PROSPECTUS

"BTA Bank" JSC

(a joint stock company incorporated in the Republic of Kazakhstan with registered number 39031900AO)

U.S.$750,000,000 5.50 per cent. Notes due 2022

Application has been made by the Bank to list the Notes on the official list of the Luxembourg Stock Exchange (the "**Listing**") and to be admitted to trading on the Euro MTF Market of the Luxembourg Stock Exchange (the "**Admission**"). This Prospectus does not constitute a prospectus for the purposes of the Prospectus Directive.

The Listing and Admission apply to both Regulation S and Rule 144A Notes.

The terms and conditions of the Notes are set out in Schedule 1 (*Terms and Conditions of the Notes*).

This Prospectus has been prepared purely for listing purposes. In making an investment decision as regards the Notes, prospective purchasers should rely upon their own examination of the Bank and the Notes.

The Notes are securities of a specialist nature and should only be bought and traded by persons who are particularly knowledgeable in investment matters. **See *"Risk Factors"* for a discussion of certain factors that should be considered in connection with an investment in the Notes**.

The Notes have not been nor will be registered under the Securities Act and may not be offered or sold within the United States (as defined in Regulation S) except to certain QIBs in reliance on Rule 144A or pursuant to another exemption from, or transaction not subject to, the registration requirements of the Securities Act.

The Notes are constituted by the Trust Deed between the Bank and the Trustee.

Notes distributed outside the United States in reliance on Regulation S to persons outside the United States who stated that they were not U.S. Persons are represented by interests in the Unrestricted Global Note, in fully registered form, without interest coupons attached, registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream. Notes distributed to persons who stated that they were within the United States and were either QIBs or Accredited Investors (together, "**Eligible Investors**") are represented by interests in the Restricted Global Note, in fully registered form, without interest coupons attached, registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream. Each Global Note (and any Note Certificates issued in exchange therefor), as well as interests therein, is subject to certain restrictions on transfer contained in a legend appearing on the face of such Global Note (or any such Note Certificates).

No person has been authorised by the Bank to give any information or make any representation other than those contained in this Prospectus and the accompanying documents and, if given or made, such information or representation must not be relied upon as having been so authorised.

Terms used herein and not otherwise defined have the meaning ascribed to them in "*Key Terms and Definitions*".

6 May 2013

IMPORTANT NOTICE

THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITY. THE NOTES MAY NOT BE SOLD, ISSUED OR TRANSFERRED IN ANY JURISDICTION IN CONTRAVENTION OF APPLICABLE LAW.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except in accordance with the Securities Act and other applicable securities laws, pursuant to registration or an exemption therefrom. See "*Issuance and Transfer Restrictions*".

This Prospectus does not constitute a prospectus for the purposes of Article 5.3 of the Prospectus Directive. This Prospectus was prepared for the purpose of giving information with regard to the Bank and the Notes which, according to the particular nature of the Bank and the Notes, is necessary to enable prospective purchasers to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Bank and of the rights attaching to the Notes. The Bank, having taken all reasonable care to ensure that such is the case, accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Bank the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus does not constitute an offer of securities to the public in the United Kingdom. No prospectus has been or will be approved in the United Kingdom in respect of the Notes. Consequently this document is being distributed only to, and is directed at (a) persons who have professional experience in matters relating to investments falling within article 19(1) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (b) high net worth entities falling within article 49(2)(a) to (d) of the Order, and other persons to whom it may be lawfully communicated, falling within article 49(1) of the Order (all such persons together being referred to as "**relevant persons**"). Any person who is not a relevant person should not act or rely on this Prospectus or any of its contents. Persons into whose possession this Prospectus may come are required by the Bank to inform themselves about and to observe such restrictions.

The Notes are only available to persons in member states of the European Economic Area (the "**EEA**") who are "Qualified Investors" within the meaning of Article 2(1)(e) of the Prospectus Directive, unless in any instance the Bank otherwise agrees. This Prospectus and its contents should not be acted upon or relied upon in any member state of the EEA by persons who are not Qualified Investors.

The Notes referred to herein may only be offered or sold in the Republic of Kazakhstan to institutions or individuals in the Republic of Kazakhstan, including banks, brokers, dealer participants, pension funds and collective investments institutions, as well as central government, large international and supranational organisations, other institutional investors and other parties, including treasury departments of commercial enterprises, which as an ancillary activity regularly invest in securities. Further information with regard to restrictions on offers, sales and deliveries of the Notes and the distribution of this Prospectus and other material relating to the Notes is set out under "*Issuance and Transfer Restrictions*" and "*Form of the Notes and Provisions Relating to Such Notes in Global Form*".

The distribution of this Prospectus and the distribution of the Notes may be restricted by law in certain jurisdictions. The Bank makes no representation that this Prospectus or the Notes may be lawfully distributed in any jurisdiction or assumes any responsibility for facilitating any such distribution. Accordingly, neither this Prospectus nor any other offering material may be distributed or published, and the Notes may not be distributed, in any jurisdiction, except under circumstances that will result in compliance with all applicable laws and regulations. Persons into whose possession this Prospectus may come must inform themselves about, and observe, any such restrictions on the distribution of this Prospectus and the distribution of the Notes.

The information contained in this Prospectus has been prepared based upon information available to the Bank. To the best of the Bank's knowledge, information and belief, the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information. The financial statements commencing at page F-1 have been prepared in accordance with IFRS. The Bank has taken all reasonable steps to ensure that this Prospectus contains the information reasonably necessary in the context of the issue of Notes. None of the Bank's legal, financial or tax advisers, the Trustee or the Trustee's legal advisers have authorised the contents of this Prospectus or any part of it, nor do they accept any responsibility for the accuracy, completeness or reasonableness of the statements contained within it.

None of the Bank's legal, financial or tax advisers, the Trustee or the Trustee's legal advisers have verified that the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information and each of those persons expressly disclaims any responsibility for such information.

This Prospectus may only be used for the purpose for which it has been published. No person is authorised to give any information other than that contained in this Prospectus and the documents referred to herein which are made available for inspection by the public.

Nothing contained in this Prospectus shall be deemed to be a forecast, projection or estimate of the Bank's future financial performance except where otherwise specifically stated. This Prospectus contains certain statements, statistics and projections that are, or may be, forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the Bank's future financial position, strategy, plans and objectives for the management of future operations, is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although the Bank believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include, but are not limited to, future revenues being lower than expected; increasing competitive pressures in the industry; general economic conditions or conditions affecting demand for the products offered by the Bank in the markets in which it operates being less favourable than expected.

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KEY TERMS AND DEFINITIONS

In this Prospectus:

"**2010 Restructuring**" means the restructuring and/or cancellation of KZT 1,715 billion (U.S$11.6 billion) of financial indebtedness of the Bank that was completed on 16 September 2010;

"**2012 Restructuring**" means the restructuring and/or cancellation of KZT 1,685 billion (U.S$11.2 billion) of financial indebtedness of the Bank that was completed on 6 February 2013;

"**2018 Dollar Notes**" means the U.S.$2,082,371,783 Senior Notes due 2018 of the Bank that were cancelled pursuant to the 2012 Restructuring;

"**2018 Notes**" means the 2018 Dollar Notes and the 2018 Tenge Notes;

"**2018 Tenge Notes**" means the KZT 32,604,173,503 Senior Notes due 2018 of the Bank that were cancelled pursuant to the 2012 Restructuring;

"**Accredited Investor**" means an accredited investor as defined in Rule 501(a) of Regulation D;

"**Affiliate**" of a person means a person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, that person;

"**Agency Agreement**" means the agency agreement dated 21 December 2012 between the Bank, the Trustee, the Principal Paying and Transfer Agent, the Registrar and the other agents specified therein in respect of the Notes;

"**Agricultural State Finance Programme**" means the KZT 120,000 million programme adopted by the Government in November 2007 aimed at ensuring the stability and development of the agricultural sector of the Kazakhstan economy;

"**Alemcard**" means limited liability partnership Alemcard established in 2002;

"**ALCO**" means the Bank's Asset and Liability Management Committee;

"**Alliance Bank**" means "Alliance Bank" JSC;

"**AMT Bank**" means AMT Bank limited liability company, formerly known as BTA Bank limited liability company (Russia), which was formerly known as Slavinvestbank, a limited liability company incorporated under the laws of the Russian Federation on 10 May 1994;

"**Approved Stock Exchange**" means a recognised stock exchange established in any member state of the European Economic Area;

"**ARO RFCA**" means the Agency for Regulation of the Operations of the RFCA;

"**Astana Finance**" means "Astana Finance" JSC;

"**Bank**" means "BTA Bank" JSC;

"**Bank Bonds**" means the 9 per cent. bonds issued by the Bank in an aggregate amount of KZT 645 billion in March 2009 to Samruk-Kazyna in exchange for all of the SK Bonds;

"**Banking Law**" means the law of the Republic of Kazakhstan On Banks and Banking Activity in the Republic of Kazakhstan dated 31 August 1995, as amended;

"**Basel II**" means the report titled "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" of the Basel Committee on Banking Supervision published in June 2004;

“**Basel III**” means the report titled “A Global Framework for more Resilient Banks and Banking Systems” of the Basel Committee on Banking Supervision published in December 2010;

“**BIS Guidelines**” means the guidelines adopted by the Basel Committee on Banking Regulations and Supervisory Practices of the Bank for International Settlements;

“**Board of Directors**” or the “**Board**” means the board of directors of the Bank from time to time;

“**BTA Armenia**” means “BTA Bank” CJSC, a closed joint stock company incorporated under the laws of the Republic of Armenia on 1 June 1991;

“**BTA Belarus**” means CJSC “BTA Bank” (Belarus), a closed joint stock company formed under the laws of the Republic of Belarus on 25 April 2002;

“**BTA Finance Luxembourg**” means BTA Finance Luxembourg S.A. affiliated company of JSC BTA Bank, a wholly-owned subsidiary of the Bank incorporated in Luxembourg on 5 January 2006;

“**BTA Georgia**” means Joint Stock Company “BTA Bank”, a joint stock company incorporated under the laws of Georgia on 14 March 2000;

“**BTA Insurance**” means “BTA Insurance” Subsidiary company of the BTA Bank” Joint Stock Company, a joint stock company formed under the laws of Kazakhstan on 8 September 1998;

“**BTA Ipoteka**” means Subsidiary organisation of the “BTA Bank” Joint Stock Company “BTA Ipoteka” Joint Stock Company, a joint stock company formed under the laws of Kazakhstan on 20 November 2000;

“**BTA Kazan**” means Joint Stock Commercial Bank BTA-Kazan (Tatarstan) (open joint stock company), a joint stock company incorporated under the laws of the Russian Federation on 3 October 1991;

“**BTA Kyrgyzstan**” means CJSC BTA Bank (Kyrgyzstan), a closed joint stock company formed under the laws of Kyrgyzstan on 2 December 1996;

“**BTA Life**” means “Subsidiary Life Insurance Company of the BTA Bank “BTA Life” Joint Stock Company, a joint stock company formed under the laws of Kazakhstan on 22 July 1999;

“**BTA/NBK Repo Transaction**” means any securities repurchase or resale agreement, securities borrowing agreement (or other agreement between the Bank and the NBK which is similar in legal and commercial effect to any of the foregoing) pursuant to which liquidity is made available by the NBK to the Bank against the SK Bonds;

“**BTA Securities**” means “BTA Securities” JSC, a joint stock company formed under the laws of Kazakhstan on 17 October 1997;

“**BTA Ukraine**” means PJSC BTA Bank (Ukraine), formerly known as Ukrainian Credit and Trade Bank, a public joint stock company created under the laws of Ukraine on 10 December 1992;

“**Business Day**” means any day other than a Saturday, Sunday or any other day which is a public holiday in London, Almaty or New York City;

“**BYR**” means the Belarusian Rouble, the lawful currency of the Republic of Belarus;

“**Charter**” means the current charter of the Bank, adopted on 14 February 2013;

“**CHF**” means the Swiss Franc, the lawful currency of Switzerland;

“**CIS**” means the Commonwealth of Independent States;

“**Claimant**” means any person with a claim against the Bank which was cancelled and/or restructured pursuant to the 2012 Restructuring;

“**Claimants’ Meeting**” means the meeting of the Claimants held on 5 December 2012 at which the Restructuring Plan was approved;

“**Clearstream**” means Clearstream Banking, société anonyme;

“**Common Depositary**” means The Bank of New York Mellon in its capacity as book-entry depositary for the Notes and any successor thereto;

“**Competition Agency**” means the Agency of the Republic of Kazakhstan for the Protection of Competition;

“**Conditions of the Notes**” means the terms and conditions of the Notes as set out in Schedule 1 (*Terms and Conditions of the Notes*);

“**Construction State Finance Programme**” means the KZT 240 billion programme adopted by the Government on 6 October 2007 aimed at providing financing for the completion of unfinished facilities and creation of favourable living conditions for the population of Kazakhstan;

“**Convention**” means the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards;

“**Corporate Governance Code**” means the current corporate governance code of the Bank, adopted on 14 February 2013;

“**Court**” means the Specialised Financial Court of Almaty;

“**Damu Fund**” means JSC Fund for Development of Entrepreneurship Damu;

“**Damu-Regions State Finance Programme**” means the State Programmes Damu-Regions 1 and Damu Regions 2 adopted by the Government in 2008 and 2010, respectively, aimed at providing financing to SMEs from the funds of local bodies for the acquisition of new, and the modernisation of existing, material assets, the provision of working capital and the refinancing of existing loans made to SMEs by the Bank or other credit organisations with respect to the restrictions under the terms of the Programme.

“**DBK**” means the Development Bank of Kazakhstan;

“**Depositary**” means The Bank of New York Mellon as depositary in respect of the GDRs;

“**Deposited Shares**” means any Shares deposited by the Bank with the Depositary in respect of which GDRs have been issued;

“**Designated Financial Indebtedness**” means the financial indebtedness of the Bank cancelled and/or restructured pursuant to the 2012 Restructuring;

“**Dollar OID Notes**” means the U.S.$384,848,130 Fully Accreted Principal Amount of Original Issue Discount Notes due 2021 of the Bank that were cancelled pursuant to the 2012 Restructuring;

“**Dollar Subordinated Notes**” means the U.S.$496,631,368 7.2 per cent. Subordinated Notes due 2025 of the Bank that were cancelled pursuant to the 2012 Restructuring;

“**Drey**” means Drey Associates Limited, a United Kingdom company;

“**Drey Proceedings**” means the legal proceedings initiated by the Bank as described in “*The Bank — Legal Proceedings — Asset Recovery — Drey Proceedings*”;

“**DTC**” means The Depository Trust Company of New York, a New York corporation;

"**EBRD**" means the European Bank for Reconstruction and Development;

"**EEA**" means the European Economic Area;

"**Eligible Investor**" means either an accredited investor or a QIB;

"**Euro**", "**EUR**" or "**€**" means the lawful currency of the Member States of the European Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on the European Union and as further amended by the Treaty of Amsterdam;

"**Euro OID Notes**" means the EUR 437,110,856 Fully Accreted Principal Amount of Original Issue Discount Notes due 2021 of the Bank that were cancelled pursuant to the 2012 Restructuring;

"**Euro Subordinated Notes**" means the EUR 28,237,359 6.75 per cent. Subordinated Notes due 2025 of the Bank that were cancelled pursuant to the 2012 Restructuring;

"**Euroclear**" means Euroclear Bank SA/NV;

"**Financial Statements**" means the audited consolidated financial statements of the Bank as at and for the years ended 31 December 2012, 2011 and 2010 contained in this Prospectus;

"**First Kazakh Securitisation Company**" means First Securitisation Company of Kazakhstan, a public limited company formed under the laws of The Netherlands on 8 December 2005;

"**Fitch**" means Fitch Ratings Ltd.;

"**FMSA Methodology**" means unaudited IFRS adjusted to reflect the requirements of the FMSA and its successor, the FMSC, for the preparation of financial statements for regulatory purposes;

"**FMSA**" means the Agency of the Republic of Kazakhstan on the Regulation and Supervision of the Financial Market and Financial Organisations, the predecessor to the FMSC;

"**FMSC**" means the Committee for the Control and Supervision of the Financial Market and Financial Organisations of the National Bank of Kazakhstan, the successor to the FMSA;

"**GDP**" means the gross domestic product of Kazakhstan;

"**GDR Holder**" means any person holding a GDR from time to time;

"**GDRs**" means global depositary receipts relating to Deposited Shares;

"**General Meeting of Shareholders**" means a general meeting of the Shareholders of the Bank;

"**Global Note**" means either the Restricted Global Note or the Unrestricted Global Note;

"**Government**" means the government of the Republic of Kazakhstan;

"**Group**" means the Bank and each of its Subsidiaries from time to time;

"**IFRS**" means International Financial Reporting Standards as promulgated by the International Accounting Standards Board;

"**IMF**" means the International Monetary Fund;

"**Independent Directors**" means the independent directors of the Bank;

"**Insurance Company London-Almaty**" means JSC Subsidiary of JSC BTA Bank London-Almaty, established on 20 November 1997;

"**JPY**" means the Japanese Yen, the lawful currency of Japan;

"**JSC Law**" means the Law of the Republic of Kazakhstan On Joint Stock Companies dated 13 May 2003, as amended;

"**KASE**" means the Kazakhstan Stock Exchange;

"**Kazakhstan**" means the Republic of Kazakhstan;

"**KCD**" means Joint Stock Company Central Securities Depositary, a central depositary in Kazakhstan;

"**KDIF**" means Joint Stock Company Kazakhstan Deposit Insurance Fund;

"**LIBOR**" means the London Inter-Bank Offered Rate as determined by the British Bankers' Association;

"**Management Board**" means the management board of the Bank from time to time;

"**Model Insolvency Law**" means the 1997 UNCITRAL Model Law on Cross-Border Insolvency;

"**Moody's**" means Moody's Investors Service, Inc.;

"**Mortgage State Finance Programme**" means the KZT 120 billion programme adopted by the Government in February 2009 aimed at reducing the current interest rate on mortgage loans to 9 per cent. for social loans and 11 per cent. for other types of loans, converting foreign currency loans into Tenge and extending loan maturities up to 20 years;

"**National Management Holding Companies**" means Samruk-Kazyna and JSC National Management Holding KazAgro;

"**NBK**" means the National Bank of Kazakhstan, the central bank of Kazakhstan;

"**non-Kazakhstan holders**" has the meaning as set out in "*Taxation*";

"**Note Certificate**" means a Restricted Note Certificate or an Unrestricted Note Certificate;

"**Noteholder**" means a holder of some, or as the case may be, all of the Notes;

"**Notes**" means the U.S.$750,000,000 5.50 per cent. Notes due 2022 of the Bank;

"**NSA**" means the National Statistics Agency of Kazakhstan;

"**OECD**" means the Organisation for Economic Co-operation and Development;

"**OID Notes**" means the Dollar OID Notes and the Euro OID Notes;

"**Principal Paying and Transfer Agent**" means The Bank of New York Mellon, London Branch;

"**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State;

"**QIBs**" means qualified institutional buyers, as defined in Rule 144A under the Securities Act;

"**Qualified Investors**" means qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive;

"**Qualified Majority**" means in respect of a relevant matter at a General Meeting of Shareholders that the matter requires the approval of not less than three quarters of the total number of voting Shares;

"**RCTFF**" means the Revolving Committed Trade Finance Facility provided under the RCTFF Agreement;

"**RCTFF Agent**" means The Royal Bank of Scotland plc;

"**RCTFF Agreement**" means the agreement dated 25 August 2010 between the Bank, the RCTFF Agent, The Royal Bank of Scotland plc as security agent and the RCTFF Lenders setting out the terms of the RCTFF, as amended and restated by supplemental deeds of amendment and restatement dated 30 March 2012, 30 November 2012 and 21 December 2012 and as further amended or supplemented from time to time;

"**RCTFF Lender**" or "**Lender**" means a "Lender" as defined in the RCTFF Agreement;

"**Recovery Units**" means the U.S.$5,221,494,216 aggregate initial Reference Amount of Recovery Units of the Bank that were cancelled pursuant to the 2012 Restructuring;

"**Registrar**" means The Bank of New York Mellon (Luxembourg) S.A. as registrar under the Notes;

"**Regulation D**" means Regulation D under the Securities Act;

"**Regulation S**" means Regulation S under the Securities Act;

"**Restricted Global Note**" means a permanent global note representing beneficial interests in Notes offered and issued to QIBs or Accredited Investors or subsequently sold in reliance on Rule 144A;

"**Restricted Note Certificate**" means a note certificate in definitive form which may be issued by Euroclear and/or Clearstream in exchange for an interest in the Restricted Global Note in accordance with the Conditions of the Notes;

"**Restructuring Law**" means the Law of the Republic of Kazakhstan dated 11 July 2009 On Amendments and Additions to Certain Legislative Acts of the Republic of Kazakhstan on Money Payments and Transfers, Accounting and Financial Reporting of Financial Organisations, Banking Activities, and Activities of the National Bank of Kazakhstan;

"**Restructuring Plan**" means the plan to restructure the Designated Financial Indebtedness between the Bank and the Claimants approved by the Shareholders on 3 December 2012, at the Claimants' Meeting on 5 December 2012 and by the Court on 13 December 2012;

"**RFCA**" means the Regional Financial Centre of Almaty;

"**RUB**" means Russian Roubles, the lawful currency of the Russian Federation;

"**Rule 144A**" means Rule 144A under the Securities Act;

"**S&P**" means Standard & Poor's Rating Services, a division of The McGraw Hill Companies;

"**Samruk-Kazyna**" means joint-stock company Sovereign Wealth Fund "Samruk-Kazyna";

"**Second Kazakh Securitisation Company**" means Second Securitisation Company of Kazakhstan, a public limited company formed under the laws of The Netherlands on 25 September 2007;

"**Securities Act**" means the United States Securities Act of 1933, as amended;

"**Sekerbank**" means Şekerbank T.A.Ş., a bank incorporated under the laws of Turkey;

"**Shareholder**" means a registered holder of Shares;

"**Shares**" means the common shares of the Bank;

"**SK Bonds**" means bonds issued by Samruk-Kazyna in a total principal amount of KZT 645 billion, each with a denomination of KZT 1,000, and which Samruk-Kazyna issued in March 2009 and sold to the Bank in consideration for the issue by the Bank and sale to Samruk-Kazyna of the Bank Bonds with identification numbers KZP01Y16D391, KZP02Y16D399, KZP03Y16D397, KZP04Y16D395, KZP05Y16D392, KZP06Y16D390, KZP07Y16D398, KZP08Y16D396, KZP09Y16D394,

KZP10Y16D392, KZP11Y16D390, KZP12Y16D398, KZP13Y16D396, KZP14Y16D394, KZP15Y16D391, KZP16Y16D399, KZP17Y16D397, KZP18Y16D395, KZP19Y16D393, KZP20Y16D391, the coupon on which was increased from 4 per cent. per annum to 6 per cent. per annum pursuant to the 2012 Restructuring;

"**SK Leasing**" means Joint Stock Company "SK Leasing", a joint stock company formed under the laws of Kazakhstan on 31 August 2000;

"**SK Loan**" means the KZT 239,771,120,000 loan from Samruk-Kazyna to the Bank with an interest rate of 4.0 per cent. per annum which is subordinated to the Bank's obligations under the RCTFF Agreement and the Notes.

"**SME**" means small and medium-sized enterprises with annual sales of no more than U.S.$25 million for which the Bank sets a financing limit of no more than U.S.$10 million;

"**SME State Finance Programme**" means the KZT 305,200 million programme (disbursed in four tranches) adopted by the Government in 2007 aimed at providing financing to SMEs for the acquisition of new, and the modernisation of existing, material assets, the provision of working capital and the refinancing of existing loans made to SMEs by the Bank or other credit organisations;

"**Special Trade Platform**" means the special trade platform of the KASE functioning at the RFCA;

"**State Finance Programmes**" means the SME State Finance Programme, the Mortgage State Finance Programme, the Damu-Regions State Finance Programme, the Construction State Finance Programme, the Agricultural State Finance Programme and other state finance programmes established by the Government;

"**Subordinated Notes**" means the Dollar Subordinated Notes, Euro Subordinated Notes, Subordinated Tenge A Notes and Subordinated Tenge B Notes;

"**Subordinated Tenge A Notes**" means the KZT 7,396,248,930 11.20 per cent. Subordinated Notes due 2025 of the Bank that were cancelled pursuant to the 2012 Restructuring;

"**Subordinated Tenge B Notes**" means the KZT 28,000,000,000 8.0 per cent. Subordinated Notes due 2030 of the Bank that were cancelled pursuant to the 2012 Restructuring;

"**Tax**" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same);

"**Tax Code**" means the code of the Republic of Kazakhstan On Taxes and Other Obligatory Payments to the Budget dated 10 December 2008, as amended;

"**Temirbank**" means Temirbank JSC, a joint stock company formed under the laws of Kazakhstan on 26 March 1992;

"**Temir Capital**" means Temir Capital B.V., a limited liability company formed under the laws of The Netherlands on 29 May 2001;

"**Temirleasing**" means "Temirleasing" Joint Stock Company, a joint stock company formed under the laws of Kazakhstan on 05 March 2001;

"**Tenge**" or "**KZT**" means the Kazakhstan Tenge, the lawful currency of Kazakhstan;

"**Titan Inkassatsiya**" means "Titan Inkassatsiya" LLP, established on 22 August 2002;

"**Trust Deed**" means the trust deed dated 21 December 2012 between the Bank and the Trustee constituting the Notes;

"**Trustee**" means BNY Mellon Corporate Trustee Services Limited, or any successor trustee appointed in accordance with the provisions of the Trust Deed;

"**TuranAlem Finance (Russia)**" means TuranAlem Finance LLC, a limited liability company formed under the laws of the Russian Federation on 22 June 2004;

"**TuranAlem Finance**" means TuranAlem Finance B.V., a wholly-owned subsidiary of the Bank incorporated in The Netherlands on 22 May 2001;

"**U.S. Dollars**", "**Dollars**", "**$**" or "**U.S.$**" means United States Dollars, the lawful currency of the United States;

"**U.S. GAAP**" means accounting principles generally accepted in the United States;

"**U.S. Person**" means a U.S. person as defined in Regulation S;

"**Ular-Umit**" means "Accumulative Pension Fund "UlarUmit" Joint Stock Company, established on 23 January 1998;

"**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland;

"**United States**" or the "**U.S.**" means the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia;

"**Unrestricted Global Note**" means the permanent global note representing beneficial interests in the Notes offered and issued in reliance on Regulation S;

"**Unrestricted Note Certificate**" means a note certificate in definitive form which may be issued by Euroclear and/or Clearstream in exchange for an interest in the Unrestricted Global Note in accordance with the Conditions of the Notes;

"**Vakifbank**" means Türkiye Vakiflar Bankasi T.A.O.;

"**Zhetysu**" means "Zhetysu" Pension Assets Investment Management Organisation, Joint Stock Company, established on 5 March 1998; and

"**£**" means pounds sterling, the lawful currency of the United Kingdom.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Historical Financial and Other Information

The Bank is required to maintain its books of account in Tenge in accordance with IFRS and with the relevant laws and regulations in Kazakhstan. The Bank is also required to submit certain compliance reports prepared in accordance with the regulations of the NBK.

