773**	**10,212,778**	1,186,320	379,965
Securities purchased		**3,210,633**	**6,007,398**	5,023,423	11,125,586
Securities sold		**(5,698,658)**	**(6885072)**	–	(1,292,773)
Securities at 31 December		**3,721,748**	**9,335,104**	6,209,743	10,212,778
Interest rates		***4.95% to 13%***	***4.95% to 13%***	*5.0–13.0*	*5.0–13.0*
Loan to a related party					
Balance of loan at 1 January		–	–	–	6,000,000
Loan issued		–	–	–	–
Loan repaid		–	–	–	(6,000,000)
Balance of loan at 31 December		–	–	–	–
Interest rates		–	–	–	*6.5%*
Trade and other accounts payable					
Balance at 1 January		–	**479**	–	479
Purchases		–	**53,07′**	–	6
Payments		–	**(53,106**	–	(6)
Balance at 31 December		–	**450**	–	479
Interest income					
Due from credit institutions		–	**58,333**	–	210,767
Available for sale investment securities		**404,948**	**428,745**	–	149,571

(Thousands of Tenge)

17. Related party disclosures (continued)

Included in the table above are transactions with related parties outstanding as at 31 December 2011 and 2010:

- companies under common control are subsidiaries of Sovereign Wealth Fund "Samruk-Kazyna" JSC;
- transactions with government institutions included transactions with other government institutions;

Compensation to key management personnel comprising members the Management Board and Board of Directors included the following:

	2011	*2010*
Salaries and other short-term benefits	**41,612**	47,784
Social security costs	**4,365**	4,906
Total key management personnel compensation	**45,977**	52,690

For year ended 31 December 2011 and 2010, the Group did not make any provision for doubtful debts against the related parties' debt.

18. Capital management

The Group capital varies depending on the investment requirements. The Group is not subject to regulatory requirements in relation to capital and it does not have investment restrictions.

The capital management purposes of the Group are as follows:

Ensuring payment for the Group liabilities on investing to investment funds, maintaining the sufficient level of liquidity to cover expenses of the Group by means of acquisition of highly liquid financial assets into a diversified portfolio and meeting the repayment requests as they arise. Maintaining of the capital adequacy to ensure the activities of the Group are profitable.

19. Subsequent events

On 20 February 2012 a decision was made to suspend the activities of Kazakhstan Growth Fund (KGF). The issue of transfer of KGF investment portfolio and liabilities to a different fund is currently under consideration. In this connection, as at the suspension date the Group measured the fair value of investments to the fund under the net asset value method and recognized the loss from change in the fair value of investments in this fund in the amount of KZT 472,313 thousand.