The historical financial information of the Bank set forth herein has, unless otherwise indicated, been extracted without material adjustment from the Financial Statements, prepared in accordance with IFRS. Ernst & Young LLP, independent auditors (acting as an auditor under licence No. 0000003, Type MFU-2, dated 15 July 2005 issued by the Ministry of Finance of the Republic of Kazakhstan), 77/7 Al-Farabi Avenue, Esentai Tower, Almaty, 050060, Republic of Kazakhstan, have audited the Bank's Financial Statements and their audit reports are included in this Prospectus.

The audit reports issued by Ernst & Young LLP in respect of the Financial Statements for the year ended 31 December 2012 and the Financial Statements for the year ended 31 December 2011 each expressed an unqualified opinion, but the audit report for the year ended 31 December 2011 included an emphasis of matter paragraph in respect of the material uncertainty regarding the Group's ability to continue as a going concern.

Due to internal control weaknesses experienced by the Bank in the past, prospective purchasers are advised to assess financial information presented in this Prospectus with caution. See "*Risk Factors — Risks Relating to the Bank — Internal control weaknesses have been evidenced by several transactions under previous management and other unusual transactions may be uncovered in the future*".

Certain information presented in this Prospectus is prepared on the basis of FMSA Methodology. Such information is not audited and is not directly comparable with the information presented in accordance with IFRS. See "*Asset and Liability Management — Provisioning Policy*"

In making an investment decision, prospective purchasers must rely upon their own examination of the Bank and the financial information included in this Prospectus and should consult their own professional advisers for an understanding of the differences between IFRS, FMSA Methodology and U.S. GAAP and how these differences might affect the financial information in this Prospectus.

Currency Translations

Solely for the convenience of the reader, this Prospectus presents unaudited translations of certain Tenge amounts into U.S. Dollars at specified rates. Unless otherwise stated, any statement of financial position data in U.S. Dollars is translated from Tenge at the applicable exchange rate on the date of such statement of financial position (or, if no such rate was quoted on such date, the immediately preceding date) and any income statement data in U.S. Dollars is translated from Tenge into U.S. Dollars at the daily average exchange rate applicable to the period to which such income statement data relates, in each case calculated in accordance with the official exchange rates for U.S. Dollars on the KASE as reported by the NBK.

The Bank has translated the summary statement of financial position and income statement information as at and for the year ended 31 December 2012 into U.S. Dollars at the rate of U.S.$1.00 = KZT 150.74 and U.S.$1.00 = KZT 149.11, respectively. As at 6 May 2013 (the latest practicable date prior to the date of this Prospectus), the official KZT/U.S.$ rate of exchange reported by the NBK was KZT 151.07 = U.S.$1.00.

The following table sets out year-end, high, average and low Tenge/U.S. Dollar official exchange rates for each year from 2009 through 2012 and period-end, high, average and low Tenge/U.S. Dollar official exchange rates for January, February, March and April 2013, in each case as reported by the NBK:

Period ended	Period ended	High	Average[(1)]	Low
31 December 2009	148.46	151.40	147.59	120.79
31 December 2010	147.50	148.46	147.34	146.41
31 December 2011	148.40	148.40	146.62	145.17
31 December 2012	150.74	150.86	149.11	147.50
31 January 2013	150.81	150.93	150.73	150.37
28 February 2013	150.37	150.93	150.61	150.23
31 March 2013	150.84	150.93	150.67	150.23
30 April 2013	151.23	151.24	150.75	150.23

Note:
(1) The weighted average rate reported by the NBK for each month, as applicable, during the relevant period.

No representation is made that the Tenge or U.S. Dollar amounts in this Prospectus could have been converted into U.S. Dollars or Tenge, as the case may be, at any particular rate or at all.

Certain figures which appear in this Prospectus have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be the sum of the figures which precede them.

Statistical and Market Information

Certain statistical and market information presented in this Prospectus in the sections headed "*Risk Factors*", "*The Bank*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*Selected Statistical and Other Information*" and "*The Banking Sector in Kazakhstan*" on such topics as the Bank's competitors, the Kazakhstan banking sector, the Kazakhstan economy in general and other related subjects represents the Bank's calculations based on information and official data of the NBK, the NSA and other third party sources. Specifically, information related to the Bank's industry ranking and market share is derived from figures published by the NBK. The Bank has accurately reproduced such information and, so far as the Bank is aware and is able to ascertain from information published by such third parties, no facts have been omitted that would render the reproduced information inaccurate or misleading. The Bank has relied on the accuracy of this information without independent verification. Prospective purchasers should note that some of the Bank's estimates are based on such third party information. Prospective purchasers are advised to consider this data with caution. Official data published by Kazakhstan governmental or regional agencies is substantially less complete and less thoroughly researched than that of more developed countries. Further, official statistics, including those produced by the NBK and the NSA, may be produced on different bases than those used in more developed countries. Any discussion of matters relating to Kazakhstan itself in this Prospectus is, therefore, subject to uncertainty due to concerns about the completeness or reliability of available official and public information.

FORWARD-LOOKING STATEMENTS

Certain statements included herein may constitute forward looking statements that involve a number of risks and uncertainties. Such forward looking statements can be identified by the use of forward looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "would be", "seeks", "approximately" or "anticipates" or similar expressions or the negative thereof or other variations thereof or comparable terminology. These forward looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the Bank's intentions, beliefs or current expectations concerning, amongst other things, the Bank's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which it operates. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future.

Prospective purchasers should be aware that forward looking statements are not guarantees of future performance and that the Bank's actual results of operations, financial condition and liquidity, and the development of the industry in which it operates may differ materially from those statements made in or suggested by the forward looking statements contained in this Prospectus. In addition, even if the Bank's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- the stability of the banking sector in Kazakhstan;
- the state of the Bank's retail, corporate and SME businesses;
- the quality and stability of its deposit base;
- future credit losses that the Bank may incur;
- expectations as to the impact of projects undertaken to improve cost efficiencies and enhance liquidity and revenues; and
- estimates and financial targets for increasing and diversifying the composition, as well as the quality, of the Bank's loan portfolio.

Factors that could cause actual results to differ materially from the Bank's expectations are contained in cautionary statements in this Prospectus and include, among other things, the following:

- overall economic and business conditions;
- effects of the global financial crisis and international economic conditions;
- the level of demand for the Bank's services;
- deposit outflows;
- competitive factors in the industries in which the Bank and its customers operate;
- changes in Government regulations and in the Government's or Samruk-Kazyna's policies regarding support for the banking sector in Kazakhstan;
- the timing, impact and other uncertainties of unrecognised guarantees and pledges, if any;
- the timing, impact and other uncertainties of unidentified related party transactions, if any;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;

- results of litigation or arbitration;
- interest rate fluctuations and other changing conditions in the capital markets;
- exchange rate fluctuations;
- economic and political changes in international markets, including governmental changes;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the impact of valuation of derivatives and property and equipment.

The sections of this Prospectus entitled "*Risk Factors*", "*Management's Discussion and Analysis of Results of Operations and Financial Condition*", "*The Bank*" and "*Selected Statistical and Other Information*" contain a more complete discussion of the factors that could affect the Bank's future performance and the industry in which it operates. In light of these risks, uncertainties and assumptions, the forward looking statements described in this Prospectus may not occur.

The Bank is not obliged to, and does not undertake any obligation to, update or revise any forward looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward looking statements attributable to the Bank or to persons acting on its behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Prospectus.

ENFORCEMENT OF FOREIGN JUDGMENTS AND AWARDS

The Bank is a joint stock company organised under the laws of Kazakhstan and substantially all of its operations are located in Kazakhstan. All or a substantial portion of the assets of the Bank and most of its directors and executive officers are located in Kazakhstan. As a result, it may not be possible (a) to effect service of process upon the Bank or any of its directors and executive officers outside Kazakhstan, (b) to enforce against any of them, in courts of jurisdictions other than Kazakhstan, judgments obtained in such courts or (c) to enforce against any of them, in Kazakhstan's courts, judgments obtained in jurisdictions other than Kazakhstan, including judgments obtained on the Trust Deed in the courts of England and judgments obtained in the United States predicated upon the civil liability provisions of the federal or state securities laws of the United States.

The Notes and the Trust Deed are governed by English law and will provide that any claims, disputes or differences regarding their existence, termination or validity or any non-contractual obligations arising thereunder are subject to arbitration in London, England or, at the election of the Trustee or, in certain circumstances, a Noteholder, to the jurisdiction of the English courts. See Schedule 1 (*Terms and Conditions of the Notes*), Condition 19 (*Governing Law; Arbitration and Jurisdiction*).

Kazakhstan's courts will not enforce any judgment obtained in a court established in a country other than Kazakhstan unless there is a treaty in effect between such country and Kazakhstan providing for reciprocal enforcement of judgments and then only in accordance with the terms of such treaty. There is no such treaty in effect between Kazakhstan and the United Kingdom or the United States. However, Kazakhstan, the United Kingdom and the United States are parties to the 1958 New York Convention on Recognition and Enforcement of Arbitral Awards (the "**Convention**"), and, accordingly, such an arbitral award under the Convention should generally be recognised and enforceable in Kazakhstan provided the conditions to enforcement set out in the Convention and the laws of Kazakhstan are met.

The Law on International Commercial Arbitration (the "**Arbitration Law**") was adopted by the Parliament of Kazakhstan on 28 December 2004. The Arbitration Law is intended to resolve uncertainty created by prior decisions of the Constitutional Council of Kazakhstan regarding enforcement of the Convention in Kazakhstan that were effective on 15 February 2002 and 12 April 2002 and were cancelled by the Constitutional Council in February 2008. The Arbitration Law provides statutory guidelines for the enforcement of arbitral awards under the conditions set forth in the Convention.

OVERVIEW OF THE TERMS OF THE NOTES

The following is an overview of certain information contained elsewhere in this Prospectus. It does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. Prospective purchasers should also carefully consider the information set out in "*Risk Factors*" prior to making an investment decision. Capitalised terms not otherwise defined in this overview have the same meaning as in the Conditions of the Notes. See Schedule 1 (*Terms and Conditions of the Notes)* for a more detailed description of the Notes.

Issuer	"BTA Bank" JSC.
Notes Offered	U.S.$750,000,000 in principal amount of 5.50 per cent. Notes due 2022.
Issue Date	21 December 2012 (the "**Issue Date**").
Maturity Date	21 December 2022.
Interest	5.50 per cent. per annum. Interest will be computed on the basis of a 360 day year of 12 30-day months, payable in U.S. Dollars and calculated as described below.
Interest Payment Dates	The Bank will pay interest semi-annually in arrear on 30 June and 31 December of each year, except that the first payment of interest shall be made on 30 June 2013 and the last payment of interest shall be made on 21 December 2022. See Schedule 1 (*Terms and Conditions of the Notes*), Condition 6 (*Interest*).
Redemption	The Bank will redeem the Notes on the Maturity Date. Redemption may also take place by way of a call option or by way of a put option. See Schedule 1 (*Terms and Conditions of the Notes*), Condition 8 (*Redemption and Purchase*).
Denominations	The Notes may only be transferred in minimum principal amounts of U.S.$1 and integral multiples of U.S.$1.
Status	The obligations under the Notes are unconditional, direct, unsubordinated, and unsecured (subject to a negative pledge undertaking) obligations of the Bank, and will at all times rank at least *pari passu* amongst themselves and *pari passu* in right of payment with all other present and future (except as provided therein) unsubordinated, obligations of the Bank, save only for such obligations as may be preferred by mandatory provisions of applicable law. See Schedule 1 (*Terms and Conditions of the Notes*), Condition 1 (*Status*).

Negative Pledge	The Bank shall not, and shall not permit any of its Material Subsidiaries to, create or permit to subsist any Security (other than Permitted Security) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Financial Indebtedness or guarantee of Financial Indebtedness without (A) at the same time or prior thereto securing the Notes equally and rateably therewith or (B) providing such other security for the Notes as may be approved by an Extraordinary Resolution (as defined in the Trust Deed) of holders of the Notes or as the Trustee in its absolute discretion shall deem to be not materially less beneficial to holders of the Notes.
Events of Default	The terms and conditions of the Notes permit the acceleration of the Notes following the occurrence of certain events of default. See Schedule 1 (*Terms and Conditions of the Notes*), Condition 11 (*Events of Default*).
Taxation and Additional Amounts	All payments of principal and interest in respect of the Notes by the Bank shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within the Republic of Kazakhstan or any other jurisdiction from or through which payment is made, or in any case, or any political subdivision or any authority thereof or therein having power to tax (together, "**Taxes**"), unless such withholding or deduction is required by law. If any such withholding or deduction is required by law, the Bank shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them had no such withholding or deduction been required, subject to certain exceptions set out under Schedule 1 (*Terms and Conditions of the Notes*), Condition 9 (*Taxation*).
Notices	So long at the Notes are listed on the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, notices to Noteholders will be made in a leading newspaper having general circulation in Luxembourg and/or on the website of the Luxembourg Stock Exchange (www.bourse.lu).
Listing and Admission to Trading	Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit them to trade on the Euro MTF market.

	The Notes are currently also listed on the Kazakhstan Stock Exchange.
Governing Law	The Notes are governed by the laws of England.
Transfer Restrictions	The Notes have not been, and will not be, registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S of the Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.
Trustee	BNY Mellon Corporate Trustee Services Limited.
Principal Paying and Transfer Agent	The Bank of New York Mellon, London Branch.
ISIN (Reg S)	XS0867478124
ISIN (Rule 144A)	XS0867573890
Common Code (Reg S)	086747812
Common Code (Rule 144A)	086757389

DISTRIBUTION OF THE NOTES

The Notes were distributed to certain Claimants on 24 December 2012 by The Bank of New York Mellon as the Bank's distribution agent as part of the entitlements of such Claimants pursuant to the 2012 Restructuring in accordance with the terms of the Restructuring. The Bank has therefore not received any proceeds from the issuance of the Notes.

Depending on the nature of their claims against the Bank, different categories of claimants were allocated different packages of entitlements, consisting of cash, Notes and shares or GDRs. Notes have only been distributed to Claimants holding 2018 Notes, OID Notes and/or Recovery Units and then only to such Claimants that have provided the Bank with settlement instructions including, among other things, details of the relevant Clearstream or Euroclear account to which such Notes were to be credited. The Bank of New York Mellon, as custodian, is currently holding any undistributed Notes until the earlier of the date on which such entitled Claimants submit settlement instructions and 24 December 2015. Any New Notes held by The Bank of New York Mellon as custodian that have not been claimed by entitled Claimants by 24 December 2015 will be cancelled or returned to the Bank to hold for its own account.

RISK FACTORS

In addition to other information in this Prospectus, prospective purchasers should carefully consider the following risk factors. The risks and uncertainties described below are the principal risks relating to the Bank, the Kazakhstan banking sector and other relevant matters, however, they are not the only risks the Bank faces. Additional risks and uncertainties that the Bank is not aware of or that the Bank currently believes are not material may also adversely affect the Bank's business, financial condition or results of operations. If any of the risks or uncertainties described below come to fruition, the Bank's business, financial condition or results of operations, among other things, could be materially and adversely affected. Prospective purchasers should pay particular attention to the fact that the Bank is a company incorporated in the Republic of Kazakhstan and is subject to a legal and regulatory regime which in some respects may be different from that which prevails in other countries.

The order in which these risk factors are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on the Bank's business, financial condition, or results of operations.

Risks Relating to the Bank

Any future sale or merger of the Bank may have a material and adverse effect upon the business and results of the Bank and its ability to perform its obligations under the Notes

It is the stated intention of the Government of Kazakhstan that the Bank's principal shareholder Samruk-Kazyna, which is wholly-owned by the Government, should divest its stake in the Bank by the end of 2013. Whilst various parties have been mentioned as potential purchasers of the majority shareholding in the Bank, the identity of any future buyer is as yet unknown and there is no guarantee that any sale will take place in 2013 or at all. If Samruk-Kazyna were to sell its majority shareholding in the Bank to an entity that was a "Permitted Transferee" for the purposes of Condition 8(b) (*Redemption at the option of the Noteholders*), Noteholders would have no right to require early redemption of their Notes on such change of control pursuant to Condition 8(b). Further, there can be no assurance as to the plans any purchaser may have for the Bank and its business or as to whether the Bank would remain in its current form or be merged into or consolidated with any purchaser or member of the purchaser's group. Accordingly, there can be no assurance that such a sale would not have a material and adverse effect upon the business and results of the Bank or upon its ability to perform its obligations under the Notes.

The Bank had significant losses for the years ended 31 December 2009 and 31 December 2011.

The Bank suffered significant net losses of KZT 1,114,534 million and KZT 418,010 million for the years ended 31 December 2009 and 31 December 2011, respectively, primarily due to the deterioration in the quality of its loan portfolio in these years in the wake of the global financial crisis. The significant losses for the year ended 31 December 2011 were also due in part to the impairment of deferred income tax assets. See "*The Bank — Background to the 2012 Restructuring*", "*Management's Discussion and Analysis of Results and Operations and Financial Condition — Overview*" and "*Management's Discussion and Analysis of Results and Operations and Financial Condition — Factors Affecting the Bank's Results of Operations*". Despite the positive impact on the Bank's financial condition of the successful completion of the 2012 Restructuring, there can be no assurance that the quality of the Bank's loan portfolio will not continue to decline and that the Bank will not suffer significant losses in future years.

Any failure to maintain the minimum capital adequacy ratios could lead to conservation or liquidation of the Bank.

Prior to the completion of the 2012 Restructuring, the Bank was in breach of the minimum capital adequacy ratios established by the FMSC. Following the completion of the 2012 Restructuring, the Bank's Tier I and total capital adequacy ratios calculated in accordance with FMSC regulations are currently in excess of the minimum levels of 5 per cent. and 10 per cent. for Tier I and total capital, respectively, required under the FMSC regulations. However, any further deterioration in the quality of the Bank's loan portfolio after the 2012 Restructuring and the consequent need to make impairment provisions may cause the Bank's capital adequacy ratios to fall below the minimum levels.

In the event that Samruk-Kazyna ceases to hold more than 50 per cent. of the Shares in the Bank, the Bank may be subject to increased minimum Tier I and total capital adequacy ratios calculated in accordance with FMSC regulations of 6 per cent. and 12 per cent., respectively. Furthermore, the Bank may be subject to increased capital adequacy ratios due to the Bank's holding of Shares in certain financial organisations. See "*The Banking Sector in Kazakhstan — Banking Supervision — Capital Adequacy*" for a discussion of capital adequacy requirements.

Any failure to comply with the minimum capital adequacy ratios, whether because of the deterioration in the quality of the Bank's loan portfolio or an increase in minimum capital adequacy requirements, could lead to sanctions and other measures being applied by the FMSC, including forcing the Bank into conservation or mandatory liquidation. In addition, it may constitute an Event of Default under the Notes.

The Bank is controlled by Samruk-Kazyna, Kazakhstan's sovereign wealth fund, whose interests may differ from the interests of the Bank or the Noteholders.

As the Bank's majority shareholder with approximately 97.26 per cent. of the Bank's share capital, Samruk-Kazyna, Kazakhstan's sovereign wealth fund, is able to control or affect the composition of the Board of Directors, the outcome of any corporate transaction or other matter submitted to the Bank's shareholders for approval, including acquisitions, divestitures, financings or other transactions of the Bank, and could also prevent or cause a change in control. As the Government's sovereign wealth fund, with the goal of supporting and diversifying Kazakhstan's economy, the interests of Samruk-Kazyna may conflict with the interests of the Bank's other shareholders or the Noteholders and there can be no assurance that Samruk-Kazyna will exercise influence over the Bank in a manner that is in the best interests of the Bank, the Bank's other shareholders or the Noteholders. In addition, being controlled by the Government has slowed and may continue to slow the Bank's decision making process. Furthermore, because Samruk-Kazyna is controlled by the Government, there is a risk that any change of administration in Kazakhstan may result in Samruk-Kazyna's personnel and policies changing as well, and such new policies may conflict with the interests of the Bank, its other shareholders and the Noteholders. For a description of the ownership of the Bank, see "*Principal Shareholders*".

The NBK provides funding support to the Bank but may withdraw its support and accelerate repayment of its loans if certain requirements are not met.

The Bank holds the SK Bonds and uses them as collateral for BTA/NBK Repo Transactions and special purpose loans with the NBK. As at 31 December 2012, the Bank had borrowed KZT 393,110 million (excluding interest) in the form of BTA/NBK Repo Transactions and had received KZT 101,750 million (excluding interest) in the form of special purpose loans from the NBK. See "*The Bank — NBK Support*".

Any change in the NBK's policy or support may lead to an increase in the Bank's funding costs or to the Bank being unable to comply with its regulatory requirements or currency positions and obligations under the Notes, which would adversely affect the Bank's business, financial condition, results of business and prospects.

Samruk-Kazyna may demand early repayment of funds allocated to the Bank through the State Finance Programmes if the Bank breaches conditions for the utilisation of the funds.

The Group has been allocated significant funds by Samruk-Kazyna and the government under the State Finance Programmes. The Group has received KZT 126,652 million of Government funding under the State Finance Programmes and, as at 31 December 2012, the Group had utilised KZT 117,267 million and returned to the Government the unutilised amount of KZT 9,385 million. See "*The Bank — State Finance Programmes*". Under the State Finance Programmes, Samruk-Kazyna has the right to demand early repayment of funds allocated to the Bank if: (i) the Bank does not make timely repayments of debt or interest; (ii) the Bank does not use the proceeds in compliance with their stated purpose; (iii) the Bank's credit rating is downgraded by Fitch, S&P or Moody's by two or more notches; (iv) the Bank infringes the FMSC's prudential requirements at least once in each of two consecutive months or its licence is suspended; (v) more than 10 per cent. of the shares in the Bank are sold or transferred and such transfer has a negative impact on the Bank's financial condition; or (vi) the Bank reports a loss for two consecutive quarters.

If early repayment is demanded as a result of a breach of the requirements of the Bank under any of the above State Finance Programmes, this could have a material adverse effect on the Bank's business, financial condition, cash flows or results of operations.

The Bank may face litigation if the FMSC applies any of its compulsory restrictive measures to the Bank.

The FMSC may apply a number of compulsory restrictive measures to second tier banks (commercial banks) in financial distress or in breach of prudential or other mandatory regulations. See "*The Banking Sector in Kazakhstan — Financial Stability and Restructuring Reforms*" and "*The Banking Sector in Kazakhstan — The FMSC's Powers under the Banking Law*" for a detailed description of such measures.

Were the Bank again to breach prudential or other mandatory regulations and were the FMSC to apply any such measures, the Bank's shareholders could bring claims against the Bank and seek redress against the FMSC's actions. Irrespective of the merit of such claims, if such shareholders' claims are successful, the Bank's financial position and the interests of the Noteholders may be negatively affected.

Internal control weaknesses have been evidenced by several transactions under previous management and other unusual transactions may be uncovered in the future.

In early 2009, the then newly appointed management of the Bank conducted a due diligence review of the Bank's loan portfolio, which uncovered numerous suspicious transactions between the Group and entities believed to be affiliated with former management of the Bank. The Bank uncovered a significant number of loans that appeared to have been provided on preferred terms to companies connected with former management and for which the security provided was inadequate or non-existent. In addition, the Bank uncovered numerous examples of purported loans being granted that did not appear to have gone through the proper approval process within the Bank. Furthermore, certain loan documentation, including collateral and associated agreements, primarily relating to financing of projects outside Kazakhstan, is no longer available and many loans were unlawfully transferred to new, often offshore, borrowers and no collateral was provided by such new borrowers, so the loans are unsecured.

Under its former management, the Bank had two regional credit committees, which were separate from the Bank's main credit committee but nevertheless approved loans that were to be granted by the Bank. The Bank believes that many loans that were purportedly approved by these credit committees were granted applying practices which were wholly inadequate and which differed significantly from the practices typically used by the Bank's main credit committee.

A number of significant borrowers, primarily registered outside of Kazakhstan, stopped making payments in 2009 and the Bank has been unable to monitor the collateral securing the loans (if any) or their financial performance. Many of these borrowers have also ceased to communicate with the Bank and some have unlawfully transferred such collateral.

The Bank had also entered into derivatives contracts with certain offshore companies, which exposed the Bank to excessive credit and market risk and have become uncollectible. The offshore counterparties have ceased to respond to the Bank's inquiries. Management suspects that these contracts were entered into on behalf of the Bank through actions of the former management in contravention of then existing internal controls and in order to circumvent such controls. Management had fully written off all assets and liabilities on these derivative contracts as at 31 December 2011.

Although the Bank has made improvements to its internal control systems to address deficiencies in them, there can be no assurance that such new systems will be effective and that the Bank will not suffer losses from the failure of these controls to detect or contain operational risk in the future. Similar to other Kazakhstan banks, the Bank is susceptible to, among other things, fraud by employees or outsiders, unauthorised transactions by employees and operational errors, including clerical or record keeping errors and errors resulting from faulty computer or telecommunications systems. Given the Bank's high volume of transactions, errors may be repeated or compounded before they are discovered and rectified. In addition, the Bank's IT systems do not fully support its operations and a number of transactions are not fully automated, which may further increase the risk that human error or employee tampering or manipulation will result in losses that may be difficult to detect. Consequently, the inadequacy of the Bank's internal processes or systems may result in unauthorised transactions and errors not being detected. Further, the Bank's insurance may not cover the Bank's losses from such transactions or errors, which may have a material adverse effect on the Bank's business, financial condition, cash flows or results of operations.

Transactions with unidentified parties related to previous management may cause future losses.

Certain customers and counterparties of the Bank under previous management may not have been properly identified as parties related to previous management. The Bank was unable to obtain appropriate evidence as to whether certain entities are or were parties related to previous management and cannot therefore be sure that all customers and counterparties that are parties related to previous management have been disclosed. Additional transactions with parties related to previous management with unusual terms entered into under previous management not known as at the date of this Prospectus may be uncovered in the future and may have further adverse effects on the Bank's financial condition and recovery prospects.

The Bank may be unable to recover or realise any assets or amounts in connection with its ongoing asset recovery efforts and proceedings.

Since 2009, the Bank and its advisers have identified numerous suspicious transactions between the Group and entities believed to be affiliated with former management of the Bank, including, *inter alia*, a significant number of loans that appeared to have been provided on preferred terms to companies connected with former management and for which the security provided was inadequate or non-existent and purported loans being granted that did not appear to have gone through the proper approval process within the Bank.

Accordingly, the Bank has assembled a team to investigate the circumstances behind the Bank's current financial position and the extent to which it is a result of what are believed to be fraudulent transactions entered into by, or on the instructions of, the former management, in particular, Mr. Ablyazov. As part of the work of the Bank's asset recovery team, various legal proceedings have been commenced in England, the British Virgin Islands and Cyprus. See "*The Bank – Legal Proceedings – Asset Recovery*". There can be no assurance, however, that the Bank will be able to recover or realise any assets or amounts in connection with its ongoing asset recovery efforts or proceedings.

Declines in customer deposits, which are an important source of funding for the Group, have negatively affected and may continue to negatively affect the Group's funding base.

Following the announcement at the end of 2011 that the Bank planned to start another restructuring process, the Bank began to suffer outflows of deposits which were partially reflected in the Audited Annual Financial Statements for 2011. The Bank has continued to experience significant outflows of deposits since 31 December 2011. Deposits of Samruk-Kazyna (which includes amounts deposited pursuant to the State Finance Programmes) decreased from KZT 296,507 million as at 31 December

2011 to KZT 126,097 million as at 31 December 2012, primarily due to the conversion of certain deposits of Samruk-Kazyna into Shares in the Bank in the amount of KZT 176,376 million, whilst deposits of individuals decreased from KZT 308,874 million as at 31 December 2011 to KZT 298,285 million as at 31 December 2012 and deposits of private corporate and SME customers decreased from KZT 148,349 million as at 31 December 2011 to KZT 111,502 million as at 31 December 2012.

If decreases in retail, corporate and SME deposits continue following the completion of the 2012 Restructuring and/or if Samruk-Kazyna withdraws some or all of the deposits made by it with the Bank, the Group will face significant difficulties and may be unable to carry on its business as other sources of funding, both domestically and in the international markets, may not be readily available at economic rates or at all.

Lower expected growth of Kazakhstan's GDP in 2013 could put increasing pressure on the ability of the Bank's existing borrowers to repay their loans.

In August 2012, due to the current economic situation and the assessments of the IMF and the World Bank, the Government of Kazakhstan was forced to review and decrease its economic forecasts for the immediate future. This is connected with the low rate of development in industry, agriculture and construction in Kazakhstan, the instability of world prices for raw materials, and low investment activities of businesses. In the event that GDP growth is lower than is expected, it could result in increasing pressure on the ability of the Bank's current borrowers to repay their existing loans and could therefore increase the Bank's losses from non-performing loans, which could adversely affect the Bank's business, financial condition, cash flows or results of operations.

Concentration of the Bank's loan portfolio subjects it to risks from exposure to particular sectors of the Kazakhstan economy.

As at 31 December 2012, the Group's ten largest borrowers accounted for 18.8 per cent. of gross loans. The Bank needs to monitor the concentration of its loan portfolio and if it does not do this effectively, its credit exposure could increase, which would have a material adverse effect on the Bank's business, financial condition, cash flows or results of operations.

The Bank holds 10 per cent. or more of the issued and outstanding shares in Ular-Umit, Zhetysu, BTA Insurance, BTA Life and Insurance Company London-Almaty, and as such the Bank is subject to certain financial support obligations under existing legislation.

The Bank holds 10 per cent. or more of the issued and outstanding shares in Ular-Umit (pension fund), Zhetysu (pension asset manager), BTA Insurance, BTA Life and Insurance Company London-Almaty (insurance companies), and as such the Bank is considered a "major shareholder" under existing legislation.

As such, under the legislation, the Bank is subject to certain financial support obligations, including an obligation to provide (including at the NBK's request) additional capital to Ular-Umit, Zhetysu, BTA Insurance, BTA Life and Insurance Company London-Almaty, or otherwise ensure their financial stability.

Accordingly, if the financial position of any of the above companies deteriorates, or any of them is unable to comply with the applicable capital adequacy requirements, the Bank may be obliged to provide (including at the NBK's request) capital to it to ensure its financial stability.

Furthermore, under the Banking Law, the Bank may be subject to additional capital requirements established by the NBK due to the Bank's holding of at least 10 per cent. of the issued and outstanding shares in the abovementioned companies. In addition, in the event Samruk-Kazyna ceases to hold more than 50 per cent. of the Shares in the Bank, the Bank may not be able to continue holding shares in these companies if the Bank does not then have a "bank holding" company.

Volatility in the real estate market in Kazakhstan and Russia has had and may continue to have an adverse effect on the Bank's asset quality and collateral value.

Real estate prices in Kazakhstan and Russia, which increased rapidly from 2002 to 2007, have dropped sharply since June 2007 in Kazakhstan and 2008 in Russia. Such volatility in the real estate market has had and may continue to have an adverse effect on the Bank's business, financial condition, cash flows or results of operations.

Of the loans to the Group's ten largest borrowers, 31.0 per cent. were made to borrowers in the real estate sector (housing construction and real estate investments) as at 31 December 2012. In addition, a substantial number of the Bank's loans to customers are secured by real estate. As at 31 December 2012, 30.7 per cent. of net loans to customers of the Bank on an unconsolidated basis were collateralised by real estate. The recent declines in the price of real estate in Kazakhstan have increased the price volatility and consequently have made it difficult to value certain collateral held by the Bank. The collateral value ultimately realised by the Bank in the event of foreclosure of these customer loans will depend on the fair value as determined at that time and may be materially different from the current or estimated fair value. Also, the real estate market in Kazakhstan suffers from low liquidity and the Bank may be unable to liquidate its real estate collateral in a reasonably short time frame. As a result, in the event that a portion of the Bank's loans to customers secured by real estate go into default, the Bank may not be able to recoup the full value of the loan by taking ownership and disposing of the underlying real estate, which may result in a material adverse impact on the Bank's business, financial condition, cash flows or results of operations.

The continuing decline in value of the Group's loan portfolio will likely lead to a gradual seasoning of the Group's loan portfolio which may increase the proportion of loan defaults.

The value of the Group's net loan portfolio decreased by 1.1 per cent. to KZT 644,683 million as at 31 December 2012 from KZT 651,797 million as at 31 December 2011, which in turn represented a decrease of 17.2 per cent. from KZT 787,618 million as at 31 December 2010. The Group's loan portfolio is expected to continue to decline in value, which is likely to lead to a gradual seasoning of the Group's loan portfolio, with the concentration of older loans in the portfolio becoming more significant. There is some evidence that the likelihood of borrower default increases with the age of a loan. Therefore, due to the expected gradual seasoning of its loan portfolio, the Group could experience a further increase in the percentage of its loans which are non-performing in the future and this could adversely affect the Bank's business, financial condition, cash flows or results of operations.

The Bank faces significant competition, which may increase in the future.

The Bank is subject to significant competition from both domestic and foreign banks. As at 1 January 2013, there were 38 commercial banks in Kazakhstan, of which 19 were banks with foreign shareholders, including the subsidiaries of foreign banks. As at 1 January 2013, the Bank's net assets constituted 10.9 per cent. of the total assets of the banking sector in Kazakhstan. As a result of the continued deterioration in its financial condition, the Bank faces greater competition from other banks. Medium sized banks, including foreign banks that can take advantage of the weakness of large banks burdened with a significant amount of problem loans, are of particular concern to the Bank as these banks aim to increase their market shares in all sectors of the market. The Bank faces significant competition attracting and retaining corporate and SME customers. High levels of competition in the Kazakhstan banking sector could pose a considerable obstacle to the realisation of the Bank's business plan which may have a material adverse effect on the Bank's business, financial condition, cash flows or results of operations.

Any failure of, interruption in, or breach of, the Bank's information systems, or any failure to properly implement or update such systems, may have a material adverse effect on the Bank's business, financial condition, cash flows or results of operations.

The Bank relies heavily on information systems to conduct its business. The Bank's information technology strategy focuses on the integration of its business needs and information technology capabilities, while maintaining cost effective and safe systems. In recent years, the Bank's information technology and risk management systems have suffered from a lack of investment. Concurrent with the deterioration of its financial condition, the Bank suspended implementation of its core banking system and non critical information technology projects and implemented a moratorium on the purchase of property and equipment. There can be no assurance that implementation of improved information technology systems, if resumed, will be developed according to schedule, that the new systems will address any shortcomings of the current systems or that they will be sufficient to meet the needs of the Bank's rapidly changing business.

Due to the degree of penetration of information technologies in the business processes of the Bank, any failure of, interruption in, or breach in security of, the Bank's systems could result in failures or interruptions in the Bank's risk management, deposit servicing and/or loan origination systems or errors in its accounting books and records. Furthermore, the location of both of the Bank's data centres in Almaty may subject the Bank to risk of loss due to destruction from earthquakes. The occurrence of any failures or interruptions or the failure to properly implement or upgrade any of the Bank's information technology systems could have a material adverse effect on the Bank's business, financial condition, cash flows or results of operations.

The Bank's risk management strategies and techniques expose the Bank to a number of unidentified or unanticipated risks.

Although the Bank expects to continue investing substantial time and effort in improving and monitoring its risk management strategies and techniques, it may nevertheless fail to adequately manage risks under certain circumstances, particularly when it is confronted with risks that it has not identified or anticipated. If circumstances arise that the Bank has not identified or anticipated in developing its statistical models, its losses could be greater than expected. If its measures to assess and mitigate risk prove insufficient, or if its models yield inaccurate results or incorrect valuations, the Bank may experience material unexpected losses. For example, assets that are not traded on public trading markets, such as derivative contracts between banks, may be assigned values using mathematical models which may be inadequate or imperfect and the values they generate may be incorrect. The deterioration in value of assets like these could lead to losses that the Bank has not anticipated.

The Bank is exposed to interest rate and foreign currency exchange risk.

The Bank, like other commercial banks in Kazakhstan, is exposed to risks resulting from mismatches between interest rates on its interest bearing liabilities and interest earning assets as well as risks resulting from fluctuations in the prevailing foreign currency exchange rates.

The Bank's credit dossiers have serious gaps and many documents are missing.

Regulations of the FMSC and the Bank's internal regulations set out certain requirements when creating credit dossiers in respect of the Bank's borrowers. See "*Asset and Liability Management — Lending Policies and Procedures — Credit Dossiers*". In the course of its due diligence prior to the 2010 Restructuring, the Bank's management uncovered a significant number of purported loans that appeared to have been provided on preferred terms to companies connected with former management and for which the security provided was inadequate or non-existent. In the Bank's financial statements for the year ended 31 December 2008 and the FMSA report provided in January 2009, the Bank and the FMSA, respectively, each noted that certain loan documentation, including collateral and associated agreements, primarily relating to financing of projects outside Kazakhstan, was no longer available. The Bank attributes many of these gaps and missing documents to what it believes to have been fraud and to the fact that, prior to February 2009, the credit dossiers for transactions involving purported projects outside Kazakhstan had been compiled on behalf of the Bank by associate banks such as AMT Bank and BTA Ukraine. The Bank believes that there is a significant risk that, as some associate banks were, and still are, under the effective control of the previous management of the Bank or third parties who are uncooperative with the Bank, a number of documents may not become available to the Bank and that the veracity of documents which are or become available may be questionable. Furthermore, deficiencies exist in the credit dossiers compiled by the Bank itself. These gaps in credit dossiers seriously impede the Bank's ability to investigate and, if necessary, to issue claims relating to these purported loans.

The Bank's success is dependent on its ability to attract and retain talented senior managers and it may not be able to attract and retain such personnel.

The Bank appointed new members to its senior management team in 2012 to develop and oversee the implementation of its new business plan and its day-to-day operations. The banking industry is relatively new in Kazakhstan and there are a limited number of experienced banking managers in the country. There is also a high level of competition for the services of these individuals. While the Bank believes it has been successful in attracting skilled and motivated employees and officers, it may be at risk of losing qualified personnel in this increasingly competitive environment. The loss of the Bank's senior management for any reason could have a material adverse effect on the Bank's business, financial condition, cash flows or results of operations.

Despite successful completion of the 2012 Restructuring the Bank may become insolvent in the future.

The aim of the 2012 Restructuring and the Bank's business plan is to create an institution which is able to operate successfully in the long-term and create value for its stakeholders. However, despite the fact that the Restructuring Plan has now been implemented successfully, no assurance can be given that the Bank will not become insolvent at some point in the future. Such insolvency might be caused, or contributed to, by the failure of the Bank and/or its management to implement the Bank's business plan or any new business plan adopted by it (See "*Risk Factors — Risks Relating to the Bank — The Bank's business plan is subject to change and the Bank may fail to implement it successfully*"). Furthermore, even if the Bank's business plan is implemented successfully, the Bank may become insolvent or be liquidated because of other factors, such as changes in banking regulations, accounting regulations or corporate laws.

The Bank's business plan is subject to change and the Bank may fail to implement it successfully.

The Bank's business plan which is described in this Prospectus is subject to change and any such change to the Bank's business plan may have material consequences on the Bank's prospects and future financial performance. Nothing in this Prospectus should be understood as a commitment on the part of the Bank and its management to implement its business plan.

Furthermore, the Bank and its management may fail to successfully implement its business plan. This might be caused, or contributed to, by underperformance on the part of the Bank or its management, or by other objective factors over which the Bank has no control, and which may have a bearing on the assumptions underlying the business plan. The Bank has in the past failed to successfully implement a business plan and there is a material risk that this may also occur in the future. Such a failure of the Bank to implement its business plan may have a material adverse effect on the Bank.

The Bank has in recent years been unable to fund its operations and the Bank's level of indebtedness following the completion of the 2012 Restructuring has impacted upon its ability to obtain additional financing and limited its flexibility.

The Bank in recent years has not been able to fund its operations and debt payment obligations and has therefore incurred substantial indebtedness. As at 31 December 2012, the Bank had approximately KZT 113,055 million (or U.S.$750 million) in nominal amount of outstanding bonds, KZT 239,771 million (or U.S.$1,591 million) in principal amount outstanding in respect of the SK Loan and KZT 40,457 million (or U.S.$268 million) in principal amount outstanding under the RCTFF. The Bank's level of indebtedness, and associated interest payment obligations, will:

- limit its cash flow available for general corporate purposes, including any acquisitions;
- limit its ability to obtain necessary financing for working capital, capital expenditure or business opportunities and to implement its business strategies;
- limit its flexibility in reacting to competitive and other changes; and
- expose it to the risk that a decrease in net cash flows due to economic developments or adverse developments in its business could make it difficult or impossible to meet senior debt payment obligations.

Although interest payments have been significantly reduced after partial cancellation of the existing financial indebtedness of the Bank as a result of the 2012 Restructuring, it is possible that the Bank may continue to incur losses and may not achieve or sustain sufficient cash flows in the future for the payment of interest, principal and the meeting of expenditure needs or other purposes. If the Bank's cash flow is not sufficient to meet its expenses, debt payment obligations and other requirements, the Bank may be forced to raise cash or reduce expenses by doing one or more of the following:

- restructuring or refinancing its indebtedness prior to original maturity;
- delaying or reducing expenditures necessary to maintain its business and meet increased competition;
- disposing of some of its assets, possibly on unfavourable terms;
- revising or delaying the implementation of its strategic plans; or
- forgoing business opportunities.

The Bank cannot be sure that any of the above actions would be sufficient to fund its operations in the future.

Adverse publicity relating to the 2012 Restructuring and the financial condition of the Bank may adversely affect the Bank's customer relationships and the market perception of its business.

Adverse publicity relating to the 2010 Restructuring and the 2012 Restructuring and the financial condition of the Bank may make it difficult to convince customers to maintain relationships with the Bank and to attract new customers, which could materially adversely affect the Bank's business. Ongoing negative publicity may also have a long-term negative effect on the Bank's brand name, which could make it more difficult for the Bank to market its products and services in the future.

Risks Relating to Operating within the Kazakhstan Banking Sector

Changes in the liquidity support for the Kazakhstan banking sector may have an adverse impact on the Bank.

The NBK and the Government have taken steps, including the provision of short-term liquidity support, to protect the Kazakhstan banking sector from the recent turmoil in the financial markets. Starting in the second half of 2008, the NBK adopted a number of measures aimed at providing additional liquidity to the banks. In particular, during the period from 3 March 2009 to 31 May 2011, the minimum level at which second tier banks must maintain reserves was decreased from 2.0 per cent. to 1.5 per cent. with respect to domestic liabilities and from 3.0 per cent. to 2.5 per cent. with respect to other liabilities. With effect from 31 May 2011 until 12 November 2012, the minimum level at which second tier banks must maintain reserves was increased by the NBK to 2.5 per cent. with respect to domestic liabilities and 4.5 per cent. with respect to other liabilities. The current minimum levels at which second tier banks must maintain reserves, effective from 13 November 2012, is 2.5 per cent. for domestic short-term liabilities (with no minimum level for domestic long-term liabilities), 6 per cent. for foreign short-term liabilities and 2.5 per cent. for foreign long-term liabilities.

Additional measures taken include the deposit into local commercial banks of temporary excess cash of national companies, enterprises and joint stock companies which are wholly- or partially-owned by the Government or controlled by the NBK and the establishment by the NBK of a non-performing loans fund to buy doubtful loans from commercial banks. Also, in 2011 and 2012, there were changes to tax and bank legislation that have relaxed the conditions attaching to non-performing loans, allowing them to be written off until 1 January 2014 without additional charges from a tax point of view. Further, under this legislation, second tier banks are now permitted to incorporate subsidiaries which acquire doubtful and non-performing claims and assets of their parent banks and manage the acquired claims and assets during certain limited periods until 1 January 2018 and, after the lapse of such period, the subsidiaries which acquire doubtful and non-performing claims and assets of their parent banks should be liquidated or transferred to third parties.

If the NBK and the Government were to withdraw their liquidity support it would lead to decreased overall liquidity in the Kazakhstan banking sector. This decreased liquidity would likely result in an increase in the Bank's funding costs which would adversely affect the Bank's business, financial condition, cash flows and results of operations.

Risks resulting from failures in Kazakhstan's banking industry could adversely affect the Bank.

Since the peak of the banking crisis at the beginning of 2009, Alliance Bank, Temirbank and the Bank, which jointly owned 35.6 per cent. of the total assets of the banking system in Kazakhstan as at 1 January 2009, have defaulted on their contractual payments and breached certain regulatory requirements of the FMSA and/or FMSC. Astana Finance, which is a non-bank financial holding company that owns companies that provide lease financing and commercial and residential mortgages and is more than 25 per cent. owned by the Government, announced a moratorium on the repayment of its debts in May 2009.

During 2010, the restructuring of the financial liabilities of Alliance Bank (in April), Temirbank (in July) and the Bank (in September) were completed. The Bank's second restructuring proceedings were completed in February 2013. The restructuring process concerning Astana Finance significantly lengthened and, on 29 June 2012, a creditors' meeting approved a restructuring plan with the requisite number of votes. On 31 July 2012, The UK Supreme Court recognised the Astana Finance restructuring and the Court approved the restructuring plan of Astana Finance, and on 6 December 2012 extended the restructuring terms until 28 March 2013. On 27 March 2013, Astana Finance applied the Court to extend the restructuring terms until 31 December 2013 due to the fact that the company would be unable, before 28 March 2013, to secure its exemption from corporate income tax on deemed income from the write-down of liabilities on completion of the restructuring or to obtain any official assurances that the amendments to Kazakhstan's tax laws required for such exemption will be made.

The Kazakhstan banking system remains under stress with banks seeking to deleverage through partial repayments and debt restructurings. Further defaults and debt restructurings cannot be ruled out. This could in turn have an adverse effect on the Bank's ability to receive support from Samruk-Kazyna, as the Government's resources may become strained and the Government may be required to allocate support and funds selectively.

The ongoing crisis in the global financial markets and deterioration of general economic conditions have adversely affected the Bank's results of operations and financial condition and could continue to cause them to decline.

The global economy and the global financial system have experienced a period of significant turbulence and uncertainty in recent years, particularly the severe disruption of the financial markets around the world that began in August 2007 and that has substantially worsened since September 2008 with adverse consequences for many large global commercial and investment banks, insurance companies and other financial institutions. This disruption has severely impacted general levels of liquidity and the availability of credit together with the terms on which credit is available. Governments around the world, including that of Kazakhstan, have sought to inject liquidity into banking systems and to recapitalise their banking sectors to reduce the risk of systemic failure and increase confidence in the financial markets. This market disruption has also been accompanied by a slowdown in many economies including that of Kazakhstan. These developments adversely affected the Bank's earnings and profits.

There was a relatively short period (from approximately the end of 2009 to the first half of 2011) of moderate recovery in the world economy and the financial markets after which growth in the world economy again slowed against the background of debt and budget crisis in many major developed countries caused in part by high volatility in world financial and raw materials markets. In 2010 and 2011 there was significant growth in the Kazakhstan economy; however any positive effect in the Kazakhstan banking sector was limited, and was mainly confined to growth of the deposit base. At the same time, industries strongly represented on the loan portfolios of second tier banks struggled to recover fully after this crisis, as demonstrated by the continued growth of overdue indebtedness on loans and relatively weak loan activities of banks in the corporate and SME segments. In 2012, GDP growth in Kazakhstan decreased to 5.0 per cent compared to 7.5 per cent in 2011, despite strong growth in the retail sector, as growth in the corporate and SME sectors remained sluggish.

In the near future, the Eurozone economies may continue to suffer significant financial difficulties, the crisis situation in the debt levels and budgets of developed countries will remain and there are obvious signs of a noticeable slowing down of economic growth in China. All this brings significant uncertainty in predicting economic growth in the global economy, and in Kazakhstan in particular. Continued general deterioration in the world economy, including plummeting production and services, business and consumer confidence, the plunging pace of growth of household income, unemployment trends, the state of the housing market, the commercial real estate sector, equity markets, bond markets, foreign exchange markets, counterparty risk, inflation, the availability and cost of credit, lower transaction volumes in key markets, the liquidity of the global financial markets and market interest rates, would further reduce the level of demand for, and supply of, the Bank's products and services, would lead to lower realisations as well as writedowns and impairments of investments and negative fair value adjustments of assets, and could materially and adversely impact the Bank's business, financial condition, cash flows or results of operations.

The Kazakhstan banking sector has been particularly affected by the lack of availability of international wholesale debt financing and the volatility of deposits. Kazakhstan banks have previously heavily relied on such financing and deposits as a source of funding. After significant repayments and several bank restructurings, the dependence of the Kazakhstan banking sector as a whole on wholesale debt financing has significantly decreased; however at the same time, dependence on a short-term and volatile deposit base has significantly increased. If the Bank suffers from increased volatility of its deposit base, this could adversely affect the Bank's business, financial condition, cash flows or results of operations. The effect of any of these conditions may be exacerbated by the deterioration of the financial condition of other banks in Kazakhstan.

The full range and consequences of the risks faced by the Bank are difficult to predict and guard against in view of the fact that many of those risks are either partially or entirely outside the control of the Bank and may be exacerbated by the severity of the financial crisis.

The Bank faces risks related to the devaluation of the Tenge.

A large proportion of the Bank's funding base is made up of borrowings denominated in currencies other than Tenge whereas the vast majority of its income is denominated in Tenge. Although the proportion of the Bank's funding base denominated in currencies other than Tenge has decreased following the 2012 Restructuring, it remains significant and any devaluation of the Tenge against the U.S. Dollar will increase the cost of foreign borrowings for the Bank. Such devaluation or depreciation of the Tenge against the U.S. Dollar or other foreign currencies could negatively affect the Bank in a number of ways, including, among other things, by causing a further outflow of Tenge deposits, by increasing the actual cost to the Bank of financing its U.S. Dollar denominated liabilities and by making it more difficult for Kazakhstan borrowers to service their U.S. Dollar loans. Any of these developments may have a material adverse effect on the Bank's business, financial condition, cash flows or results of operations.

The lack of accurate statistical, corporate and financial information in Kazakhstan may limit the ability of the Bank to assess its credit risks accurately.

Kazakhstan's system for gathering and publishing statistical information relating to the Kazakhstan economy generally, or specific economic sectors within it, or corporate or financial information relating to companies or other economic enterprises, is not as comprehensive as those of many countries with established market economies. Moreover, the Bank may not have detailed financial information regarding the creditworthiness of many of its customers, particularly in the SME sector. Under-reporting of income in Kazakhstan, which is common, also makes it more difficult for the Bank to make accurate credit assessments. Thus, the statistical, corporate and financial information, including annual financial statements and recognised debt rating reports, available to the Bank as well as other Kazakhstan banks relating to prospective and existing corporate borrowers or other clients makes the assessment of credit risk, including the valuation of collateral, more difficult. Although the Bank ordinarily estimates the net realisable value of collateral in determining any collateralisation requirements, the difficulties associated with accurately assessing the post enforcement value of collateral may result in the Bank extending loans without the necessary collateral to support them.

The First Credit Bureau is a private company that was created on 29 July 2004 by the Bank, Kazkommertsbank, Bank CenterCredit, Halyk Bank, Tsesna Bank, ATF Bank, Alliance Bank, Astana Finance and the Association of Financiers of Kazakhstan pursuant to the law "On Credit Bureaus and Credit History in the Republic of Kazakhstan" dated 6 July 2004. The First Credit Bureau manages a database containing the credit histories of individuals and legal entities in Kazakhstan. Commercial banks can purchase information about potential or existing borrowers from the First Credit Bureau. The First Credit Bureau charges a case by case fee on each request made by a bank for information depending on the amount of detail requested by the bank with respect to the individual borrower. Although the FMSC's requirement to provide information to the First Credit Bureau should ensure that the Bureau's records are comprehensive and up to date, there can be no assurance that all banks do indeed comply with this requirement or that the information is ultimately accurate and reliable.

Banking regulations in Kazakhstan are not as developed as in many Western countries and any further changes thereto might adversely affect the Bank's business.

The Bank operates in a highly regulated environment. However, like most of Kazakhstan's legislation regarding business activities, Kazakhstan's laws regarding banks and banking activities have been adopted only relatively recently and are subject to change, which could be rapid and unexpected. It is difficult to forecast how changes in banking and financial regulation may affect the Kazakhstan banking system, and no assurance can be given that the regulatory system will not change in a way that will impair the Bank's ability to provide a full range of banking and financial services, thus materially and adversely affecting the Bank's business, financial condition, cash flows or results of operations.

In addition, prospective purchasers should understand that regulatory standards applicable to banks in Kazakhstan and the oversight and enforcement thereof by the relevant regulators may differ from those applicable to banking operations in countries with more developed regulatory regimes. As a result, prospective purchasers may not have the benefit of all of the protections available in such other countries.

In February 2007, to reduce the risks associated with rapid growth in the external debt of Kazakhstan banks, the FMSA introduced certain amendments to Kazakhstan's capital adequacy regulations. These regulations impose a limit on the total amount of foreign borrowings which a bank may incur of up to three times such bank's regulatory capital. Although the Bank fully complies with those particular regulations as of the date hereof, this limitation on the Bank's ability to access foreign lenders and the international capital markets may adversely affect the Bank's ability to secure adequate financing in the future. See "*The Banking Sector in Kazakhstan*".

The future implementation by the FMSC of the requirements of Basel III, the first stage of which is currently scheduled to be completed during 2013, may impose constraints on the Bank's business which may materially and adversely affect the Bank's business, financial condition, cash flows or results of operations. See "*The Banking Sector in Kazakhstan — Banking Supervision*".

Risks Relating to Kazakhstan

Kazakhstan is subject to the risks associated with emerging markets generally.

Emerging markets such as Kazakhstan are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Prospective purchasers should also note that emerging economies such as that of Kazakhstan are subject to rapid change and that the information contained in this Prospectus may become outdated relatively quickly. Accordingly, prospective purchasers should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their decision is appropriate. Prospective purchasers are urged to consult with their own legal and financial advisers before making any decision with respect to an investment in the Notes.

In addition, the availability of credit to entities operating within the emerging markets is significantly influenced by the level of investor confidence in such markets as a whole and as such any factors that affect investor confidence (for example, a decrease in credit ratings or state or NBK intervention in one market) could affect the price or availability of funding for entities within any of these markets.

The Kazakhstan corporate governance and disclosure laws which apply to the Bank are different from those generally applicable to corporations organised in the United States, the United Kingdom and other jurisdictions.

The Bank's governance is regulated by the laws governing companies incorporated in Kazakhstan and by the Bank's Charter and Corporate Governance Code. Whilst the corporate governance regime in Kazakhstan is beginning to conform to corporate governance practice in the United States and the United Kingdom, the rights of shareholders and the responsibilities of members of the board of directors and the management board under Kazakhstan law are different from those generally applicable to corporations organised in the United States, the United Kingdom and other jurisdictions.

The Bank may be subject to money laundering risks.

The existence of "black" and "grey" market economies in Kazakhstan (typical in developing countries), inconsistent legislation and the lack of administrative guidance on its interpretation increase the risk of Kazakhstan's financial institutions being used as vehicles for money laundering in contravention of domestic regulation.

The Law of the Republic of Kazakhstan "On the Prevention of Legalisation (Laundering) of Illegal Income and Terrorism Financing No. 191 IV" dated 28 August 2009 became effective on 8 March 2010. The law identifies various types of transactions that are subject to financial monitoring and establishes thresholds for each of them, such as (i) exchanges of cash equalling or exceeding the equivalent of KZT 7 million, (ii) withdrawing funds from, or crediting funds to, bank accounts equalling or exceeding the equivalent of KZT 7 million, (iii) insurance payments equalling or exceeding the equivalent of KZT 7 million, (iv) transactions in securities equalling or exceeding the equivalent of KZT 45 million or immovable property equalling or exceeding the equivalent of KZT 150 million, respectively, and (v) receiving funds, including in electronic form, through the proceeds of betting, gambling in a gaming establishment or lottery equal to or more than the equivalent of KZT 1 million. Banks, pension funds, insurance and reinsurance companies and certain other financial institutions and individuals are obliged to monitor any such transactions entered into by their clients by conducting due diligence as outlined in the law with respect both to the clients and the transaction. If it is not possible to conduct such due diligence, the financial institution must prevent their clients from entering into any such transaction. The law requires any suspicious transaction to be reported to an authorised state body within 24 hours.

The Bank has implemented measures aimed at preventing it from being used as a vehicle for money laundering, including "know your client" policies and the adoption of anti-money laundering and compliance procedures in all its branches. In particular, the Bank has created a financial monitoring service whose task is to develop an appropriate programme to verify clients and other persons participating in bank operations, and a procedure for working with foreign public officials, to identify suspicious operations and operations requiring financial monitoring, to prevent the Bank from being used for money laundering and the financing of terrorism, to ensure the compliance of the Bank with applicable anti-money laundering and financing of terrorism laws and regulations and to provide training to employees of the Bank on anti-money laundering and financing of terrorism issues. The Bank is currently not establishing business relationships with non-resident banks that do not have constantly active management bodies in the countries in which they are registered, is not opening accounts for potential clients who do not submit the necessary identification documents, and is closely monitoring relationships with residents of countries that have not fulfilled the Financial Action Task Force recommendations in full.

However, there can be no assurance that attempts to launder money through the Bank will not be made or that anti-money laundering measures implemented by the Bank will be effective. If the Bank were associated with money laundering, albeit only through the failure of its anti-money laundering measures, or if it were unable to comply with all of the relevant laws and internal policies regarding financial assistance or money laundering, it could be subject to significant fines as well as harm to its reputation, and its business, financial condition, cash flows or results of operations may be materially and adversely affected.

Most of the Bank's operations are conducted, and most of its assets are located, in Kazakhstan. Accordingly, the Bank's financial position and its results of operations are substantially dependent on the legal, economic and political conditions prevailing in Kazakhstan.

Kazakhstan became an independent sovereign state in 1991 as a result of the dissolution of the former Soviet Union. Since then, Kazakhstan has undergone significant change as it has emerged from a single party political system and a centrally controlled command economy to a market oriented, democratic model. The transition was initially marked by political uncertainty and tension, a recessionary economy marked by high inflation, instability of the local currency and rapid, but incomplete, changes in the legal environment.

Since 1992, Kazakhstan has actively pursued a programme of economic reform designed to establish a free market economy through privatisation of state enterprises. However, as with any transition economy, there can be no assurance that such reforms and other reforms described elsewhere in this Prospectus will continue or that such reforms will achieve all or any of their intended aims. Kazakhstan depends on neighbouring countries to access world markets for a number of its major exports, including oil, gas, steel, copper, ferro alloys, iron ore, aluminium, coal, lead, zinc and wheat. Kazakhstan is thus dependent upon good relations with its neighbours to ensure its ability to export and has taken various steps to promote regional economic integration among neighbouring countries. In September 2003, Kazakhstan signed an agreement with Ukraine, Russia and Belarus for the creation of a single economic zone, which was expected to result in common economic policies, harmonisation of legislation implementing such policies and the creation of a single commission on trade and tariffs. However, in practice this agreement has proved difficult to implement, particularly since the first half of 2008, when Ukraine's joining of the World Trade Organisation effectively precluded it from joining this single economic zone. Negotiations nevertheless continued on integrating the policies and legislation of the CIS countries and in 2009, Kazakhstan, Russia and Belarus created a customs union. The aim of this customs union is to create a free customs area within which member countries would enjoy free movement of goods, services, capital and labour. The member countries also intend to harmonise their fiscal, credit and currency policies to support further economic integration with the CIS countries and to assure continued access to export routes. However, should access to export routes be materially impaired, this could adversely affect the economy of Kazakhstan. Moreover, adverse economic factors in the markets of such member countries may adversely affect Kazakhstan's economy.

Although Kazakhstan has in the recent past enjoyed relative political stability, it could be adversely affected by political unrest in the Central Asian region. Additionally, in common with other countries in Central Asia, Kazakhstan could be adversely affected by terrorism or by military or other action taken against sponsors of terrorism in the region.

According to figures compiled by the NSA, GDP grew in real terms following the adoption of a floating exchange rate policy in April 1999, increasing cumulatively be almost 200 per cent. between 2001 and 2007. In 2008 and 2009, real GDP increased by only 3.3 per cent. and 1.2 per cent., respectively, but again enjoyed strong growth of 7.3 per cent., 7.5 per cent. and 5.0 per cent. in 2010, 2011 and 2012, respectively.

Although the condition of the financial markets in Kazakhstan is expected to gradually improve throughout 2013, given the lingering economic and financial risks, there is unlikely to be a sharp increase in the credit activity of banks (except for retail lending) or a material improvement in the quality of their credit portfolios, and the further development of the economy of Kazakhstan will depend on a variety of factors. Were the economic situation to deteriorate again, consequences would include higher unemployment, reduced corporate profitability, increased corporate insolvency rates, increased personal insolvency rates and increased interest rates. This in turn may reduce borrowers' ability to repay loans, cause prices of residential or commercial real estate or other asset prices to fall further, thereby reducing the value of the collateral securing many of the Bank's loans and increasing writedowns, and negatively affect the ability and willingness of companies and individuals to place deposits with domestic banks, including the Bank.

The Kazakhstan economy is highly dependent on oil exports and, as a result, is affected by oil price volatility.

Countries in the Central Asian region, including Kazakhstan, whose economies and state budgets rely in part on the export of oil, oil products and other commodities as well as the import of capital equipment and significant foreign investments in infrastructure projects, could be adversely affected by any volatility in oil and other commodity prices and by frustration or delay to any infrastructure projects caused by political or economic instability. In addition, any fluctuations in the value of the U.S. Dollar relative to other currencies may cause volatility in earnings from U.S. Dollar denominated oil exports. An oversupply of oil or other commodities in world markets or a general downturn in the economies of any significant markets for oil or other commodities or weakening of the U.S. Dollar relative to other currencies would have a material adverse effect on the Kazakhstan economy. This, in turn, could have an adverse effect on the business, financial condition, cash flows or results of operations of the Bank.

The sharp drop in world prices for oil and other commodities since mid-2008 has had a negative impact on the growth prospects of the Kazakhstan economy.

The national budget for 2013–2015 initially projected revenues on the basis of world oil prices of U.S.$99 per barrel. This should provide for a 6.6 per cent. annual growth of the economy, taking into account the realisation of investment projects and introduction of new productions. However, the current situation shows that even the continuation of favourable oil prices does not guarantee a high level of economic growth. Although oil prices have recovered for the time being, there can be no assurance that further revisions of the national budget will not be required in light of continuing oil price volatility.

The Kazakhstan regulatory and tax regime, as well as the judicial system, are not fully developed and therefore are unpredictable.

Although a large volume of legislation has come into force since early 1995 (including new tax codes in January 2002 and 2009, laws relating to foreign arbitration in 2004, additional regulation of the banking sector and other legislation covering such matters as securities exchanges, economic partnerships and companies, state enterprise reform and privatisation), the legal framework in Kazakhstan is still in a relatively early stage of development compared to countries with established market economies. The judicial system, judicial officials and other government officials in Kazakhstan may not be fully independent of external social, economic and political forces. There have been instances of improper payments being made to public officials, administrative decisions have been inconsistent and court decisions have been difficult to predict.

Further, due to numerous ambiguities in Kazakhstan's commercial legislation, in particular in the newly adopted tax legislation, the tax authorities may make arbitrary assessments of tax liabilities and challenge previous tax assessments, thereby rendering it difficult for companies to ascertain whether they are liable for additional taxes, penalties and interest. As a result of these ambiguities, as well as the lack of any established system of precedent or consistency in legal interpretation, the tax risks involved in doing business in Kazakhstan are substantially more pronounced than in jurisdictions with a more developed tax system. As a result, there can be no assurance that such authorities will not change the tax treatment of the 2012 Restructuring and the structure of the Notes in a way that might adversely affect the interests of the Bank and the Noteholders.

There are risks associated with the underdevelopment of Kazakhstan's securities markets.

Kazakhstan has a less developed securities market than the United States, the United Kingdom and the rest of Western Europe, which may hinder the development of the Kazakhstan economy. An organised securities market was established in Kazakhstan only in the mid to late 1990s and the procedures for settlement, clearance and registration of securities transactions may therefore be subject to legal uncertainties, technical difficulties and delays. Although significant developments have occurred in recent years, the sophisticated legal and regulatory frameworks necessary for the efficient functioning of modern capital markets have yet to be fully developed in Kazakhstan. In particular, legal protections against market manipulation and insider trading are not as well developed in Kazakhstan, or as strictly enforced, compared to the United States, the United Kingdom and the other Western European countries, and existing laws and regulations may be applied inconsistently.

Kazakhstan's president, Nursultan Nazarbayev, has been in office since 1991 and, if he were to leave office, Kazakhstan could become unstable.

Kazakhstan has had only one president, Nursultan Nazarbayev, who is 72 years old. Under President Nazarbayev's leadership, the foundations of a market economy have been laid down and the country has been largely free from political violence. In 2007, Kazakhstan's Parliament amended Kazakhstan's constitution to allow President Nazarbayev to run in an unlimited number of consecutive re-elections. The 2007 amendment permitted President Nazarbayev to seek re-election at the end of his term in 2011 and in April 2011 he was re-elected with 95.5 per cent. of the vote for a new five-year term.

Given that Kazakhstan has not had a presidential succession and that there is no clear successor to Mr. Nazarbayev, the issue is a potential cause of instability and there can be no assurance that any succession will result in a smooth transfer of office and a continuation of current economic policies. Thus, should he fail to complete his current term of office for whatever reason or should a new president be elected at the next election, Kazakhstan's political and economic environment could become unstable and the investment climate in Kazakhstan could deteriorate, which would have a material adverse effect on the Bank's business, financial condition, results of operations and prospects.

Risks relating to the Notes

Due to the Bank's financial condition prior to the completion of the 2012 Restructuring and the historical volatility in the price of securities in Kazakhstan's banks, the market price of the Notes is likely to be volatile.

As a result of a number of factors, including the Bank's recent financial condition and its participation in markets that have experienced historical price volatility, the market price for the Bank's shares has historically been volatile and the market price for the Notes is also likely to be volatile, perhaps even more so than the stock market in general or the market for shares of other Kazakhstan banks. Noteholders may not be able to sell their Notes at the desired terms or at attractive prices as a result of such volatility. Factors that could cause volatility in the market price for the Notes in the future may include, among other things:

- actual or anticipated variations in the Bank's operating results;
- new products or services, whether the Bank's or those of its competitors;
- changes in financial estimates by analysts covering the Bank;
- changes in the market valuations of other Kazakhstan banks;
- large increases or decreases in capital commitments; and
- additions to, or departures of, its key personnel.

Due to the Bank's troubled financial history and its participation in historically volatile markets, these factors may negatively affect the market price for the Notes to a greater extent than they would securities of other companies, in some cases regardless of the Bank's actual operating performance.

The Notes may be subject to withholding tax.

Pursuant to Article 193 of the Tax Code, the payment of interest in respect of the Notes would be made without withholding tax if the Notes (at the moment of accrual of interest) were to be listed on the official category on the KASE.

Whilst the Notes are already listed on the KASE and the Bank shall endeavour to ensure that, at the moment of accrual of interest, the Notes will continue to be listed on the KASE in the appropriate category to qualify for relief from local withholding tax, in the event that the Notes are not so listed on the KASE at the moment of accrual of interest, the payment of interest in respect of the Notes will be subject to withholding tax. Since the Bank is obliged to gross up all payments subject to withholding tax, this would increase the amounts the Bank would have to pay under the Notes which may have a material adverse effect on the Bank's financial condition and cash flows.

The Notes may not be a suitable investment for all investors.

Each prospective purchaser in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each prospective purchaser should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes;

(iv) understand thoroughly the terms of the Notes; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes may be redeemed by the Bank prior to maturity for tax reasons.

In the event that the Bank would be obliged to increase the amounts payable in respect of the Notes due to any change in or amendment to the laws or regulations of Kazakhstan or any political sub-division thereof or of any authority therein or thereof having the power to tax or in the interpretation or administration thereof, the Bank may redeem all outstanding Notes in accordance with the Conditions of the Notes. It may not be possible to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes and this may only be possible at a significantly lower rate.

The Conditions of the Notes permit defined majorities to bind all Noteholders and permit the Trustee to take certain action without Noteholder consent.

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed (other in respect of a matter requiring a special quorum resolution) if in the opinion of the Trustee the interests of the Noteholders will not be materially prejudiced thereby or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default (each as defined in the Conditions of the Notes) shall not be treated as such in the circumstances described in Condition 13 (*Meetings of Noteholders; Modification and Waiver*) of the Notes and in Clause 12 (*Waiver and proof of default*) of the Trust Deed.

The EU Savings Directive may impose withholding tax.

The EU has adopted a Directive (2003/48/EC) regarding the taxation of savings income pursuant to which Member States are required to provide to the tax authorities of other Member States details of payments of interest and other similar income paid by a person to an individual in another Member State. However, for a transitional period, Austria and Luxembourg are instead required (unless during such period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent on the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying and Transfer Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Bank is required to maintain a Paying and Transfer Agent in a Member State that is not be obliged to withhold or deduct tax pursuant to the Directive.

An active trading market for the Notes may not develop.

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, Noteholders may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of the Notes.

Exchange rate risks and exchange controls exist to the extent payments in respect of the Notes are made in a currency other than the currency in which a Noteholder's activities are denominated.

The Bank will pay principal and interest on the Notes in U.S. Dollars. This presents certain risks relating to currency conversions if a Noteholder's financial activities are denominated principally in a currency or currency unit (the "**Noteholder's Currency**") other than U.S. Dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. Dollars or revaluation of the Noteholder's Currency) and the risk that authorities with jurisdiction over the Noteholder's Currency may impose or modify exchange controls. An appreciation in the value of the Noteholder's Currency relative to U.S. Dollars would decrease (i) the Noteholder's Currency-equivalent yield on the Notes, (ii) the Noteholder's Currency-equivalent value of the principal payable on the Notes and (iii) the Noteholder's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, Noteholders may receive less interest or principal than expected, or no interest or principal.

Changes in market interest rates may adversely affect the value of the Notes.

Investment in the Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Notes, since the Notes have a fixed rate of interest and prevailing interest rates in the future may be higher than that fixed rate of interest.

Credit ratings may not reflect all risks.

The credit rating(s) assigned to the Notes at any time may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

Legal investment considerations may restrict certain investments.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each prospective investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk based capital or similar rules.

THE BANK

Overview

The Bank is a commercial bank operating primarily in Kazakhstan, offering a range of traditional retail and corporate banking products and services. The Bank has one of the largest geographical branch-office networks in Kazakhstan (according to data provided by the FMSC), a loyal existing customer base in retail and SME banking and a well-known brand.

For management purposes, the Bank is organised into four operating segments:

- *Retail banking*, which provides banking services for individuals, such as private customer current accounts, savings accounts, deposits, credit and debit cards, consumer loans and mortgages and cash and foreign currency related services;
- *SME banking*, which provides banking services for individual entrepreneurs, farm households and small enterprises, such as current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products, as well as customer support electronic systems;
- *Corporate banking*, which provides businesses other than small and medium-sized businesses with direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products; and
- *Investment activities*, which manages financial assets and liabilities used for trading or investment purposes, financing and merger and acquisitions transaction support.

The Bank also has various departments providing global support services including, *inter alia*, accounting, monitoring and control, asset restructuring, problem loans and credit and operational risk and collateral monitoring.

History

The Bank was incorporated on 15 January 1997 as a closed joint stock company as part of the restructuring and merger between two state owned banks, Alem Bank and Turan Bank, pursuant to a decision of the Government and the NBK. On 4 March 2008, the FMSA issued the Bank its current banking licence (No. 242). The registered office and the head office of the Bank are located at 97 Zholdasbekov Street, Samal 2, Almaty 050051, Kazakhstan.

On 24 January 2008, "Bank TuranAlem" JSC changed its name to "BTA Bank" JSC. The Bank was issued with state registration certificate No. 3903 1900 AO by the Ministry of Justice of Kazakhstan.

Background to the 2012 Restructuring

The 2010 Restructuring

After following an aggressive growth strategy between 2004 and 2007, primarily funded by short-term bank borrowings and issues of debt securities in the international capital markets, the Bank's financial condition and liquidity position had severely deteriorated by February 2009. The Bank also learned at that time that it had been the subject of what it believes to have been major fraud by its former management and that substantial portions of its loan portfolio comprised loans or other exposures to entities related to its former management. As a result, it reported increasing levels of loan loss provisions on its loan portfolio throughout the first five months of 2009, beginning with provisions on its loan portfolio equal to KZT 214,777 million (based on FMSA methodology), representing 9.2 per cent. of its total loan portfolio as at 1 January 2009, of KZT 518,272 million, representing 19.9 per cent. of the total loan portfolio as at 1 March 2009 and of KZT 1,522,139 million, representing 57.6 per cent. of its total loan portfolio as at 1 June 2009. These increasing provisions caused the Bank to breach its capital adequacy ratios on 1 June 2009 and the general uncertainty as to the Bank's future further exacerbated the Bank's difficulties in collecting on its loan portfolio. Thus, as at 1 October 2009, the Bank had accumulated KZT 1,958,899 million in provisions, representing 75.5 per cent. of its total loan portfolio.

Additional provisions were recognised in the Bank's consolidated financial statements as at 31 December 2008 in accordance with IFRS. The Group recognised loan loss provisions in its audited financial statements equal to KZT 1,217,278 million as at 31 December 2008 and KZT 2,123,408 million as at 31 December 2009. On 2 February 2009, the Government accepted the FMSA's recommendation to recapitalise the Bank, following which Samruk-Kazyna acquired 75.1 per cent. of the Bank's issued share capital for cash consideration of KZT 212,095 million. In addition to this recapitalisation, the Government provided liquidity support to the Bank in the form of deposits and loans under the State Finance Programmes.

As a result of the Bank's worsening financial condition, the Bank announced a moratorium on repayments of principal on 24 April 2009 and on payments of interest on 22 July 2009. On 3 September, the Bank appointed a steering committee of its creditors in order to manage its recently commenced restructuring proceedings.

On 7 December 2009, the Bank and its creditors' steering committee signed a principal commercial terms sheet setting out the key commercial terms of the restructuring of the Bank, the associated restructuring packages and certain other arrangements, principally relating to the Bank's corporate governance and other aspects of its operations and business following completion of the restructuring of the Bank. On 17 March 2010, the Bank and the steering committee entered into an amendment to the principal commercial terms sheet.

The proposed restructuring plan was approved by the creditors at the claimants' meeting on 28 May 2010, by the FMSA on 4 June 2010 and by the Court on 1 July 2010. All principal steps to complete the 2010 Restructuring were completed by 16 September 2010.

As a result of the Group's 2010 Restructuring, the Group's outstanding pre-restructuring external debt of U.S.$11,647 million was cancelled or restructured in exchange for (i) U.S.$945 million in cash, (ii) new senior debt totalling U.S.$3,242 million, (iii) new subordinated debt totalling U.S.$773 million, (iv) a revolving committed trade finance facility of U.S.$698.2 million and (v) Recovery Units. As a result of the 2010 Restructuring, the Bank's regulatory capital increased to KZT 283,282 million as at 1 September 2010, which was in compliance with the minimum regulatory capital requirements set by the Bank's regulatory bodies.

Post-2010 Restructuring

Despite the completion of the 2010 Restructuring, which resulted in a considerable increase in the Group's equity and the Bank's regulatory capital, by 31 December 2010 the Group had a capital deficit of KZT 104,513 million.

Following the 2010 Restructuring, the Bank's performance was severely constrained by several factors, including, *inter alia*: (i) the inability of the Bank to fully implement its business-model put in place in connection with the 2010 Restructuring which envisaged a significant recovery of funds in 2011 from restructuring and repayment of loans; (ii) the inability of the Bank to realise loan collateral at previously estimated prices, partly caused by protracted civil litigation in various CIS countries; (iii) increased competition within the banking industry in Kazakhstan; (iv) the inability of middle management to implement the Bank's business plan; and (v) a lack of funding for the business improvements needed in order to address increasing levels of competition within the banking industry in Kazakhstan.

As a result of these developments, the Group's total liabilities as at 31 December 2011 exceeded its total assets by KZT 534,808 million. Moreover, during 2011, the Group incurred net losses of KZT 418,010 million (in comparison to net income for 2010 of KZT 986,265 million) and negative cash flows of the Group from operating activities amounted to KZT 29,690 million (in comparison to positive cash flows from operating activities for 2010 of KZT 137,623 million).

On 7 December 2011, Moody's downgraded the long-term local and foreign currency deposit ratings of the Bank from "B3" to "Caa2". This downgrade was largely attributable to the Bank issuing weak financial results in respect of the third quarter of 2011. In addition, Moody's downgraded the long-term senior unsecured debt rating in foreign currency from "Caa2" to "Ca" and long-term subordinated debt rating from "Caa3" to "C".

On 23 December 2011, Fitch downgraded the long-term issuer default ratings of the Bank in foreign and national currencies from "CCC" to "C". Furthermore, Fitch downgraded the senior unsecured debt ratings of the Bank to a Recovery Rating of "RR5" and supporting long-term issuer default ratings from "CCC" to "C".

In late December 2011, a General Meeting of Shareholders was called for 26 January 2012 in accordance with a resolution of the Board of Directors dated 19 December 2011. The Board of Directors proposed that the shareholders vote on certain matters relating to the potential restructuring of the Bank's indebtedness and on whether the Bank should impose a general moratorium on payments to third parties. None of the proposed resolutions were passed.

Meanwhile, on 17 January 2012, an event of default occurred under certain of the Bank's debt securities as a result of its non-payment of interest due on them. On 27 January 2012, the Bank held meetings with its creditors. A steering committee of the Bank's creditors was formed on 6 February 2012 and was formally appointed by the Bank on 5 April 2012. From 28 April 2012 until the completion of the 2012 Restructuring, the Bank was in breach of all prudential requirements enacted by the NBK.

Following a due diligence exercise and discussions with members of the steering committee and their advisers, on 2 October 2012, the Bank, Samruk-Kazyna and the majority of the steering committee agreed upon a non-binding term sheet setting out the principal commercial terms of the 2012 Restructuring.

The Bank published an information memorandum dated 8 November 2012 in relation to the 2012 Restructuring, which contained the form of the Restructuring Plan, and a supplemental information memorandum dated 27 November 2012. The Restructuring Plan was approved by the Bank's Shareholders on 3 December 2012 and by the Claimants at the Claimants' Meeting held on 5 December 2012. The Court approved the Restructuring Plan on 13 December 2012.

On 11 December 2012, the NBK registered an increase in the Bank's share capital from 55,258,129,745 to 641,500,788,955 Shares, and, accordingly, on 24 December 2012, the Bank increased its authorised share capital to KZT 1,367,817,967,816.70.

On 24 December 2012, the Bank and The Bank of New York Mellon as Distribution Agent distributed the cash, Notes, Shares and GDRs to Claimants in consideration for the cancellation of their claims against the Bank.

On 28 December 2012, the Court declared the 2012 Restructuring complete, which decision came into force on 6 February 2013, effectively finalising the process by which the Bank successfully restructured KZT 1,685 billion (equivalent to U.S.$11.2 billion) of its financial indebtedness into equity and indebtedness amounting to KZT 491 billion (equivalent to U.S.$3.3 billion). Accordingly, the Bank recognised a restructuring gain of KZT 1,074 billion.

As part of the successful completion of the 2012 Restructuring, the Bank has cancelled all of its previously issued debt securities and other liabilities and in consideration therefor has distributed KZT 243,487 million (approximately U.S.$1,618 million) in cash to Claimants in addition to Notes in principal amount of KZT 113,055 million (U.S.$750,000,000) and has issued 597,286,607,949 Shares (in the form of both Shares and GDRs). The Bank also amended and restated the RCTFF Agreement.

The completion of all of the steps contemplated by the Restructuring Plan has resulted in a further improvement in the Bank's capital position of KZT 209,887 million as at 29 December 2012. The

Bank's regulatory capital amounted to KZT 217,631 million as at 29 December 2012, allowing the Bank to comply with the required NBK capital adequacy ratios.

Potential Sale of the Bank

It is the stated intention of the Government of Kazakhstan that the Bank's principal shareholder Samruk-Kazyna, which is wholly-owned by the Government, should divest its stake in the Bank by the end of 2013. Whilst various parties have been mentioned as potential purchasers of the majority shareholding in the Bank, the identity of any future buyer is as yet unknown and there is no guarantee that any sale will take place in 2013 or at all. There can be no assurance as to the plans any purchaser may have for the Bank and its business or as to whether the Bank would remain in its current form or be merged into or consolidated with any purchaser or member of the purchaser's group. See "*Risk Factors — Risks Relating to the Bank — Any future sale or merger of the Bank may have a material and adverse effect upon the business and results of the Bank and its ability to perform its obligations under the Notes*".

Strengths and Strategy

The Bank believes that, despite its current diminished financial condition and competitive position, it has retained certain of its historical strengths. In particular, the Bank has one of the largest geographical branch-office networks in Kazakhstan. In addition, the Bank has a strong existing customer base in retail and SME banking and a well-known brand. The Bank expects to continue to operate as a universal bank but will focus its efforts, at least in the short- to mid-term, on consolidating and expanding its retail and SME business. It is expected that, in respect of its corporate banking business, which has deteriorated significantly since 2009, the Bank will require significantly more time to regain its customer base in order to return to a leading position.

The turnaround of the Bank will require major operational changes and dedication to the implementation of a business plan. To be sustainable, the Bank will need to optimise its cost structure and operational efficiency, increase loan issues, improve back-office operations and improve its risk management systems and procedures.

Investments will be required across the board to ensure that the Bank's capabilities enable it to regain customer confidence. Accordingly, the Bank will need to improve customer segmentation and understanding, as well as its service culture and accelerate its processes under a more empowered management structure. The Bank will also require significant IT upgrades and investment to prevent its systems becoming outdated.

With regard to retail banking, the Bank's primary objective is to regain market share by significantly improving its offering and quality of services, developing customer-driven front-office operations, increasing sales and the cross-selling of products and rationalising processes. This will also involve repositioning the Bank's outlet network to strengthen its presence in key markets, such as Almaty, Astana and Shymkent.

With regard to SME banking, the Bank's branch network provides an opportunity to develop close relationships with local entrepreneurs and, accordingly, become an operator of choice in the SME segment in Kazakhstan. In order to increase its market share in SME banking, the Bank intends to implement tailored product packages, improve risk and credit processes, expand its sales network and improve its sales effectiveness.

With regard to corporate banking, the Bank aims to gradually regain customers by restoring customer relationships, growing the sales network and improving product management capabilities.

In the mid- to long-term, the Bank expects to be largely self-funded through deposit growth, which it intends to achieve through the strengthening of its customer relationships and improvement of its customer service capabilities. The Bank anticipates that business growth, together with the improvement of its systems and processes and streamlining of its cost structure, will allow it to achieve a notable improvement in its cost-to-income ratio. If it is able to successfully implement its strategic goals and business plan, the Bank estimates that it may return to profitability as early as 2015.

The Bank also hopes to benefit from strong growth in the Kazakhstan market generally. Market growth in Kazakhstan is expected to be driven by a number of factors, including improving economic conditions, increasing consumer income, expansion of SMEs within the economy and relatively low banking penetration levels.

Business of the Bank

Under the terms of the Bank's licence, the Bank is authorised to offer a full range of traditional retail and corporate banking products and services, including deposit taking, lending, issuing of letters of credit, funds transfers, custodial services, issuing of payment cards and related services, foreign currency exchange, issuing of guarantees, cash operations, trust operations, collection operations, transactions with precious metals, leasing, broker dealer transactions, clearing operations and safe keeping operations.

The Bank services private commercial enterprises, state-owned enterprises and individual customers. As at 31 December 2012, the Bank had 22 regional branches and 204 cash offices throughout Kazakhstan.

The Bank has four principal business activities, divided into various departments: retail banking, SME banking, corporate banking and investment activities. See "— *Principal Business Activities*". The Bank has various ancillary departments that provide support services.

The following table presents a breakdown of the Group's net loan portfolio as at 31 December 2012, 2011 and 2010:

	As at 31 December					
	2012		**2011**		**2010**	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Corporate loans	314,522	48.8	321,042	49.2	417,025	53.0
Retail loans	207,901	32.2	208,389	32.0	233,409	29.6
SME loans	122,260	19.0	122,366	18.8	137,184	17.4
Total	**644,683**	**100.0**	**651,797**	**100.0**	**787,618**	**100.0**

The Bank offers its products and services through its own branch network as well as through alternative distribution channels.

Principal Business Activities

Retail Banking

The retail business continues to be a key component of the Bank's activities. The Bank provides a wide range of services to retail customers, including many different forms of lending, saving products, card products and cash settlement services.

As at 31 December 2012, the client base of the retail business comprised approximately 680,190 clients, 1.26 million accounts, and 956,649 cards in circulation.

As at 31 December 2012, the Group's consolidated retail loan portfolio included KZT 242,114 million in loans to retail customers, which represented 9.8 per cent. of its gross loan portfolio. As at 31 December 2012, the Group posted KZT 34,213 million of provisions in respect of retail loans.

The deposits of retail clients of the Bank excluding interest and funds from state programmes (on an unconsolidated basis) decreased by 3.7 per cent. to KZT 284,413 million as at 31 December 2012 from KZT 295,442 million as at 31 December 2011, primarily due to the announcement of the commencement of the restructuring process in December 2011 and ratings downgrades.

The Bank's goal is to grow its retail-banking business to be among the top three in Kazakhstan. It expects to achieve this position by significantly increasing cross-selling activities and by implementing a customer-centric sales culture and product offering. Although it has lost market share in this segment, the Bank believes there are a number of factors that indicate its potential to grow and regain its previous market position. These factors include, *inter alia*, its retail network (which is the second largest in Kazakhstan according to data provided by the FMSC) and share of corporate salary accounts.

To achieve the desired growth, the Bank intends to transform its retail banking business by moving away from its historical focus on corporate relationships and servicing salary accounts to focus on its retail consumers. Historically, the Bank has predominantly targeted its customers through corporate relationships and direct marketing in the form of corporate presentations. This has resulted in low levels of cross-selling of loan products to its salary accounts customers. Accordingly, the Bank intends to leverage its relationship with salary accounts customers and its branch network, increase investment in building its brand, drive sales at the branch level, target specific customers and provide a broad product offering.

The Bank has identified three key pillars of its retail banking plan. First, the Bank intends to leverage its core strength by increasing salary accounts, both through existing clients and new targets primarily to drive future loan growth. To achieve this increase, the Bank expects to undertake a broader sales effort beyond its current corporate and SME customer base. The Bank plans to clarify different business units' responsibilities for sales of salary accounts and include these in key performance indicators and incentives. The Bank also plans to market targeted product offerings and promotions to increase its share of account holders in corporates that have more than one bank for salary accounts, where currently the Bank's market share is low. Second, the Bank intends to focus on cross-selling potential in connection with both salary and non-salary accounts. To achieve this increase in cross-sales, the Bank expects to increase its customer focus by profiling target customer segments and building a customer database, developing product innovations for cross-selling, enabling all sales channels for cross-selling and establishing an outbound call centre. Third, the Bank intends to use its branch network to increase the number of walk-in customers and conversions following a branding and marketing campaign and a branch refurbishment and through improving sales effectiveness within its branch network.

The Bank also intends to strengthen its presence in key markets, including Almaty, Astana and Shymkent, through an increased focus of management efforts and initiatives and the repositioning of its outlet network to increase its outlet footprint in these markets.

In order to support the projected growth in retail banking, the Bank intends to undertake certain initiatives, including (i) the implementation of a lead management system and a short-term database solution, both of which are believed to be critical for successful cross-selling, (ii) upgrading the Bank's call centre to facilitate outbound calls and (iii) developing score cards and improving the underwriting and collection processes including the implementation of the Kastle collection module, by which the Bank aims to automate its collection processes and improve its control and monitoring of the banking execution process.

SME Banking

The Bank's Department of Small and Medium Business provides banking services to SMEs, which are defined as legal entities with annual sales of no more than U.S.$25 million. The Bank sets a financing limit of no more than U.S.$10 million for SMEs.

The Bank offers different types of products to its SME clients: loans and credit lines, overdrafts, letters of credit, guarantees, promissory notes, bonds and factoring. The Bank also lends funds to SMEs through the SME State Finance Programme, as well as through other Samruk-Kazyna stabilisation programmes. See "— *State Finance Programmes*".

The Bank works with enterprises in all sectors of the economy and offers loans for various purposes, including:

- replenishment of working capital;
- purchase of raw materials;
- trade operations;
- purchase of equipment, real estate purchase and equity investments; and
- "investment loans" (which under FMSC guidelines means loans which include the following terms: (i) a maturity of five or more years; (ii) restriction on prepayment in full; and (iii) a business plan that contemplates the creation, expansion and modernisation of material production, manufacturing or transport infrastructure).

As at 31 December 2012, the Bank serviced approximately 74,849 SME clients in its 22 branches, including approximately 6,768 borrowers. The Bank evaluates the particular circumstances of each SME client and uses a tailored approach in servicing their loans supported by a full range of banking services. The Bank will provide certain discounts on certain products to customers who have been loyal to the Bank for many years or to customers who provide high turnover.

As at 31 December 2012, the Group's loan portfolio included KZT 162,655 million of loans to SME customers, which represented 6.6 per cent. of its gross loan portfolio. As at 31 December 2012, the Group posted KZT 40,395 million of provisions in respect of SME loans.

The Bank's deposits of SME clients excluding interest and funds from state programmes (on an unconsolidated basis) decreased by 23.0 per cent. to KZT 94,025 million as at 31 December 2012 from KZT 122,157 million as at 31 December 2011, primarily due to the announcement of the commencement of the restructuring process in December 2011 and ratings downgrades.

Despite intensifying competition and a significant loss of clients in recent years, the Bank intends its SME business to remain one of the top five in Kazakhstan. The Bank will continue to focus on the medium-sized business segment due to its size, position and profitability. However, the Bank plans to increasingly operate in the small company segment with separate processes focussed on this segment including developing tailored score cards, standardised products, sales force and key performance indicators.

The Bank has identified some key challenges faced by its SME business. First, while the Bank believes that the speed of its credit processes is competitive, due to the relatively lower credit decision limits of the Bank's branches as compared to its competitors, the need to send the application to the Head Office for approval can increase the time it takes to make a credit decision. In addition, the effectiveness of the SME sales force is limited due to a number of structural and organisational issues such as the lack of an incentive scheme and comprehensive support from a customer relationship management system and lead management systems. This lack of support has also resulted in the Bank losing relationship managers and many of their clients who follow them to competitors. As the position of the Bank in the regions depends heavily on its long-term relationships with its customers, it is critical for the Bank to resolve this issue quickly in the future. Management has recently introduced certain key initiatives to combat this. Specifically, it has launched a separate Small SME client unit, developed a detailed pipeline of prospects by region and introduced new terms and conditions for selected products.

The Bank's plan for its SME business is to regain market share in both medium and small segments while increasing its income per client and loyalty through better targeted product offerings and a significant increase of cash management services. In order to achieve growth in its medium-sized corporate portfolio, the Bank intends to target former customers who have signalled their potential interest in the Bank's products and to drive growth in selected industries with specific product offerings and targeting, improving its position in Almaty and Astana and gaining market share in growth regions through investments in the Bank's sales force in those regions. In order to achieve growth in the Bank's small corporate portfolio, a newly created unit will develop separate sales models, including credit processes based on scoring and standardised products to give the Bank a competitive advantage. In addition, the small corporate unit will build its own sales force and establish separate key performance indicators for the outlet managers, supported by an increased marketing budget to specifically target this segment. In order to grow income per customer, the Bank intends to recapture its share of cash management services by increasing portfolio saturation through launching a highly competitive offer of product packages and bundling account and cash management related services. The Bank also plans to develop a 'fast-track' credit process for existing clients, enabling it to provide rapid credit decisions based on pre-approved limits and limited documentary requirements.

Corporate Banking

As at 31 December 2012, the Bank serviced 923 corporate clients. In order to provide high-quality client service, the Bank developed a dedicated team of personal managers with a high level of responsibility and professional skills.

The Bank's corporate business is responsible for attracting new corporate clients and servicing existing corporate clients of the Bank.

As at 31 December 2012, the Group's corporate loan portfolio included KZT 2,062,854 million in loans to corporate customers (not including SME customers), representing 83.6 per cent. of its gross loan portfolio. As at 31 December 2012, the Group posted KZT 1,748,332 million of provisions in respect of corporate loans (excluding SME loans).

The Bank's deposits from corporate clients excluding interest and funds from state programmes (on an unconsolidated basis) decreased by 56.2 per cent. to KZT 123,563 million as at 31 December 2012 from KZT 282,039 million as at 31 December 2011, primarily due to the conversion of certain deposits of Samruk-Kazyna into Shares in the Bank.

The financial crisis and 2010 Restructuring significantly impacted the Bank's corporate banking business. The corporate banking business was overexposed to real estate and construction companies (segments which have still not fully recovered), underrepresented in more stable segments of the economy and too complacent in its approach to risk management. The decline of the corporate banking business has in turn resulted in a significant downsizing of the corporate banking unit, with the number of relationship managers decreasing from approximately 60 in 2010 to 12 as at the date of this Prospectus. In addition, competition for large corporate borrowers has significantly increased with international banks such as Sberbank specifically focusing on this segment with aggressive pricing.

The Bank intends to gradually rebuild its corporate banking business and regain some of its lost market share to become a medium-sized competitor. In order to achieve this, the corporate banking business will need to rebuild its infrastructure, improve its credit processes, hire experienced relationship managers and regain market trust.

Currently, the Bank lacks a complete product offering for large, internationally active companies due to its low credit rating, which makes trade financing and bank guarantees unattractive. As a result, the main target segments for the Bank are domestically oriented medium sized companies and subsidiaries of large national holding companies, with annual turnover of approximately KZT 2-3 billion.

In the medium to large corporate banking segment, the Bank competes with the top 15 banks in Kazakhstan. Within this group, the Bank's comparatively large branch network and salary account service capabilities create a one-stop shop for banking services, which are important for customers in this segment and which the Bank believes gives it a competitive advantage. Accordingly, the Bank intends to focus on its ability to service this category of clients with a packaged product offering supported both by a new team of product managers which the Bank intends to hire and its current experienced relationship managers. The Bank plans to initially focus on the 50 companies with which it has strong personal relationships and who hold positive perceptions of the Bank.

Investment Activities

The Bank's investment activities include trading or investing financial assets and liabilities, financing and merger and acquisitions transaction support. The Bank operates in local and foreign market operations through its Treasury department and BTA Securities, as well as its international operations support departments.

The Bank's Treasury department provides open market operations in order to ensure the efficient management of the Bank's funds (for the Bank as a whole). The Treasury department achieves this purpose using foreign exchange and money market operations, and operations with securities, taking into consideration the policy of efficient internal and external risk management. See "*Asset and Liability Management — Treasury Operations*".

In 1997, the Bank created BTA Securities, a wholly-owned subsidiary of the Bank. BTA Securities offers its clients a wide range of services: broker services, individual trust management services, mutual fund services and the issuance and placement of the securities of its clients.

BTA Securities also has a trading division that carries out brokerage operations, as well as trading operations for its own portfolio. BTA Securities provides its clients with access to Kazakhstan and international securities markets.

BTA Securities provides a range of investment banking products and services, including mergers and acquisitions, structured solutions and derivatives, for clients of all sizes and across all industries. BTA Securities' investment banking clients include local and foreign acquirers and target companies.

Trade Finance

The Bank has been historically active on the international markets and has regularly entered into various trade finance interbank facilities with foreign banks and Kazakhstan subsidiaries of foreign banks, pursuant to each of which the Bank was permitted to draw various amounts for on-lending funds for export-import operations of its clients in Kazakhstan and abroad.

The 2010 Restructuring resulted in the closing of all trade finance credit lines to the Bank by correspondent banks. As a result, the trade finance-oriented clientele base of the Bank was lost. On 25 August 2010, the Bank and its trade finance lenders entered into the RCTFF Agreement for the amount of U.S.$698 million, which was amended and restated as part of the 2012 Restructuring. The purpose of the RCTFF is to support trade finance transactions of the Bank's customers and therefore maintain its trade finance business.

Other Activities of the Bank

Through its subsidiaries, the Bank also provides pension fund services and insurance services to support its corporate, SME and retail business segments.

Pension Fund Services

The provision of pension fund services is a services market in Kazakhstan as a result of government reform in this area in 1998. As at 31 December 2012, there were 11 cumulative pension funds (all of which have licences to conduct independent asset management) and two asset management companies operating in the Kazakhstan market. The Bank has one pension fund (Ular-Umit) and one asset management company (Zhetysu). Ular-Umit's principal activities include the collection of obligatory and voluntary pension fees, pension payments to clients and the investment of pension assets within the framework provided under Kazakhstan law. Zhetysu's principal activity is the management of pension assets.

On 23 January 2013, the President of the Republic of Kazakhstan instructed the Government and the NBK to create a single pension fund by transferring to the NBK all the private pension funds. It is anticipated that this will take place by July 2013. It is not clear whether or to what extent private sector managers of pension funds will be compensated in relation to the transfers.

Insurance Services

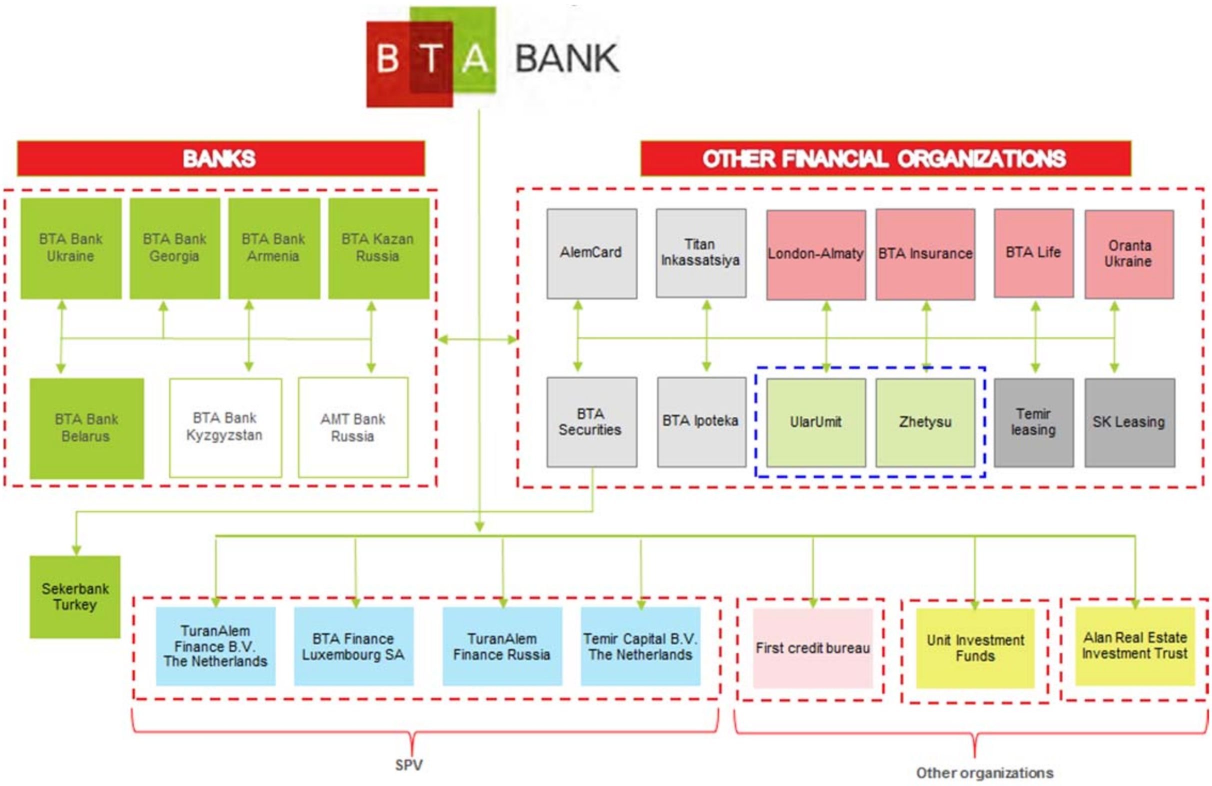
The insurance market is developing rapidly in Kazakhstan due to changes in legislation, increased regulatory supervision and the general economic development in Kazakhstan over recent years. As at 31 December 2012, there were 35 insurance companies operating in Kazakhstan, with a total capital of KZT 240 billion and total assets of KZT 442 billion. As at 31 December 2012, the Group had a controlling interest in each of Insurance Company London-Almaty (100 per cent.), BTA Life (100 per cent.) and BTA Insurance (99.45 per cent.) through which it offers a broad range of insurance products.

Insurance Company London-Almaty focuses on services connected with property insurance and the insurance of responsibilities of legal entities and individuals. BTA Insurance provides medical insurance along with the insurance of property and responsibilities. BTA Life provides life insurance and annuities, primarily to individuals.

Subsidiaries and Associates of the Bank

Corporate Structure

The organisational structure of the principal members of the Group as at 31 December 2012 was as follows:



Subsidiaries

The Bank had 31 subsidiaries as at 31 December 2012. The financial results of these subsidiaries are consolidated with those of the Bank in the Financial Statements contained herein. The following table sets out certain information relating to the Bank's subsidiaries as at 31 December 2012:

Subsidiary	Per cent. owned	Country of incorporation	Date of incorporation	Industry	Date of acquisition
BTA Securities	100.00	Kazakhstan	17 October 1997	Securities trading and asset management	13 December 1997
BTA Ipoteka	100.00	Kazakhstan	20 November 2000	Consumer mortgage lending	20 November 2000
BTA Life	100.00	Kazakhstan	22 July 1999	Life insurance	30 March 2001
TuranAlem Finance	100.00	Netherlands	22 May 2001	Capital markets	22 May 2001
TuranAlem Finance (Russia)	100.00	Russia	22 June 2004	Capital markets	28 September 2004
Insurance Company London-Almaty	100.00	Kazakhstan	20 November 1997	General insurance	5 August 2004
BTA Finance Luxembourg.	100.00	Luxemburg	5 January 2006	Capital markets	6 March 2006
BTA Insurance	99.45	Kazakhstan	8 September 1998	General insurance	21 December 2006
Temir Capital	100.00	Netherlands	29 May 2001	Capital markets	29 December 2006
BTA Belarus	99.71	Belarus	25 April 2002	Bank activities	30 October 2008
Ular-Umit	92.38	Kazakhstan	23 January 1998	Pension fund	13 January 2010
Titan Inkassatsiya	100.00	Kazakhstan	22 August 2002	Encashment	5 January 2010
Zhetysu	100.00	Kazakhstan	5 March 1998	Pension assets investment management	14 January 2010
Alemcard	100.00	Kazakhstan	28 June 2002	Processing centre	3 October 2011
Joint-Stock Investment Real Estate Fund "Alan Real Estate Investment Trust" JSC	100.00	Kazakhstan	17 June 2008	Real estate investments	29 December 2012
Risk Investments Closed Unit Fund "Sigma"	100.00	Kazakhstan	22 August 2008	Mutual investment fund	29 December 2012
Risk Investments Closed Unit Fund "Fokstrot"	100.00	Kazakhstan	22 August 2008	Mutual investment fund	29 December 2012
Interval Unit Investment Fund "Bonusnyi"	100.00	Kazakhstan	31 January 2007	Mutual investment fund	29 December 2012
Risk Investments Closed Unit Fund "Vektor"	100.00	Kazakhstan	21 June 2005	Mutual investment fund	29 December 2012
Risk Investments Closed Unit Fund "Gamma"	100.00	Kazakhstan	22 August 2008	Mutual investment fund	29 December 2012
Risk Investments Closed Unit Fund "Delta"	100.00	Kazakhstan	22 August 2008	Mutual investment fund	29 December 2012
Risk Investments Closed Unit Fund "Sputnik"	100.00	Kazakhstan	9 September 2005	Mutual investment fund	29 December 2012
Risk Investments Closed Unit Fund "BTA Strategicheskiy"	100.00	Kazakhstan	9 September 2005	Mutual investment fund	29 December 2012
Interval Unit Investment Fund "Fond Obligatsiy"	100.00	Kazakhstan	31 January 2007	Mutual investment fund	29 December 2012
Risk Investments Closed Unit Fund "Fortuna"	100.00	Kazakhstan	31 January 2007	Mutual investment fund	29 December 2012
Risk Investments Closed Unit Fund "Omega"	100.00	Kazakhstan	22 August 2008	Mutual investment fund	29 December 2012
Interval Unit Investment Fund "Indeksnyi"	98.02	Kazakhstan	9 September 2005	Mutual investment fund	29 December 2012
Risk Investments Closed Unit Fund "Novye proekty"	58.27	Kazakhstan	21 June 2005	Mutual investment fund	29 December 2012
Risk Investments Closed Unit Fund "BTA Investitsionnyi"	34.59	Kazakhstan	11 February 2005	Mutual investment fund	29 December 2012
First Kazakh Securitisation Company	—	Netherlands	8 December 2005	Securitisation of financial assets	—
Second Kazakh Securitisation Company	—	Netherlands	25 September 2007	Securitisation of financial assets	—

Following are brief summaries relating to the status and operations of the Bank's subsidiaries. Financial information for each entity has been extracted from the Bank's Financial Statements as at 31 December 2012. The shares of each of the Bank's subsidiaries have no par value, other than TuranAlem Finance (EUR 100), Temir Capital (EUR 1,000), BTA Belarus (BYR 159,400,000) and BTA Finance Luxembourg (U.S.$1.5).

BTA Securities. BTA Securities was established on 17 October 1997 and is a wholly-owned subsidiary of the Bank. BTA Securities' registered office is located at 281 Husainova Street, Almaty, Kazakhstan. Its principal business areas include sales, investment banking, trading and underwriting of government, municipal and corporate securities in Kazakhstan. As at 31 December 2012, BTA Securities' equity capital was KZT 37,865 million and it had assets of KZT 40,174 million and negative reserves[1] of KZT 24,989 million. It had a profit arising out of ordinary activities, after tax, of KZT 12,263 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. The Bank had outstanding intra-group debt to BTA Securities amounting to KZT 17,618 million as at 31 December 2012.

BTA Ipoteka. BTA Ipoteka was established in November 2000 as an open joint stock company and is a wholly-owned subsidiary of the Bank. BTA Ipoteka's registered office is located at 85 "A" Dostyk Avenue, Almaty, Kazakhstan. BTA Ipoteka provides a wide range of services, including financing for the purchase, maintenance and construction of real estate. In May 2010, it voluntarily returned its licence to conduct loan operations. As at 31 December 2012, BTA Ipoteka had equity capital of KZT 6,913 million, assets of KZT 29,038 million and reserves of KZT 564 million. It had a profit arising out of ordinary activities, after tax, of KZT 734 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. BTA Ipoteka had outstanding intra-group debt to the Bank amounting to KZT 12,802 million as at 31 December 2012, making allowance for impairments on these outstanding loans in an amount of KZT 657 million as at 31 December 2012. The Bank had outstanding intra-group debt to BTA Ipoteka amounting to KZT 573 million as at 31 December 2012.

BTA Life. BTA Life was established in July 1999 as a closed joint stock company. As at 31 December 2012, the Bank held 100 per cent. of the share capital of BTA Life. BTA Life's registered office is located at 187 Aiteke-bi Street, Almaty, Kazakhstan. BTA Life provides life insurance services and was one of the first insurance companies in Kazakhstan to be licensed by the FMSA to provide such services. According to information provided by the NBK, as at 31 December 2012, BTA Life had a 16.7 per cent. share of the life insurance market in Kazakhstan. As at 31 December 2012, BTA Life had assets of KZT 18,617 million, its equity capital was KZT 4,673 million and it had reserves of KZT 4,080 million. It had a profit arising out of ordinary activities, after tax, of KZT 95 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. The Bank had outstanding intra-group debt to BTA Life amounting to KZT 161 million as at 31 December 2012. BTA Life had outstanding intra-group debt to the Bank amounting to KZT 3 million as at 31 December 2012.

TuranAlem Finance. TuranAlem Finance was established on 22 May 2001 in The Netherlands as a limited liability company and is a wholly-owned subsidiary of the Bank. Its registered office is located at Schouwburgplain 30-34, 3012 CL Postbus 21153, 3001 AD Rotterdam, The Netherlands. It is a special purpose vehicle which was established for the purpose of issuing Eurobonds that were cancelled pursuant to the 2010 Restructuring and currently operates no business. It is the Bank's current intention to put TuranAlem Finance into liquidation.

TuranAlem Finance (*Russia*). TuranAlem Finance (Russia) was established on 22 June 2004 in Moscow, Russia as a limited liability company and is a wholly-owned subsidiary of the Bank. Its registered office is located at Building 1, 62 Mira Avenue, Moscow, Russia. It was created principally for the purpose of raising funds for the Bank through the issuance of Russian Rouble denominated bonds and promissory notes. As at 31 December 2012, TuranAlem Finance (Russia) had assets of KZT 15,349 million and its equity deficit was KZT 1,086 million. TuranAlem Finance (Russia) had outstanding intra-group debt to the Bank amounting to KZT 16,417 million as at 31 December 2012, making allowance for impairment on these outstanding loan in an amount of KZT 15,315 million as at 31 December 2012.

Insurance Company London-Almaty. Insurance Company London-Almaty was established in November 1997 as a closed joint stock company. As at 31 December 2012, the Group held 100 per cent. of its share capital. Insurance Company London-Almaty's registered office is located at 9th Floor, Block 3B, Nurly Tau, 19/1 Al-Farabi Avenue, Almaty, Kazakhstan. Insurance Company London-Almaty provides a wide range of services such as individual insurance and property

[1] Reserves are retained earnings for the previous years.

insurance. According to information provided by the NBK, as at 31 December 2012, it had a 2.05 per cent. share of the insurance market in Kazakhstan. As at 31 December 2012, Insurance Company London-Almaty had total assets of KZT 11,656 million, equity capital of KZT 7,123 million and reserves of KZT 5,089 million. It had a profit arising out of ordinary activities, after tax, of KZT 512 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. The Bank had outstanding intra-group debt to Insurance Company London-Almaty amounting to KZT 71 million as at 31 December 2012.

BTA Finance Luxembourg. BTA Finance Luxembourg was established in Luxembourg on 5 January 2006 as a public limited liability company (*société anonyme*). Its registered office is located at 46A Avenue J.F. Kennedy, L-1855 Luxembourg B-112100. The Bank held 100 per cent. of its share capital as at 31 December 2012. It is a special purpose vehicle which was established for the purpose of issuing perpetual securities which were cancelled pursuant to the 2010 Restructuring and currently operates no business. As at 31 December 2012, BTA Finance Luxembourg had assets of KZT 22 million and equity capital of KZT 4 million. It is the Bank's current intention to put the company into liquidation.

BTA Insurance. BTA Insurance was established on 8 September 1998 as an open joint stock company. The Bank held 99.45 per cent. of its share capital as at 31 December 2012. BTA Insurance's registered office is located at 187 Aiteke-bi Street, Almaty, Kazakhstan. It provides a full range of insurance services. According to information provided by the NBK, as at 31 December 2012, BTA Insurance had a 2.74 per cent. share of the overall insurance market in Kazakhstan. As at 31 December 2012, BTA Insurance had assets of KZT 29,632 million, equity capital of KZT 22,497 million and reserves of KZT 18,644 million. It had a profit arising out of ordinary activities, after tax, of KZT 4 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. BTA Insurance had outstanding intra-group debt to the Bank amounting to KZT 5 million as at 31 December 2012. The Bank had outstanding intra-group debt to BTA Insurance amounting to KZT 637 million as at 31 December 2012.

Temir Capital. Temir Capital was incorporated on 29 May 2001 under the laws of The Netherlands and is a wholly-owned subsidiary of the Bank. Its registered office is located at Schouwburgplain 30-34, 3012 CL Postbus 21153, 3001 AD Rotterdam, The Netherlands. Prior to the 2010 Restructuring, its primary business consisted of raising funds on the international capital markets and lending such funds to Temirbank. Currently it operates no business. As at 31 December 2012, Temir Capital had assets of KZT 65 million and equity capital of KZT 53 million. It is the Bank's current intention to put the company into liquidation.

BTA Belarus. BTA Belarus was established on 25 April 2002 and the Bank acquired its interest in BTA Belarus on 30 October 2008. Its registered office is located at 20 V. Horujey Street, Minsk, Belarus. As at 31 December 2012, the Bank held 99.71 per cent. of the equity capital in BTA Belarus. BTA Belarus provides a wide range of services to its corporate and individual customers. As at 31 December 2012, the assets of BTA Belarus were KZT 14,019 million, its equity capital was KZT 2,418 million and it had negative reserves of KZT 1,045 million. It had a profit arising out of ordinary activities, after tax, of KZT 8 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. BTA Belarus had outstanding intra-group debt to the Bank amounting to KZT 1,810 million as at 31 December 2012. The Bank had outstanding intra-group debt to BTA Belarus amounting to KZT 2 million as at 31 December 2012. The Bank is currently seeking to invalidate three sale and purchase agreements entered into on 12 and 19 August 2008 for the acquisition by it of a 51.06 per cent. stake in BTA Belarus. This forms part of the additional U.S.$106 million claim which has been brought in the Drey Proceedings by way of the Bank's proposed amendments to its particulars of claim. See "*— Legal Proceedings — Asset Recovery — Drey Proceedings*".

Ular-Umit. Ular-Umit was established on 3 September 2001, following the merger of JSC "Pension Fund "Ular" (established in 1998) and JSC "Pension Fund "Umit" (established in 27 November 1997). In January 2010, the Bank received 75 per cent. of the share capital of Ular-Umit in consideration for the discharge of the liabilities of Astana Finance. In June 2010, pursuant to a decision of the FMSA, the assets and liabilities of JSC "Pension Fund "Korgau" were transferred to Ular-Umit due to Korgau's non-compliance with prudential norms. Ular-Umit's registered office is located at 115a, Abay Avenue, Almaty, Kazakhstan. The main activity of Ular-Umit is to attract pension fees and to make pension payments. On 29 April 2011, the FMSC granted permission for the voluntary reorganisation of Ular-Umit and JSC Accumulative Pension Fund BTA Kazakhstan by the consolidation of JSC Accumulative Pension Fund BTA Kazakhstan into Ular-Umit. The process was completed in November 2011. The equity interest of the Bank in Ular-Umit was 92.38 per cent. as at 31 December 2012. According to information provided by the NBK as at 31 December 2012, Ular-Umit had a 12.6 per cent. share of the pension market in Kazakhstan. As at 31 December 2012, Ular-Umit had equity capital of KZT 12,430 million, assets of KZT 12,578 million and negative reserves of KZT 828 million. It had a profit arising out of ordinary activities, after tax, of KZT 1,506 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. The Bank had outstanding intra-group debt to Ular-Umit amounting to KZT 621 million as at 31 December 2012.

Titan Inkassatsiya. As at 31 December 2012, the Bank owned 100 per cent. of Titan Inkassatsiya's share capital. Titan Inkassatsiya was established in August 2002. Its registered office is located at 106 "A" Gureleva Street, Almaty, Kazakhstan. The main activity of the company is the encashment of valuables, i.e. the collection of cash, valuable documents, cards and PIN envelopes. As at 31 December 2012, Titan Inkassatsiya had total assets of KZT 572 million, equity capital of KZT 511 million and reserves of KZT 339 million. It had a loss arising out of ordinary activities, after tax, of KZT 8 million for the year ended 31 December 2012. The Bank did not receive any dividends from this company during the last financial year. The Bank had outstanding intra-group debt to Titan Inkassatsiya amounting to KZT 154 million as at 31 December 2012.

Zhetysu. As at 31 December 2012, the Bank owned 100 per cent. of the share capital in Zhetysu. Zhetysu was established on 5 March 1998 and has licences to manage pension assets and to conduct broker dealer activities in the securities' market (excluding clients' accounts management and management of investment portfolios). Its registered office is located at 115a, Abay Avenue, Almaty, Kazakhstan. As at 31 December 2012, Zhetysu had assets of KZT 4,018 million, equity capital of KZT 3,868 million and negative reserves of KZT 4,590 million. It had a profit arising out of ordinary activities, after tax, of KZT 273 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. At the moment Zhetysu manages Ular-Umit's pension assets.

Alemcard. On 3 October 2011, the Bank obtained 100 per cent. of the share capital of Alemcard. The main activity of Alemcard is to provide processing services to the Bank. Its registered office is located at 97, Zholdasbekov street, Almaty, Kazakhstan. As at 31 December 2012, Alemcard had total assets of KZT 344 million, equity capital of KZT 266 million and negative reserves of KZT 729 million. It had a loss arising out of ordinary activities, after tax, of KZT 230 million for the year ended 31 December 2012. The Bank did not receive any dividends from this company during the last financial year. The Bank had outstanding intra-group debt to Alemcard amounting to KZT 103 million as at 31 December 2012.

First Kazakh Securitisation Company. The First Kazakh Securitisation Company was founded in The Netherlands on 8 December 2005 as a public limited company for the special purpose of securitising financial assets of the Group. Its registered office is located at 123 Frederik Roesekstraat, Amsterdam, The Netherlands. As at 31 December 2012, the assets of First Kazakh Securitisation Company were KZT 121 million and its equity capital was KZT 3.5 million. Although the First Kazakh Securitisation Company is a special purpose vehicle in which the Bank owns no equity interest, the Bank treats it as a subsidiary nonetheless because, for the year ended 31 December 2012, the Bank controlled and benefitted from the operations of this company.

Second Kazakh Securitisation Company. The Second Kazakh Securitisation Company was founded in The Netherlands on 25 September 2007 as a public limited company for the special purpose of securitising financial assets of the Group. Its registered office is located at 123 Frederik Roesekstraat, Amsterdam, The Netherlands. As at 31 December 2012, the assets of Second Kazakh Securitisation Company were KZT 11 million and its equity capital was KZT 3.8 million. Although the Second Kazakh Securitisation Company is a special purpose vehicle in which the Bank owns no equity interest, the Bank treats it as a subsidiary nonetheless because, for the year ended 31 December 2012, the Bank controlled and benefitted from the operations of this company.

On 29 December 2012, the Bank repossessed shares in the investment unit funds RICUF Sigma, RICUF Fokstrot, IUIF Bonusnyi, RICUF Vektor, RICUF Gamma, RICUF Delta, RICUF Sputnik, RICUF BTA Strategicheskiy, IUIF Fond Obligatsiy, RICUF Fortuna, RICUF Omega, IUIF Indeksnyi, RICUF Novye proekty and RICUF BTA Investitsionnyi. Despite the fact that investment unit funds are not legal entities, the Group decided to consolidate them with its financial statements because they are treated as businesses in accordance with IFRS 3 Business Combinations. The fair value of net assets of the above investment unit funds as at the date of the transfer of their shares to the Bank amounted to KZT 2,151 million. As a result of this business combination the Group recognised a gain from profitable purchase in the amount of KZT 50 million. As at 31 December 2012 the Bank owned 34.59 per cent. of the total amount of shares of RICUF BTA Investitsionnyi. The Group made a decision to consolidate RICUF BTA Investitsionnyi because the remaining shares as at 31 December 2012 were arrested and would be transferred to the ownership of the Bank after the settlement of proceedings. On 9 January 2013, the remaining 65.41 per cent. of the shares were transferred to the Bank. On 29 December 2012, the Bank also repossessed shares in Joint-Stock Investment Real Estate Fund "Alan Real Estate Investment Trust" JSC.

The Bank, in accordance with the Law on Banks and Banking activity and an NBK resolution, is planning to form a subsidiary company which will acquire doubtful and bad assets from the Bank as part of the further development of the Bank's strategy in relation to asset recovery. As at the date of this Prospectus, the Bank's management has not yet finalised the timeframe for the incorporation of such a company.

Associates

The Bank had eight associate companies as at 31 December 2012, which are entities in which the Bank owns more than 20 per cent. and less than 50 per cent. of such entity's share capital. The following sets out information relating to the Bank's associates as at 31 December 2012.

BTA Armenia. BTA Armenia is a bank located in Yerevan, Armenia. BTA Armenia's principal activity is banking activities in Armenia and its registered office is located at 48/1 Nalbandyan Street, Yerevan, Armenia. The Bank holds a 48.93 per cent. interest in BTA Armenia. The Central Bank of the Republic of Armenia has imposed a number of restrictions on BTA Armenia, including a U.S.$50,000 limit on the amount of credit that can be offered to potential borrowers, a maximum rate of 10 per cent. per annum on related deposits and a moratorium on the opening of new branches. 34.78 per cent. of the share capital of BTA Armenia belongs to Mr. Ablyazov and is subject to certain legal proceedings by the Bank against Mr. Ablyazov. As at 31 December 2012, BTA Armenia had total assets of KZT 4,910 million, equity capital of KZT 2,110 million and negative reserves of KZT 401 million. It had a profit arising out of ordinary activities, after tax, of KZT 116 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. BTA Armenia had outstanding intra-group debt to the Bank amounting to KZT 302 million as at 31 December 2012. The Bank had outstanding intra-group debt to BTA Armenia amounting to KZT 6 million as at 31 December 2012.

BTA Georgia. BTA Georgia is a small bank located in Tbilisi, Georgia. BTA Georgia's principal activity is banking activities in Georgia. Its registered office is located at 2 Zaarbruken Square, Tblisi, Georgia. The Bank acquired a 49.00 per cent. equity interest in BTA Georgia in June 2005. Silk Road Group S.A and company Helvecia Petrolium B.V. have commenced legal proceedings against the

Bank, filing a U.S.$513 million claim in Georgia due to allegedly suffering losses as a result of the Bank failing to release pledged assets in a timely manner. They have requested that shares belonging to the Bank are frozen until the case is resolved. The court of first instance found in favour of the Bank but the decision was appealed and the case is currently being considered at the court of appeal. The Bank has also initiated proceedings to recover 27.001 per cent. of the share capital in BTA Georgia that had belonged to two companies under the control of Mr. Ablyazov, the former chairman of the Board of Directors, which were subsequently illegally transferred to JSC "Silk Road Financial Group". As at 31 December 2012, BTA Georgia had total assets of KZT 11,246 million, equity capital of KZT 2,402 million and negative reserves of KZT 292 million. It had a loss arising out of ordinary activities, after tax, of KZT 495 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. BTA Georgia had outstanding intra-group debt to the Bank amounting to KZT 5,069 million as at 31 December 2012, making allowance for impairment on these balances in an amount of KZT 1,467 million as at 31 December 2012.

BTA Kazan. BTA Kazan is a small bank based in Tatarstan, Russia. BTA Kazan's principal activity is banking activities in the Russian Federation. Its registered office is located at 58 Ibragimov Avenue, Kazan, Tatarstan. The Bank holds a 47.33 per cent. equity interest in BTA Kazan. Currently the Bank is assessing the value of its share and working with the management of BTA Kazan in order to ensure that the value of the asset is preserved. As at 31 December 2012, BTA Kazan had total assets of KZT 102,402 million, equity capital of KZT 10,550 million and negative reserves of KZT 2,032 million. It had a loss arising out of ordinary activities, after tax, of KZT 337 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. The Bank had outstanding intra-group debt to BTA Kazan amounting to KZT 7 million as at 31 December 2012.

AMT Bank. AMT Bank is a bank located in Moscow. Its registered office is located at Wave Business Centre, 10 Akademika Sakharova Avenue, Moscow 107005, Russia. AMT Bank's principal activity is banking activities in the Russian Federation. In July 2008, the Bank's equity interest in AMT Bank was increased to 52.84 per cent. from 14.2 per cent. In November 2008, the Bank's equity interest was decreased to 22.26 per cent. As at 31 December 2012, the Bank held a 22.26 per cent. equity interest in AMT Bank. The Bank is currently seeking to invalidate six sale and purchase agreements (all dated 6 June 2008) for the acquisition by it of an additional 38.63 per cent. shareholding in AMT Bank. This forms part of the additional U.S.$106 million claim which has been brought in the Drey Proceedings by way of the Bank's proposed amendments to its particulars of claim. See "*— Legal Proceedings — Asset Recovery — Drey Proceedings*". On 21 July 2011, the Central Bank of Russia revoked the banking license of AMT Bank and suspended its operations due to falsified financial statements. On 17 October 2011, the Moscow Arbitral Court initiated liquidation proceedings in respect of AMT Bank. Since AMT Bank's assets do not cover the liabilities, the court declared AMT Bank bankrupt and initiated the bankruptcy process on 20 June 2012. The Bank's claims against AMT Bank entered into the registry of creditors' claims total RUB 854,692.104.81. The Bank is also challenging some of the claims by the liquidators of AMT Bank in respect of the assets provided as security. Due to the revocation of AMT Bank's license, there was no reliable financial reporting information for AMT Bank as at 31 December 2012. AMT Bank had outstanding intra-group debt to the Bank amounting to KZT 2,020 million as at 31 December 2012 which was fully impaired as at 31 December 2012.

BTA Ukraine. BTA Ukraine is a bank located in Kiev, Ukraine. Its registered office is located at 75 Jilyanskaya Street, Kiev. BTA Ukraine's principal activity is banking activities in Ukraine. The Bank acquired a 39.99 per cent. equity interest in BTA Ukraine in December 2008. As at 31 December 2012, the Bank held a 49.99 per cent. equity interest in BTA Ukraine of which 39.99 per cent. is being disputed in the Ukrainian courts (proceedings relate to the cancellation of a previous share transaction with individuals potentially related to the former Chairman of the Bank). These proceedings are in the final stages in the Ukrainian courts. The Bank expects the findings to be in its favour. The remaining 50 per cent. of the shares in BTA Ukraine are subject to certain legal proceedings of the Bank and the voting rights in respect of these shares are currently suspended by the National Bank of Ukraine.

Following a successful outcome of these legal cases, the current intention is for the Bank's interest in BTA Ukraine to be divested. As at 31 December 2012, BTA Ukraine had total assets of KZT 73,331 million, equity capital of KZT 27,485 million and reserves of KZT 362 million. It had a loss arising out of ordinary activities, after tax, of KZT 2,864 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. BTA Ukraine had net outstanding intra-group debt to the Bank amounting to KZT 2,779 million as at 31 December 2012, which was fully impaired as at 31 December 2012. The Bank had outstanding intra-group debt to BTA Ukraine amounting to KZT 11 million as at 31 December 2012.

Temirleasing. Temirleasing is located in Almaty, Kazakhstan. Its registered office is located at 68/74 Abay Avenue, Almaty. Temirleasing's principal activity is leasing. The Group held a 47.16 per cent. equity interest in Temirleasing as at 31 December 2012. In 2011, a programme of financing SME businesses through the leasing companies was initiated and the network of financing branches was extended. The budget of this programme is KZT 4,000 million (for all leasing companies). The Bank is currently planning to sell its interest in Temirleasing. As at 31 December 2012, Temirleasing had total assets of KZT 3,723 million, equity capital of KZT 2,006 million and reserves of KZT 252 million. It had a profit arising out of ordinary activities, after tax, of KZT 60 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. On 15 April 2013, as part of its ongoing asset recovery process, the Bank foreclosed on 149,187 common shares in Temirleasing, as a result of which the Bank's interest in Temirleasing increased from 44.96 per cent. to 54.53 per cent. Consequently, Termirleasing is now treated as a subsidiary of the Bank.

SK Leasing. SK Leasing is located in Almaty, Kazakhstan. Its registered office is located at 136 Dostyk Street, Almaty. SK Leasing's principal activity is leasing. The Bank directly holds a 45.00 per cent. equity interest in SK Leasing. The Bank is currently planning to sell its interest in SK Leasing. As at 31 December 2012, SK Leasing had total assets of KZT 2,078 million, equity capital of KZT 1,745 million and reserves of KZT 363 million. It had a profit arising out of ordinary activities, after tax, of KZT 156 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year. SK Leasing had outstanding intra-group debt to the Bank amounting to KZT 43 million as at 31 December 2012, making allowance for impairment on these balances in an amount of KZT 5 million as at 31 December 2012.The Bank had outstanding intra-group debt to SK Leasing amounting to KZT 16 million as at 31 December 2012. On 31 January 2013, the International Finance Corporation notified the Bank that it intended to exercise its put option in respect of 8,750 shares of SK Leasing, representing 10 per cent. of SK Leasing's share capital. The acquisition of these shares would increase the Bank's stake in SK Leasing to 55 per cent. and would mean that SK Leasing would become a subsidiary of the Bank, and therefore, such acquisition of shares may be carried out only after receipt of the relevant approvals, including those prescribed by the legislation of the Republic of Kazakhstan.

Oranta NJSIC. The Bank holds a 35.17 per cent. interest in Oranta. Oranta's registered office is located at 75 Jilyanskaya Street, Kiev, Ukraine. Oranta is the successor of Ukrgosstrakh, the Ukrainian insurance company established on 25 November 1921. Oranta provides a wide range of insurance services across the retail and corporate sectors. The Bank intends to divest its shares either by selling its 35.17 per cent. shareholding to the other current shareholders or by combining with the other shareholders to sell their shares to a strategic investor (a consolidated sale). As at 31 December 2012, Oranta had total assets of KZT 21,992 million, equity capital of KZT 15,566 million and negative reserves of KZT 3,392 million. It had a profit arising out of ordinary activities, after tax, of KZT 10 million for the year ended 31 December 2012. The shares held by the Bank are fully paid up. The Bank did not receive any dividends from this company during the last financial year.

Other Investments

Sekerbank. Sekerbank is a bank located in Istanbul, Turkey. Its registered office is located at Metrocity A-Blok, 171 Buyukdere Cadessi, Istanbul, Turkey. Sekerbank's principal activities are providing a range of individual and corporate banking services. As at 31 December 2012, the Bank held a 11.76 per cent. indirect equity interest in Sekerbank through BTA Securities. The Bank sold a 22.22 per cent. stake in Sekerbank to Samruk-Kazyna in March 2012 for KZT 17,880 million. Certain of the Bank's shares in Sekerbank (representing 10.17 per cent. of Sekerbank's share capital) are currently subject to a ban on sale due to legal proceedings brought by Vakifbank in the Turkish courts. The case will be considered by the court of appeal at the end of April 2013. Assuming the Bank successfully defends the claim brought by Vakifbank and the ban on sale is lifted, the Bank will then immediately seek to dispose of its remaining shareholding. Since the sale of the shares to Samruk-Kazyna in March 2012, Sekerbank is no longer considered an associate of the Bank. No information on the financial condition of Sekerbank as at 31 December 2012 is available to the Bank.

LLP "*First Credit Bureau*". The First Credit Bureau is a private company that was created on 29 July 2004 by the Bank, Kazkommertsbank, Bank CenterCredit, Halyk Bank, Tsesna Bank, ATF Bank, Alliance Bank, Astana Finance and the Association of Financiers of Kazakhstan. The First Credit Bureau manages a database containing the credit histories of individuals and legal entities in Kazakhstan from which commercial banks can purchase information about potential or existing borrowers. See "*Risk Factors — Risks Relating to Operating within the Kazakhstan Banking Sector — The lack of accurate statistical, corporate and financial information in Kazakhstan may limit the ability of the Bank to assess its credit risks accurately*". As at 31 December 2012, the Bank held a 18.4 per cent. interest in the First Credit Bureau.

State Finance Programmes

The Bank participates in three State Finance Programmes with Samruk-Kazyna and its subsidiaries, the SME State Finance Programme, the Damu-Regions State Finance Programme and the Mortgage State Finance Programme, and previously participated in the Construction State Finance Programme and the Agricultural State Finance Programme. See the table of all amounts funded by the Government for the stabilisation of the Kazakhstan economy in "*The Banking Sector in Kazakhstan — Introduction*".

As at 31 December 2012, the Group had received KZT 47,200 million in aggregate in four tranches under the SME State Finance Programme, KZT 7,652 million under the Damu-Regions State Finance Programme, KZT 40,000 million under the Mortgage State Finance Programme, KZT 23,640 million under the Construction State Finance Programme and KZT 8,160 million under the Agricultural State Finance Programme. As at 31 December 2012, the Group had utilised KZT 117,267 million under the State Finance Programmes from Samruk-Kazyna or its wholly-owned subsidiaries and had returned to the Government the unutilised amount of KZT 9,385 million.

SME State Finance Programme

The Bank is one of 12 agents under the SME State Finance Programme adopted by the Government in 2007. The SME State Finance Programme aims to provide financing to SMEs for the acquisition of new, and the modernisation of existing, material assets and the provision of working capital. The SME State Finance Programme funding can also be used to refinance existing loans previously made to SMEs by the Bank or other credit organisations provided the purpose of any loan being refinanced complies with the requirements of the programme. As at 31 December 2012, the Group had utilised KZT 44,966 million of the KZT 47,200 million provided by Samruk-Kazyna and its subsidiary, Damu Fund, under this programme and returned KZT 2,234 million to the Government.

The interest rate on the Government funds advanced under the SME State Finance Programme is 8 per cent. per annum. Damu Fund has the right to demand early repayment if (i) the Bank does not make timely repayments of debt or interest, (ii) the Bank does not use the proceeds in compliance with their stated purpose, (iii) the Bank's credit rating is downgraded by Fitch, S&P or Moody's by two or more notches, (iv) the Bank infringes the FMSC's prudential requirements at least once in each of two consecutive months or its licence is suspended, (v) more than 10 per cent. of the Shares in the Bank are sold or transferred and such transfer has a negative impact on the Bank's financial condition or (vi) the Bank reports a loss for two consecutive quarters. Despite the fact that the Bank was in breach of those conditions until the completion of the 2012 Restructuring, Damu Fund has not exercised its right to demand early repayment. See "*Risk Factors — Risks Relating to the Bank — Samruk-Kazyna may demand early repayment of funds allocated to the Bank through the State Finance Programmes if the Bank breaches conditions for the utilisation of the funds*".

In addition to its right to demand early repayment of the funds, Damu Fund is also entitled to demand from the Bank a penalty of 15 per cent. on the amount of any funds used for purposes other than those permitted by the agreement under which the Bank obtained financing under the SME State Finance Programme.

Damu-Regions State Finance Programme

State Finance Programmes for Damu-Regions 1 and 2 were adopted by the Government in 2008 and 2010. These programmes were aimed at providing financing to SMEs from the funds of local government bodies for the acquisition of new material assets, the modernisation of existing material assets, to be used as working capital and to allow SMEs to refinance existing loans made to them by the Bank or other credit organisations.

These programme are operated by local government bodies and have provided the Bank with finance via Damu Fund. The interest rate for the loans granted under this programme is between 10.3 per cent and 13.6 per cent per annum. The date of maturity of these loans is 2017.

As at 31 December 2012, the Group had utilised KZT 6,769 million out of provided amount of KZT 7,652 million provided under the Damu-Regions State Finance Programme and returned to the Government the amount KZT 883 million.

Mortgage State Finance Programme

The Bank is one of 11 agents under the Mortgage State Finance Programme adopted by the Government in February 2009. The Mortgage State Finance Programme aims at reducing the current interest rate on mortgage loans to 9 per cent. for social loans and 11 per cent. for other types of loans, converting foreign currency loans into Tenge and extending loan maturities up to 20 years. The total amount of investments to be made under the programme is KZT 120,000 million.

Under the Mortgage State Finance Programme, Samruk-Kazyna deposited KZT 40,000 million with the Bank for the period of 20 years. As at 31 December 2012, the Bank had utilised KZT 37,000 million from the total amount of placed funds and returned the unutilised KZT 3,000 million to the Government. The Bank is permitted to provide mortgages under the Mortgage State Finance Programme to the extent it receives repayment proceeds of the previously made Mortgage State Finance Programme loans for a period of 36 months from the date it received the funds under the programme, after which time it will need to use the repayment proceeds to repay Samruk-Kazyna. The Bank pays interest to Samruk-Kazyna on the amounts provided under the Mortgage State Finance Programme of 5.7 per cent. on amounts lent by the Bank to borrowers who are pensioners, invalids, Second World War veterans and similar other persons and public sector employees and 7.7 per cent. on the amounts lent to the remaining borrowers.

NBK Support

The Bank holds the SK Bonds and uses them as collateral for BTA/NBK Repo Transactions and special purpose loans with the NBK. As at 31 December 2012, the Bank had borrowed KZT 393,110 million (excluding interest) in the form of BTA/NBK Repo Transactions and had received KZT 101,750 million (excluding interest) in the form of special purpose loans from the NBK. See "*Risk Factors — Risks Relating to the Bank — The NBK provides funding support to the Bank but may withdraw its support and accelerate repayment of its loans if certain requirements are not met*".

Property

The Group mainly leases its office space with certain exceptions. The Bank owns ten buildings (including its main office building in Almaty), and the land on which five of the buildings stand, which it uses as administrative and cash offices. Additionally, BTA Belarus owns the building in which its head office is situated in Minsk. Ular-Umit owns two buildings in Almaty in which its head office and Almaty branch are situated. Insurance Company London-Almaty owns part of the building in which its head office is situated in the "Nurly Tau" centre in Almaty.

Technology

The Bank's information technology strategy focusses on the integration of its business needs and information technology capabilities, while maintaining cost effective and safe systems. The Bank has previously developed and implemented a disaster recovery system and a backup strategy. The Bank's "BTA Online" E-banking system is certified under ISO 27001, an international quality certification.

The Bank intends to undertake critical upgrades of its IT and risk management systems to ensure it has a modern, reliable, secure, flexible and scalable information technology system that can support the business operations of the Bank as well as provide business opportunities for income generation. Due to the Bank's financial condition, the Bank stopped work on the implementation of a new core banking system and other initiatives in 2009.

The Bank's business goals are not achievable without targeted investments in its IT systems. While significant IT investments are needed, this can be phased in over five years and a number of building blocks are in place that can be used once fully implemented and integrated at relatively low costs.

Short-term initiatives to be commenced in the first year and a half are focused on the improvement of the risk management and cross-selling support systems, as well as the centralisation of the existing core Banking System. In the medium term, the Bank will focus on the following:

- Lead/campaign management functionality for the retail, corporate and SME businesses, together with implementation of the loan front/mid office application for the corporate business, which will allow for improved sales for corporate and SME, as well as decreasing risks of underwriting.

- Data warehouse capability, including a consolidated review of data from all of the Bank's operational and financial systems. This will require significant investment, but the Bank believes the long-term business benefits in terms of better decision making and access to information warrant the investment.

- A document management and electronic archiving system to decrease operational risks and reduce the overheads associated with the processing of paper documents.

In the long-term, a new core banking system will be needed. A new strategic data centre, along with the necessary IT infrastructure, also needs to be implemented and located at an appropriate distance from the current, primary site.

Employees and Training

As at 31 December 2012, the Bank employed 4,819 full time employees, of whom 2,969 were employed at the Bank's branches outside Almaty, 512 were employed at the Almaty branch and the remainder were employed by the Head Office. As at 31 December 2011 and 2010, the Bank employed 5,502 and 5,363 full time employees, respectively.

Currently, there are no labour unions representing any employees of the Bank or its subsidiaries. The Group has never experienced any industrial action or other work stoppages resulting from labour disputes. The average age of the Bank's employees as at 31 December 2012 was 32 years and 85.5 per cent. of the employees in professional positions hold university degrees.

In order to improve the professional qualifications and efficiency of its employees, the Bank conducts staff training as part of its business plan. During the years ended 31 December 2012 and 31 December 2011, 1,649 and 1,333 employees, respectively, participated in the Bank's training programme.

Legal Proceedings

Except as described in this Prospectus, the Group is not and has not been involved in any governmental, legal or arbitration proceedings during the last twelve months which may have, or have had in the recent past, a material adverse effect on the Group's financial position or profitability.

Asset Recovery

Introduction

From 20 May 2005 to 2 February 2009, Mukhtar Ablyazov was the Chairman of the Board of Directors of the Bank. As Chairman, Mr. Ablyazov exercised management control over the Bank and was responsible for establishing and overseeing procedures within the Bank to avoid any conflicts of interest arising between shareholders, the Board of Directors and employees of the Bank and for settling any conflicts of interest on issues which other bodies within the Bank were unable to handle.

During the period that he was the Chairman of the Board of Directors, Mr. Ablyazov beneficially owned a significant portion of the shares in the Bank through intermediary companies, including Drey Associates Limited, Strident Energy Limited and InvestCapital Company LLC. Mr. Ablyazov's beneficial interest in the Bank was not disclosed by Mr. Ablyazov or the Bank in the Bank's consolidated financial statements for the years 2006, 2007 or 2008 or the nine months ended 30 September 2009.

Accordingly, the Bank assembled a team to investigate the circumstances behind the Bank's current financial position and the extent to which it is a result of what are believed to be fraudulent transactions entered into by, or on the instructions of, the former management, in particular, Mr. Ablyazov. That team is made up of a combination of certain members of the Bank's new management and staff, as well as international firms of lawyers and accountants. As part of the work of the Bank's asset recovery team, various legal proceedings have been commenced in England, Cyprus and the British Virgin Islands which are summarised below.

Overview

Following is a summary of various claims issued by the Bank in England, the BVI and Cyprus.

Since August 2009, the Bank has issued 11 claims in England against Mukhtar Ablyazov and others, with a combined value in excess of U.S.$6 billion, plus interest. The English Court directed that 3 of those claims seeking approximately U.S.$2 billion, plus interest (the Drey, Chrysopa and Granton Proceedings) should be tried together commencing on 7 November 2012. The trial concluded in February 2013. As discussed below, the Bank succeeded on its claims at trial.

The English Court granted asset freezing injunctions against Mr. Ablyazov and various other defendants early in the litigation. Mr. Ablyazov's worldwide assets have been frozen, without limit. In connection with the asset freezing injunctions, the Bank provided corresponding undertakings in damages as and when required. Under these undertakings, the Bank became liable to compensate the defendants if the court later finds that the asset freezing orders should not have been granted and have caused the defendants loss for which they should be compensated. The undertakings were unlimited in amount and are standard provisions in any English asset freezing orders. No claim has been made in relation to these undertakings. As discussed below, the Bank obtained new asset freezing orders on 23 November 2012.

In November 2010, all of Mr. Ablyazov's disclosed assets were ordered to be placed into the control of independent court appointed receivers on the basis that the court did not trust Mr. Ablyazov to comply with the asset freezing order. Since that date, the English Court has extended the receivership to over 650 additional companies believed to be assets of Mr. Ablyazov which he has not disclosed.

The English Court rejected Mr. Ablyazov's attempts to have various of the claims against him dismissed on the basis that they were allegedly politically motivated.

In May 2011, the Bank issued committal proceedings against Mr. Ablyazov for breaches of the asset freezing injunction and receivership order and for giving false evidence. Following the committal trial, which took place over three weeks concluding on 21 December 2011, Mr. Ablyazov was found guilty of contempt of court by a judgment of Mr. Justice Teare dated 16 February 2012. Despite having confirmed to the court at the end of the trial that he would attend the handing down of the committal judgment, he failed to do so. Mr. Ablyazov was sentenced in his absence to three concurrent 22-month prison terms and a warrant for his arrest was issued. Mr. Ablyazov appealed the committal order against him.

On 29 February 2012, Mr. Ablyazov was ordered to, amongst other things, hand himself over to the English authorities by 9 March 2012 and to provide further asset disclosure, or be debarred from defending any of the following proceedings brought by the Bank against him in the Commercial Court: the Drey, Chrysopa, Tekhinvest, Granton, Paveletskaya, DCM, Domodedovo and Kaluga Proceedings described below (the "**Commercial Court Proceedings**"). Mr. Ablyazov has not handed himself in nor has he given the required asset disclosure. Mr. Ablyazov also appealed against this order.

The judgment from the Court of Appeal in connection with Mr. Ablyazov's appeals against both the committal order and the order dated 29 February 2012 was handed down on 6 November 2012. It dismissed the appeals against (a) the findings of contempt, (b) the three concurrent 22-month sentences and (c) the "unless" order debarring him from defending the claims having failed to surrender himself and having refused to give proper disclosure of his assets to the Bank. Mr. Ablyazov sought permission from the Court of Appeal to appeal to the Supreme Court against, *inter alia*, the sentence of imprisonment and the "unless" order. The Court of Appeal refused permission to appeal on 7 November 2012. Mr. Ablyazov applied to the Supreme Court for permission to appeal on 4 December 2012. That application was dismissed on 21 February 2013.

On 25 October 2012, the Court also dismissed an application by Mr. Ablyazov to adjourn the commencement of the trial, pending the Court of Appeal's abovementioned judgment. The Court also refused permission to appeal the adjournment ruling. The Court confirmed that the trial would go ahead as planned. Mr. Ablyazov (and certain other defendants) subsequently did not participate in the trial, which concluded on 13 February 2013.

On 25-26 October 2012, the court also heard an application by Mr. Ablyazov to remove (or "recuse") Mr. Justice Teare as the trial judge, on the basis of an alleged perception of bias. The application was rejected by Mr. Justice Teare in a judgment dated 1 November 2012, and the judge also refused permission to appeal. Mr. Ablyazov then applied to the Court of Appeal for permission to appeal the judgment. On 12 November 2012, the Court of Appeal considered the application for permission to appeal and the appeal itself together. It ruled that it would not disturb Mr. Justice Teare's 1 November judgment.

On 23 November, the Court made certain orders on the Bank's application for judgments against several defendants in the DCM and Drey Proceedings. In particular, the Court ordered that:

1. Mr. Ablyazov pay the Bank approximately £1.02 billion plus interest in respect of the DCM Proceedings;

2. Mr. Ablyazov, Mr. Roman Solodchenko (former Chairman of the Bank's Management Board) and certain corporate defendants pay the Bank approximately U.S.$401 million plus interest in respect of the Drey Proceedings;

3. the sum of £45 million previously provided by the Bank as security in respect of the above mentioned November 2010 receivership order, be returned to the Bank; and

4. new post judgment asset freezing orders be made against Mr. Ablyazov in an unlimited sum and new asset freezing orders in relation to certain other defendants, including Mr. Zharimbetov and Mr. Solodchenko. These new orders contain undertakings in damages by the Bank.

The receivership order granted in November 2010 in respect of Mr. Ablyazov's assets continues in effect. The Bank expects to apply for judgment against Mr. Ablyazov and certain other defendants in some or all of the remaining Commercial Court Proceedings. The Bank has commenced enforcement steps in relation to the 23 November 2012 judgments, including by the registration of them in the BVI on 13 December 2012 and in Cyprus on 21 January 2013. As part of this enforcement process, the Bank will be seeking an order from the English Court on 25 April 2013, to permit the sale of three UK properties belonging to Mr. Ablyazov which is expected to result in recoveries of some £35 million for the Bank.

On 15 March 2012, the Bank issued an application for summary judgment against Mr. Ablyazov and five of the corporate defendants in the AAA Proceedings (described below) on the basis (predominantly as a result of the committal judgment against Mr. Ablyazov) that they have no prospect of defending the Bank's claims. Judgment is being sought in the amount of U.S.$294 million. The hearing of the Bank's application was previously adjourned but is expected to be heard before July 2013.

On 19 March 2013, the Court granted judgments against:

1. Mr Zhaksylyk Zharimbetov (former First Deputy Chairman of the Bank's Management Board) in the amount of approximately U.S.$1.5 billion plus interest in the "Drey" and "Granton" claims;

2. Usarel Investments Limited (a Cyprus company which owns, indirectly, the Vitino Port facility on the White Sea in Russia) requiring Usarel to transfer to BTA the large majority of the shares in the companies which own and operate the port and to compensate the Bank in the event that those shares do not exceed in value U.S.$120 million plus interest; and

3. Ildar Khazhaev (former Head of the Bank's representative office in Moscow) to compensate BTA to the extent that the value of the abovementioned Vitino shares is less than U.S.$120 million, plus interest. The effect of the Court's judgment is that Mr Ablyazov will also be liable to the same extent.

In a further judgment handed down on 19 April 2013, the Court awarded the Bank interest at the rate of 7.3 per cent. (from the date of the improper payments through to 19 March 2013 when the trial judgment was handed down). At the same time, the Court also entered judgment against Mr Ablyazov in relation to the Granton Proceedings in the amount of U.S.$1.18 billion, together with interest in the further sum of U.S.$374 million.

Drey Proceedings

In August 2009, the Bank commenced proceedings in the Commercial Court in England against Mr. Ablyazov, Roman Solodchenko, Zhaksylyk Zharimbetov, Drey Associates Limited, Anthony Stroud, John Wilson and Sarah Wilson (the "**Drey Proceedings**"). By the time of the trial, Mr. Zharimbetov was the only active defendant in the Drey Proceedings.

In summary, the claim related to the alleged misappropriation of funds belonging to the Bank totalling approximately U.S.$295 million (plus interest) pursuant to various compensation agreements (the "**Compensation Agreements**") entered into with Drey Associates Limited ("**Drey**"), an English company, between May and October 2008. Drey was also a shareholder of the Bank.

Under the Compensation Agreements, the Bank paid Drey approximately U.S.$295 million. This money was purportedly paid in consideration for Drey procuring that certain existing shareholders of BTA Ukraine, BTA Belarus and AMT Bank would not exercise supposed pre-emption rights to block the proposed purchase by the Bank of shares in these three banks. The Bank contended that there was no legitimate commercial justification for the payments made under the Compensation Agreements and that they were simply a device used by the defendants, as officers of the Bank, for misappropriating or facilitating the misappropriation of funds from the Bank.

The Bank amended its claim since it was first issued to seek a further U.S.$106 million (plus interest) transferred by the Bank under purported share purchase agreements ("**SPAs**") relating to the acquisition of shares in AMT Bank and BTA Belarus that were connected to the Compensation Agreements. Under its amended claim, the Bank sought the return of the monies paid under both the Compensation Agreements and the SPAs plus profits and interest and/or delivery of the assets to which the monies were applied.

As discussed in the Overview section above, the Commercial Court granted various asset freezing and disclosure orders against the defendants in the Drey Proceedings up to a value of £175 million in respect of the defendants other than Mr. Ablyazov, Mr. Solodchenko and Mr. Zharimbetov. This is the equivalent of the U.S.$295 million that was paid under the Compensation Agreements. In relation to Mr. Ablyazov, however, the injunction was in the amount of £451,130,000. This reflected not only the amount of the claim in respect of the Drey proceedings, but also the separate claims against him in the Chrysopa Proceedings and the Tekhinvest Proceedings discussed below. In relation to Mr. Solodchenko, the injunction was in the amount of £435,299,000, reflecting the claims in the AAA Proceedings (described below), as well as the Drey proceedings. In relation to Mr. Zharimbetov, the injunction was in the amount of £243,000,000 reflecting the claims in the Drey Proceedings. The effect of the asset freezing order was that if the total value of the defendants' assets in England and Wales do not exceed the amount enjoined (which they do not, for any defendant), the defendants (including Mr. Ablyazov) were prohibited from disposing or dealing with any of their assets outside England and Wales other than in limited circumstances in the ordinary course of their businesses.

In November 2010, all of Mr. Ablyazov's disclosed assets were ordered to be placed into the control of independent court appointed receivers on the basis that the Court did not trust Mr. Ablyazov to comply with the asset freezing order. Since that date, the English Court has extended the receivership to over 650 additional companies believed to be assets of Mr. Ablyazov which he has not disclosed. As with the asset freezing orders described above, the Bank has given undertakings in damages in respect of the receivership and it also posted security in the amount of £45 million in relation to its undertakings. As noted in the Overview section above, the Bank's security in relation to these undertakings was released by order of the Court dated 23 November 2012.

As noted above, the Bank issued a committal application against Mr. Ablyazov on 16 May 2011 on the basis of a large number of breaches of the asset freezing order referred to above, including allegations that he had failed to disclose all of his assets. The Bank pursued the contempt allegations to seek to force Mr. Ablyazov to comply with the English Court's orders and to prevent the dissipation of his assets. Following the trial, Mr. Ablyazov was found to have breached his obligation to give full disclosure of his assets under the freezing injunction, to have lied under oath during cross-examination and to have dealt with assets in breach of the freezing injunction. Mr. Ablyazov failed to attend the handing down of the committal judgment on 16 February 2012, despite having confirmed that he would do so. He was sentenced in his absence to three concurrent 22-month prison terms and the court has issued a warrant for his arrest. Mr. Ablyazov has since absconded.

On 22 February 2012, the Bank applied for an order that Mr. Ablyazov be debarred from defending the proceedings brought against him by the Bank in the Commercial Court if he did not (1) surrender himself to the authorities and (2) provide updated disclosure of his assets. On 29 February 2012, Mr. Ablyazov was ordered to surrender to the authorities by 9 March 2012 and to provide renewed disclosure by 14 March 2012; Mr. Ablyazov failed to surrender himself to the authorities or to give the required disclosure. Mr. Ablyazov appealed against that order. The Court of Appeal rejected the appeal on 6 November 2012 and his application to the Supreme Court for permission to appeal was also rejected (see "*– Overview*").

As noted in the Overview section above, the Bank obtained judgment against Mr. Ablyazov, Mr. Solodchenko and certain other defendants in the amount of U.S.$401 million plus interest in respect of the Drey Proceedings on 23 November 2012. On 19 March 2013, Mr Justice Teare also granted judgment against Mr. Zharimbetov in the amount of U.S.$401 million plus interest in the Drey Proceedings. Mr Zharimbetov has indicated that he will seek permission to appeal. The Court has now listed a further hearing for 24 May 2013 when the question of permission to appeal, and a number of other matters consequential on the trial judgment, will be addressed.

RIROil Proceedings

On 16 November 2009, the Bank brought a claim for U.S.$65 million (plus interest) and declaratory relief in the Commercial Division of the High Court of the British Virgin Islands against four defendants: REUEL Limited ("**REUEL**"), RIROil sarl (now known as TANIL sarl) ("**RIROil**"), Mr. Ablyazov and Mr. Khazhaev (the "**RIROil Proceedings**").

The background to the claim is as follows. On 6 August 2008, the Bank made a loan of U.S.$57.5 million to RIROil, a Swiss company. The loan was repayable on 5 August 2013, accrued interest at a rate of 18 per cent. per annum, and appears to have been secured (although the value of the security, if any, is unclear).

On 14 January 2009, the Bank purportedly assigned its rights under the loan agreement to REUEL, a newly established BVI company, for consideration of U.S.$57.5 million plus approximately U.S.$230,000 (apparently in respect of interest accrued on the loan as at the date of the purported assignment).

Under the terms of the purported assignment agreement, REUEL was not obliged to pay the consideration amount of U.S.$57,730,000 until 31 December 2015 (over 28 months later than the Bank would have been paid by RIROil under the terms of the loan agreement). REUEL had no obligation to pay interest on this amount, and no security was provided. The Bank believes that the purported assignment to REUEL on such unfavourable terms was a fraud against the Bank for the benefit, *inter alia*, of the owners of REUEL.

On 24 March 2010, the BVI Court handed down a judgment pursuant to which the claim against Mr. Ablyazov was dismissed on jurisdictional grounds.

On 10 December 2010, the Bank filed an amended claim form and amended statement of claim by which it joined certain other defendants to the proceedings. By the amended proceedings, the Bank seeks (amongst other relief) a declaration that, among others, certain purported assignments were invalid. The amended pleadings also introduce a claim for U.S.$2 million (plus interest) in respect of the purported assignment to REUEL of the Bank's interest in a second, smaller loan to RIROil. REUEL is no longer playing an active role in the BVI claim.

RIROil has to date taken no steps in the proceedings. On 2 May 2011, the competent court in Fribourg declared the dissolution of RIROil and ordered its liquidation in formal bankruptcy proceedings. The Bank submitted its claim in RIROil's liquidation on 29 September 2011. The amount available for distribution to RIROil's creditors is CHF534,000 (approximately U.S.$570,000).

On 27 January 2012, a claim for £61,500,689 in relation to the loans made to RIROil was issued by the Bank against Mr. Ablyazov in the English Commercial Court in order to preserve limitation and because Mr. Ablyazov is no longer a defendant in the BVI claim. It alleges breaches of duty on the part of Mr. Ablyazov and seeks declarations as to the validity (or otherwise) of the loan, the assignments and the novation. The claim was subsequently stayed by agreement between the parties, which was embodied in a consent order dated 16 April 2012.

Chrysopa Proceedings

The Bank commenced further proceedings in the Commercial Court in January 2010 against Mr. Ablyazov, Ildar Khazhaev, Anton Rybalkin, Chrysopa Holding BV (a Dutch company ("**Chrysopa**")), Usarel Investments Limited (a Cypriot company ("**Usarel**")) and Lux Investing Limited (a British Virgin Islands company ("**Lux**")) (the "**Chrysopa Proceedings**").

In summary, the claim related to a purported loan of U.S.$120 million by the Bank to Chrysopa (the "**Chrysopa Loan**") on terms highly unfavourable to the Bank. The Bank contended that the loan was a fraudulent related party transaction involving the misappropriation of U.S.$120 million for the benefit of Mr. Ablyazov.

The background to the Chrysopa Loan is that on or around 1 August 2008, the Bank purportedly agreed to lend U.S.$120 million to Chrysopa for onward transmission to Usarel which appears to have been used by Usarel to acquire various companies who owned and/or operated the Vitino port facility on the White Sea in Russia.

Although the loan agreement provided for security in the form of a pledge over Usarel's shares and over the assets that Usarel was to acquire, the Bank had no record of security being granted. No interest has ever been paid on the purported loan.

In the Chrysopa Proceedings, the Bank sought, amongst other things, a declaration invalidating the Chrysopa Loan, repayment of the money transferred under the loan agreement and delivery up of all assets to which any of the funds were applied. Defences were served by Mr. Ablyazov and most of the other defendants.

Freezing orders have been granted in relation to the defendants of the Chrysopa Proceedings, supported by cross-undertakings in damages from the Bank, similar in nature to those undertakings described above.

On 30 November 2011, Mr. Justice Eder granted an 'unless' Order which required Chrysopa to provide disclosure by no later than 8 December 2011. Chrysopa failed to comply with the 'unless' Order and took no part in the trial of the Chrysopa Proceedings.

On 16 March 2012, Mr. Justice Hamblen ordered that Chrysopa pay the Bank U.S.$65 million by way of interim payment. No monies have been paid to the Bank pursuant to that Order.

The Chrysopa Proceedings proceeded to trial against the remaining defendants (Mr. Khazhaev and Usarel) together with the Drey and Granton Proceedings. On 19 March 2013, Mr Justice Teare granted judgment against Usarel requiring it to transfer to the Bank approximately 95 per cent. of the shares in the companies that own and operate the port (i.e. those shares that were paid for with the Bank's money) and to pay damages in the amount of any shortfall if the value of those shares is less than U.S.$120 million plus interest. Mr Justice Teare also granted judgment against Mr. Khazhaev in the amount of any shortfall between the value of the shares and U.S.$120 million plus interest. As noted above, Mr Ablyazov will also be liable to the same extent.

On 19 April 2013, the Court appointed three partners of Alvarez & Marsal as independent Receivers and Managers of Usarel and its assets (including, but not limited, to the shares in the various companies which own and operate the Vitino Port). The role of the Receivers and Managers is to recover and preserve Usarel and its assets having regard to the Court's 19 March 2013 judgment.

Usarel and Mr. Khazhaev have indicated that they intend to seek permission to appeal the Court's 19 March 2013 judgment. As noted above, the Court has now listed a further hearing for 24 May 2013 when the question of permission to appeal, and a number of other matters consequential on the trial judgment, will be addressed.

Tekhinvest Proceedings

In March 2010, the Bank issued proceedings in the Commercial Court against Mr. Ablyazov, Mr. Khazhaev, Tekhinvest CJSC ("**Tekhinvest**"), Konvis LLC ("**Konvis**"), PaladioExport LLC ("**PaladioExport**"), CityBestPlus LLC ("**CityBestPlus**") and Colligate Investments Limited ("**Colligate**").

In summary, the claim relates to a series of purported loan facilities amounting to over U.S.$300 million that were granted to Tekhinvest, Konvis, PaladioExport, and CityBestPlus between 2004 and 2008 on terms that were highly unfavourable to the Bank. These funds were purportedly to be used in connection with the construction by Tekhinvest of the Eurasia Tower building in the Moscow City development in Russia.

The Bank contends that these loans were orchestrated by Mr. Ablyazov as part of a scheme to misappropriate funds from the Bank. The Bank further claims that the loans were related party transactions to affiliates of Mr. Ablyazov and that he failed to disclose (adequately or at all) his interests in those companies to the Bank in breach of Kazakhstan law requirements. The Bank also contends that no adequate security was ever put in place and that Mr. Ablyazov, with the assistance of Mr. Khazhaev and Colligate, dishonestly engineered the release of such security as had been obtained through an undated pledge release document. Mr. Ablyazov and Mr. Khazhaev deny the allegations.

On 28 March 2011, Mr. Justice Christopher Clarke granted a stay of the proceedings against Tekhinvest on the basis that an arbitration clause in the loan agreement between the Bank and Tekhinvest requires the Bank's claims to be referred to the International Commercial Arbitration Court (ICAC) in Moscow for resolution. The Judge also granted a stay of proceedings against Colligate on case management grounds, on the basis that the Bank's claims against Colligate are closely linked to the outcome of its claims against Tekhinvest. Colligate has undertaken to join any ICAC arbitration proceedings initiated by the Bank or Tekhinvest so that the Bank's claims against it may be determined at the same time. No further steps have taken place in the action pending the outcome of the trial in the Drey, Granton and Chrysopa Proceedings.

Granton Proceedings

On 17 June 2010, the Bank issued proceedings in the Commercial Court against Mr. Ablyazov, Mr. Zharimbetov, Granton Trade Ltd, Branden & Associates Ltd, Aldridge Ventures Ltd, Zafferant Partners Inc, Forest Management Ltd, Loginex Projects LLP, Incompro Management Ltd, Perspective Communications Ltd, Austin Universal Inc and Maden Holding Inc. On 21 January 2010, the Bank filed its amended Particulars of Claim to include details of what are referred to below as the Unlawful Loans.

In summary, the claim related to two series of loans. The first set (the "**Unlawful Loans**"), totalling U.S.$1,428,840,000, were made between March 2006 and August 2008, to 19 companies (the

"**Recipients**"). The Recipients are all incorporated in the Seychelles, BVI or Cyprus, and it was the Bank's case that they were all owned or controlled by Mr. Ablyazov. The second set of loans, totalling U.S.$1,031,263,000, were made between November and December 2008, to four companies (Granton Trade, Branden & Associates, Aldridge Ventures and Zafferant Partners, together the "**Borrowers**") and paid out by the Bank pursuant to letters of credit to six further companies (Forest Management, Loginex Projects, Incompro Management, Perspective Communications, Austin Universal and Maden Holding, together the "**Intermediaries**").

The stated purpose of the loans to the Borrowers was to fund the purchase of oil and gas equipment from the Intermediaries. The Bank's case was that the equipment never existed, and the loans to the Borrowers and payments to the intermediaries were part of a scheme (the "**Misappropriation Scheme**"). Pursuant to the Misappropriation Scheme, the Intermediaries transferred the sums received from the Bank to the Recipients, which in turn used those sums to repay (a proportion of) the Unlawful Loans to the Bank. The Bank contended that the ultimate beneficiary of the Misappropriation Scheme was Mr. Ablyazov, who was seeking to avoid the necessity to dramatically increase the Bank's provisions for bad loans, a step which Kazakhstan's financial regulator had been pressing the Bank to take because of the extremely risky nature of the Bank's loans to offshore entities (including the Recipients).

The Bank sought orders to set aside all of the financial agreements pursuant to which the Misappropriation Scheme payments were made. It further sought the return of the sums paid out under the Unlawful Loans, or alternatively under the Misappropriation Scheme, together with any proceeds. In the alternative, the Bank sought damages or compensation for the Bank's losses.

Freezing injunctions were obtained against the Borrowers and the Intermediaries in both England and the BVI, supplemented by orders requiring disclosure of information.

On 24 August 2010, the Bank obtained an 'unless' order compelling the respondents to the English freezing injunction to provide disclosure under the freezing order (the "**Unless Order**"). Some disclosure was provided, which confirmed the Bank's original case with respect to the Misappropriation Scheme, namely, that the relevant agreements between the Bank and Borrowers and between the Borrowers and Intermediaries were shams. Further, this disclosure identified that the moneys paid by the Bank to the Intermediaries had been paid on to other companies (several of the Recipients were named) to enable them to repay their own loans to the Bank.

On 10 December 2010, the Bank's application for judgment against the corporate defendants (other than Austin Universal) for breach of the Unless Order was heard. The Bank obtained an order requiring provision of further information from five of these defendants. In respect of Loginex Projects, the Bank obtained judgment for U.S.$1,031,263,000 plus interest.

On 22 March 2011, the Bank obtained default judgment against Austin Universal. On 30 March 2011, the Bank petitioned successfully for a winding up order against Loginex.

On 22 June 2011, the Bank issued a further application for judgment against the corporate defendants on the basis that they had misled the English Court when providing disclosure pursuant to the Unless Order such that the relief from sanctions previously granted by the English Court should be revoked.

The application was heard by Mr. Justice Christopher Clarke on 30 and 31 August 2011. In his written judgment Clarke J held, among other things, that the English Court was misled by the corporate defendants such that the previous order granting them relief from sanctions should be revoked and judgment be entered against them. The judge also stated that the evidence adduced by the Bank supported the assertion that Mr. Ablyazov was the true beneficial owner of the Borrowers, Intermediaries and Recipients, which were used as his vehicles for both the lending schemes that are the subject of the litigation. Following a further hearing on 11 October 2011, the judge ordered the corporate defendants to pay U.S.$1,031,263,000 in damages plus interest. However, while the judge refused permission to appeal, he granted a stay on enforcement pending the outcome of an application for permission to appeal to the Court of Appeal. That application was granted by Lord Justice Rix on 8 November 2011.

The appeal against Mr. Justice Christopher Clarke's order of 11 October 2011 was heard on 3 April 2012. On 1 May 2012 the Court of Appeal delivered its judgment, dismissing the appeal on all grounds.

The Granton Proceedings were tried together with the Drey and Chrysopa Proceedings, which trial commenced on 7 November 2012, against the remaining active defendant, Mr. Zharimbetov.

On 19 March 2013, Mr Justice Teare granted judgment against Mr. Zharimbetov in the Granton Proceedings in the amount of U.S.$1.145 billion plus interest. As addressed above, the Court subsequently awarded the Bank interest at the rate of 7.3 per cent. (between the date of the improper payments and 19 March 2013 when the trial judgment was handed down). The amount of the interest has since been agreed at U.S.$374 million, and interest continues to accrue at over U.S.$340,000 per day.

Mr Zharimbetov has indicated that he will seek permission to appeal, which will be addressed at the further hearing on 24 May 2013.

AAA Proceedings

On 28 July 2010, the Bank commenced proceedings (Claim No HC10CO2462) against Mr. Solodchenko, two Cypriot individuals (Paul Kythreotis and Jason Hercules), and a number of offshore companies: Celina Investment Holdings Limited, Shoreline Investment Holding Limited, Nafazko Investments Limited, Olofu Investments Limited, Mymana Holdings Investments Limited, Mabco Inc, Calernen Finance Inc, Astrogold Corp and Grundberg Inc. The claim has subsequently been amended to include Mr. Ablyazov, Eastbridge Capital Limited, Park Hill Capital Limited, Syrym Shalabayev (Mr. Ablyazov's brother-in-law), Alexander Udovenko and Anatoly Ereshchenko as defendants. It has been discontinued against Mr. Hercules.

The Bank's claims allege the misappropriation from the Bank of U.S.$295 million in AAA-rated investments and/or their value as part of a scheme that was implemented between June 2008 and January 2009, whereby the investments held by the Bank were transferred into an offshore account and then used as security for a contract whereby Celina, Shoreline, Nafazko, Olofu and Mymana (the "**Receiving Companies**") agreed to sell to an investment house, Alfa Equity Investments, investments that matched the description of those held by the Bank. These Receiving Companies were paid U.S.$295 million in June 2008 in return for a commitment to supply investments by the end of the year. The Bank's case is that a security arrangement must have been put in place using the Bank's investments to allow these monies to be paid to Receiving Companies who provided no security of their own and did not appear to have any assets. The monies were then paid on by the Receiving Companies to the other corporate defendants (the "**Further Recipients**"). In January 2009, the Bank transferred its investments to the Receiving Companies. It is understood that the Receiving Companies used those investments to comply with their obligations under their contracts with Alfa Equity Investments. The Bank's case is that it was left with no investments and was given no consideration for transferring them away. The Bank also alleges that Mr. Ablyazov is behind the Receiving Companies.

No defence has been served by the Further Recipients and they have still not participated in the proceedings at all. In the absence of any participation by the Further Recipients at a hearing on 31 October 2011, the Court ordered that those defendants be debarred from defending the Bank's claim and they are not permitted to file a defence without a further order of the Court. The Bank subsequently applied for judgment in default against the Further Recipients, which was ordered by Mr. Justice Peter Smith on 1 March 2012.

One of the key findings of contempt against Mr. Ablyazov in the committal trial (see Drey Proceedings above) was that he was the true beneficial owner of Bubris Investments Limited ("**Bubris**"), the Fourth Defendant to the AAA proceedings and a recipient of a substantial part of the U.S.$300 million associated with the AAA transactions, and that he had deliberately concealed his ownership of Bubris from the Bank in breach of the freezing order against him. On 15 March 2012, the Bank issued an application for summary judgment in the AAA Proceedings against Mr. Ablyazov and the Receiving Companies (including Bubris) on the basis that (predominantly as a result of the committal judgment) they have no real prospect of defending the Bank's claims in these proceedings. By this application, the Bank seeks judgment against Mr. Ablyazov and others for U.S.$294 million plus interest. The application was heard by Mr. Justice Vos on 11-13 July 2012. It was not possible to complete the hearing of the summary judgment application on 13 July 2012 and, given the overlap in issues relating to Kazakh law, was not relisted pending judgment on the main trial. The Bank expects the application to be heard before July 2013.

Eduardof Proceedings

In July 2010, the Bank became aware of a purported "**Factoring Agreement**" entered into between the Bank and a Cypriot shell company, Eduardof Finance Limited ("**Eduardof**"), in late January 2009.

The Factoring Agreement purported to assign debts with a face value of over U.S.$4.8 billion, representing almost a third of the Bank's entire loan portfolio, for an initial payment of just U.S.$1 million. In total, some 70 borrowers are covered by the purported agreement, including Chrysopa, RIROil and Tekhinvest. Whilst not identical, the Factoring Agreement bears a number of close similarities to matters which the Bank understands to be the subject of the criminal charges brought against Mr. Ablyazov by the Russian authorities.

On 20 October 2010, the Bank issued proceedings before the Nicosia District Court in Cyprus seeking a declaration of invalidity in relation to the purported Factoring Agreement (amongst other things on the basis that it was not properly authorised in accordance with mandatory provisions of Kazakh law and/or that it is illegal and/or a sham). On 25 October 2010, the Cypriot Court granted an *ex parte* injunction restraining Eduardof from taking any steps pursuant to the purported agreement.

By an order dated 22 March 2011, to which Eduardof consented, the Cyprus Court declared the "Factoring Agreement" to be invalid from inception. It also ordered that Eduardof be prevented from taking any steps in future whatsoever to assert the validity of the agreement or to implement its terms. As a result of that order, the Eduardof Proceedings have concluded.

The Bank subsequently applied to the Russian Court for an order recognising the invalidation order granted by the Cyprus Court. Recognition was granted by the Russian Court on 22 September 2011.

Paveletskaya Proceedings

In December 2010, the Bank issued proceedings in the Commercial Court against Mr. Ablyazov, Mr. Khazhaev, Paveletskaya OJSC ("**Paveletskaya**"), Samuel Finance Sarl ("**Samuel Finance**"), Simplecity Holdings Limited ("**Simplecity**"), Ringbell Investments Limited ("**Ringbell**"), Malabar Investments Group Limited ("**Malabar**") and Mishia Investments Limited ("**Mishia**").

In summary, the claim relates to a series of purported loan facilities amounting to approximately U.S.$269 million advanced by the Bank to Paveletskaya and Samuel Finance between 2005 and 2009. The loans were purportedly for the purpose of investment in the construction of an underground shopping and entertainment mall in Paveletskaya Square, Moscow (the "**Paveletskaya Project**").

The Bank contends that Mr. Ablyazov orchestrated a scheme (the "**Paveletskaya Scheme**") to misappropriate these funds from the Bank for his own benefit through the loans to Paveletskaya and

Samuel Finance. The Bank asserts that Mr. Ablyazov controlled both Paveletskaya and Samuel Finance and that the loans were related party transactions which Mr. Ablyazov failed to disclose in breach of Kazakhstan law.

The Bank alleges that, as part of the Paveletskaya Scheme, Mr. Ablyazov engineered the transfer of the Bank's funds to Paveletskaya and Samuel Finance without any adequate security arrangements being put in place. Any security which may have been obtained was subsequently released to the Bank's detriment. Further, the Bank contends that at least U.S.$47 million of the loan monies were not used for the purposes of the Paveletskaya Project and were transferred to Ringbell without the Bank's permission.

The Bank has also identified two purported assignment agreements, dated 30 January 2009, under which the Bank's rights to repayment of the Paveletskaya loans (save for one letter of credit) were purportedly assigned to two companies incorporated in the BVI, namely Malabar and Mishia. The Bank claims that the assignment agreements are shams and further evidence of the Poveletskaya Scheme whereby Mr. Ablyazov sought to prevent the Bank from recovering the outstanding loan monies from Paveletskaya by assigning its rights to two BVI companies that he beneficially owned and/or controlled.

The Bank seeks, amongst other things, a declaration invalidating the purported loans and assignment agreements, repayment of the money transferred under the loan agreements and delivery up of all assets to which any of the funds were applied. The Bank also claims damages from all of the defendants on grounds of bad faith. In the alternative, the Bank seeks repayment of the amounts outstanding under the loans as at the date of the claim (plus interest).

Mr. Ablyazov, Paveletskaya, Ringbell, Simplecity and Mr. Khazhaev have denied the allegations. Samuel Finance was formally served with the claim on 16 March 2011 at its registered address in Luxembourg, and is now in default for failing to serve a Defence. Malabar and Mishia have both been served with the claim at their registered addresses in the BVI but have failed to acknowledge service of the claim and their time for service of a Defence has now expired.

As a result of the conclusion of the trial in the Drey, Granton and Chrysopa Proceedings, the Bank is considering bringing an application for judgment against Mr. Ablyazov in this action.

DCM Proceedings

On 21 January 2011, the Bank issued the DCM Proceedings in the Commercial Court against Mr. Ablyazov, Mr. Zharimbetov, Fedelm Corp., Telford Financiers Corp. and Dowring & Associates, Inc. (the latter three defendants being companies incorporated in the BVI, together the "**BVI Defendants**").

The original claim concerned five transactions, in each case comprising a loan to a Kazakh company ("**Borrower A**") purportedly for the predominant purpose of the purchase and development of land, and a subsequent loan to a second (Kazakh or offshore) company ("**Borrower B**") purportedly for the purchase of the shares in Borrower A (in one case from Mr. Ablyazov himself). The Bank claims that these loans, which were uncommercially favourable to the borrowers, were part of a dishonest scheme on the part of Mr. Ablyazov and Mr. Zharimbetov to misuse the Bank's money for their own purposes and/or personal benefit.

By its claim, the Bank seeks a declaration that the loan agreements under which moneys were advanced to three of the Borrower B companies, as well as the subsequent share purchase agreements whereby those Borrower B companies purportedly acquired interests in the respective Borrower A companies, are invalid. It also seeks the repayment of all the moneys purportedly paid pursuant to each of those loan and/or share purchase agreements, as well as damages or compensation in respect of its losses resulting from all five transactions. The amount of the original claim was approximately

U.S.$1.2 billion but has been amended to approximately U.S.$1.6 billion and two further defendants have been added to the claim.

The BVI Defendants were served in the BVI on 1 February 2011. All three failed to acknowledge service of the proceedings and file a defence by 4 March and 18 March 2011 respectively. Mr. Ablyazov and Mr. Zharimbetov filed defences.

By consent orders dated 8 November and 4 October 2011 respectively, the proceedings as against Mr. Ablyazov and Mr. Zharimbetov were stayed until judgment following the consolidated trial of the Drey, Granton and Chrysopa Proceedings on condition that (i) either party may apply for the stay to be lifted at any time, and (ii) the Bank retains its right to apply to amend its Particulars of Claim during the period of the stay. As noted in the Overview section above, the Bank obtained judgment against Mr. Ablyazov on 23 November 2012 in respect of the DCM Proceedings with the stay of the proceedings as against him being lifted in the process.

Stepanov Litigation

The Bank obtained judgment in England on 14 October 2009 against Alexander Stepanov, the former General Director and major shareholder of Energomash (UK) Limited ("**Energomash**"), in the amount of U.S.$468 million in an action commenced in May 2009. The judgment was granted in connection with a guarantee given by Mr. Stepanov for a loan by the Bank to Rolls Finance Limited, an English company.

Mr. Stepanov resides in Russia and the English Court took jurisdiction over him based on an English jurisdiction clause in a charge he had granted to the Bank. Some of the shares of Energomash belonging to Mr. Stepanov had been pledged to the Bank as security for the loan to Rolls Finance Limited and as part of the process of seeking to enforce its judgment against Mr. Stepanov, partners of Ernst & Young were appointed liquidators of Energomash.

On 31 March 2010, the High Court in England sentenced Mr. Stepanov (*in absentia*) to two years imprisonment for breaching various orders made by the Court in the proceedings initiated against him by the Bank, including a failure to disclose information on his assets.

The Bank has also obtained judgment in Russia in November 2009 against Mr. Stepanov in the amount of U.S.$411 million in relation to this matter. Mr. Stepanov appealed this judgment but was unsuccessful.

On 1 February 2011, Mr. Stepanov was arrested in Moscow on charges of deliberately bankrupting the Energomash group companies and submitting false claims in the Russian Bankruptcy proceedings.

Domodedovo Proceedings

On 18 March 2011, the Bank issued the Domodedovo Proceedings in the Commercial Court against Mr. Ablyazov, Mr. Zharimbetov, and 28 corporate defendants located variously in the Seychelles, Luxembourg, BVI, Cyprus and Russia.

The claim concerns six loans advanced by the Bank in December 2006 purportedly to allow for the purchase and development of land plots in the Domodedovo region of Moscow. The Bank seeks a declaration that the loan agreements and various subsequent agreements disbursing the loan funds were unlawful and invalid under their governing law on various grounds arising from the related-party nature of the loans and the alleged fraud involved in their procurement and execution. The Bank claims against Mr. Ablyazov and Mr. Zharimbetov for damages arising from their breaches of fiduciary and statutory duties owed as officers of the Bank. The Bank also claims various personal and proprietary remedies against the companies involved in the alleged scheme. Under these heads of claim the Bank seeks approximately U.S.$550 million plus interest. The Bank alternatively seeks payment of all principal, interest and penalties due and owing under the loan agreements.

By consent order dated 15 March 2012, the Domodedovo Proceedings have been stayed pending determination of Mr. Ablyazov's appeal of Mr. Justice Teare's committal judgment against him in the Drey Proceedings referred to above (which, if unsuccessful, will result in Mr. Ablyazov being barred from defending the Domodedovo Proceedings, amongst others). Proceedings against Mr. Zharimbetov have also been stayed on the same terms as govern the stay of the DCM Proceedings against him (see above).

The non-Russian corporate defendants have also been served. No acknowledgements of service or defences have been received from these defendants.

Service upon the remaining six corporate defendants located in Russia has been attempted under the Hague Convention, but by August 2012 the Moscow Region Commercial Court had declared such service impossible because representatives of the defendants failed to attend the hearings on service scheduled by the Court (notwithstanding that they appeared to have been properly notified of the hearings). The Bank obtained an order on 19 October 2012 permitting it to serve the Russian defendants by an alternative method. As a result of the conclusion of the trial in the Drey, Granton and Chrysopa Proceedings, the Bank is considering an application for judgment against Mr. Ablyazov in this action.

Kaluga Highway Proceedings

On 13 April 2011, the Bank issued the Kaluga Highway Proceedings in the Commercial Court against Mr. Ablyazov, Mr. Zharimbetov, and 11 corporate defendants located variously in the Seychelles, Luxembourg, BVI, Cyprus and Russia.

The claim concerns loans advanced by the Bank initially in February 2007 purportedly to allow for the purchase and development of land plots in a region outside Moscow. The Bank seeks a declaration that the loan agreements and various subsequent agreements disbursing the loan funds were unlawful and invalid under their governing law on various grounds arising from the related-party nature of the loans and the alleged fraud involved in their procurement and execution. The Bank claims against Mr. Ablyazov and Mr. Zharimbetov for damages arising from their breaches of fiduciary and statutory duties owed as officers of the Bank. The Bank also claims various personal and proprietary remedies against the companies involved in the alleged scheme. Under these heads of claim the Bank seeks approximately U.S.$460 million plus interest. The Bank alternatively seeks payment of all principal, interest and penalties due and owing under the loan agreements.

By a consent order dated 15 March 2012, the Kaluga Highway Proceedings were stayed pending determination of Mr. Ablyazov's appeal of Mr. Justice Teare's committal judgment against him in the Drey Proceedings (which, if unsuccessful, will result in Mr. Ablyazov being barred from defending the Kaluga Highway Proceedings, amongst others). Proceedings against Mr. Zharimbetov have been stayed on the same terms as govern the stay of the DCM Proceedings against him (see above). Following the Supreme Court's ruling and the handing down of judgment on the trial, it is now open to the Bank to seek to lift those stays.

The non-Russian defendants have also been served. No acknowledgements of service or defences have been received from these defendants.

Service upon the three corporate defendants located in Russia has been effected by way of service upon Mr. Ablyazov's solicitors, Addleshaw Goddard, on the grounds that these companies have been admitted by Mr. Ablyazov to be his assets. The order permitting such alternative service was dated 4 October 2012.

The remaining three corporate defendants, located in Russia, have not yet been served. The Bank shall seek an order permitting it to serve the Russian defendants by an alternative method. As a result of the conclusion of the trial in the Drey, Granton and Chrysopa Proceedings, the Bank is considering an application for judgment against Mr. Ablyazov in this action.

Business Centre 1812 Proceedings

On 31 January 2012, the Bank issued the Business Centre 1812 Proceedings in the Commercial Court against Mr. Ablyazov, Mr. Khazhaev and seven corporate defendants located variously in the Seychelles and in Russia.

The claim concerns loans advanced by the Bank, initially to five Russian companies in February 2005, purportedly to allow for the construction of a complex to be known as Business Centre 1812 at 2nd Poklonnaya Street, Estate 9, Moscow. In November 2007, the February 2005 loans were purportedly novated to another of the corporate defendants, a Seychelles company known as Jadason Enterprises Limited. Thereafter, further sums were lent to the Seychelles company and one further loan was advanced to the Russian project company.

It is the Bank's case that very substantial sums from the monies drawn down under the loans were diverted from the Business Centre 1812 project to other projects and entities owned and controlled by Mr. Ablyazov.

The Bank claims compensation on various grounds arising from the related-party nature of the loans and the alleged fraud involved in their procurement and execution. Alternatively, the Bank seeks declarations that the loan agreements and various subsequent agreements were unlawful and invalid under their governing law on various grounds arising from the related-party nature of the loans and the alleged fraud involved in their procurement and execution. The Bank also claims various personal and proprietary remedies against the companies involved in the alleged scheme. Under these heads of claim the Bank seeks approximately U.S.$300 million plus interest. The Bank alternatively seeks payment of all principal, interest and penalties due and owing under the loan agreements.

It was also ordered that the claim would be stayed upon the filing of acknowledgments of service pending determination of the Chrysopa Proceedings. As a result of the conclusion of the trial in the Drey, Granton and Chrysopa Proceedings, the Bank is considering an application for judgment against Mr. Ablyazov in this action.

Litigation in respect of BTA Kyrgyzstan

Court hearings with regard to invalid sale

On 29 December 2011, the Bank submitted a claim related to the invalid sale of 71 per cent. of the shares in BTA Kyrgyzstan to the Inter-Regional Court of Bishkek, with the aim of seeking recovery. On 10 January 2012, the Inter-Regional Court of Bishkek issued a decision, refusing to consider the claim due to expiration of the limitation period for bringing actions. On 18 January 2012, the Bank prepared and submitted a private complaint on the above stated decision, consideration of which was appointed to take place on 15 February 2012 in Bishkek Town Court. Bishkek Town Court, however, reversed the decision of the Inter-Regional Court of Bishkek and redirected the case back to the inter-regional court of Bishkek for consideration. On 18 April 2012, the decision of Bishkek Town Court dated 15 February 2012 was upheld by an enactment of the Supreme Court of Kyrgyzstan.

During new consideration to avoid claims being refused due to the expiration of the limitation period in accordance with the Civil Code of the Kyrgyzstan Republic, analogous claims related to the invalid trade were submitted by individuals.

On 22 May 2012, the Inter-Regional Court of Bishkek issued a decision regarding combining claims submitted by the Bank and individual shareholders related to the invalid sale and the suspension of the waived hearing. A shareholder representative subsequently submitted a private complaint in connection with the 22 May 2012 decision, and as a result, consideration by the Inter-Regional Court of Bishkek was suspended until the private complaint had been considered in Bishkek town court.

Following an enactment concerning the return of private claims, a shareholder representative submitted a supervisory complaint to the Supreme Court of Kyrgyzstan, consideration of which was postponed until 8 August 2012. During the hearing, A. Moshin, a shareholder representative, submitted an application with regard to the recall of the supervisory complaint. R. Asanbekov also submitted a complaint pursuant to the 22 May 2012 decision to combine claims, which was refused by the Supreme Court on 28 August 2012.

On 12 October 2012, the Inter-Regional Court of Bishkek found in favour of the Bank in its claim relating to the sale of 71 per cent. of the shares in BTA Kyrgyzstan belonging to the Bank. On 6 December 2012, the appellate instance of Bishkek City Court upheld the decree of the Inter-Regional Court of Bishkek dated 12 October 2012 thus fully confirming conclusions of the first instance court on the illegal nature of the sale. The decision thus came into force and the shares in question were ordered to be returned to the Bank.

On 10 January 2013, an application for a receiving order was submitted. The application was rejected by the court on the basis that receiving orders are not issued in respect of cases of this sort. On 15 January 2013, a letter was sent requesting re-registration of the Bank's shares in accordance with the court's decision.

In accordance with the answer of LLP "Registrum", re-registration of the shares is not possible due to the absence of arrests by the law enforcement agency.

On 10 January 2013, applications were sent to the State Service of Regulation and Control of Financial Markets of the Government of the Kyrgyzstan Republic, the State Service of Economic Crimes of the Government of the Kyrgyzstan Republic and the State Service of National Securities of the Kyrgyzstan Republic regarding the release of those arrested shares as a result of the criminal investigation launched concerning the illegal confiscation/appropriation of shares that belong to the Bank.

On 11 January 2013, the Bank, with the intention of expediting the release of the shares, prepared and submitted a request to the Government of the Kyrgyzstan Republic asking the government to control the process regarding the release of arrested shares.

Furthermore, because the criminal proceedings were under the court's review, on 11 January 2013, the Bank applied to the Pervomayskiy District Court requesting it to cancel security measures. As a result, the case was transferred to the Inter-Regional Court of Bishkek and will be tried at that court. On 28 February 2013, the Inter-Regional Court of Bishkek upheld the application by the Bank.

The Bank has also commenced arbitration proceedings against the Government of Kyrgyzstan in relation to the appropriation of BTA Kyrgyzstan. Those proceedings are currently suspended.

Criminal consideration

In mid-2010, the state National Security Service of the Republic of Kyrgyzstan instituted criminal proceedings in relation to the illegal trade of shares in BTA Kyrgyzstan that belonged to the Bank.

On 8 May 2012, the Pervomayskiy District Court of Bishkek issued a decision by which persons found guilty of illegally acquiring property of the Bank were sentenced to different terms of imprisonment. The Bank's arguments about raid actions towards the Bank, leading to the illegal obstruction of the Bank's property, were approved by the decision. On 10 May 2012, an appeal of this sentence was submitted, which was heard in Bishkek Town Court on 26 June 2012. Following the appeal, the decision of the Pervomayskiy District Court dated 8 May 2012 was amended in relation to R. Asanbekov and B.V. Dzhakybaliev as a result of incorrect application of criminal legislation. An imprisonment sentence was reduced to a conditional term.

On 3 October 2012, an appeal by the lawyers of Z. Moltoeva and K. Akylbekov was heard in Bishkek Town Court. Following the appeal, the decision of the Pervomayskiy District Court dated 8 May 2012 was amended, and accordingly, the conviction of Z. Moltoeva was dropped and K. Akylbekov's sentence of eight years imprisonment was reduced to a one year conditional sentence.

Litigation in respect of AMT Bank

AMT Bank, located in Moscow, carries out banking activities in the Russian Federation. In July 2008, the Bank's equity interest in AMT Bank was increased to 52.84 per cent from 14.2 per cent, but was reduced in November 2008 to 22.6 per cent. As at 31 December 2012, the Bank held a 22.26 per cent equity interest. By a decision of the Arbitral Court of Moscow dated 20 June 2012, AMT Bank was put into bankruptcy proceedings. A claim by the Bank of RUB 854,692,104.81 was included in the registry of creditors' claims against LLC "AMT Bank".

Litigation in respect of BTA Georgia

BTA Georgia is a small bank located in Tbilisi, Georgia. The Bank acquired a 49.00 per cent. equity interest in BTA Georgia in June 2005. A claim for compensation in relation to losses of U.S.$513 million has been filed against the Bank in Tbilisi town court with a detrimental impact on the business reputation of the plaintiff. The Bank filed a claim with regard to the removal of securing measures, but the claim was declined by Tbilisi Town Court.

At the end of 2012, the case was heard by the court and the plaintiff's claims were dismissed. Currently, the plaintiff is appealing the decision of Tbilisi Town Court and the shares in BTA Georgia that belong to the Bank will be attached until the court decision comes into force. The Bank also initiated a claim to recover control of a 27.001 per cent. shareholding in BTA Georgia that previously belonged to companies under the control of Mr. Ablyazov.

Litigation in respect of BTA Ukraine

BTA Bank Ukraine is located in Kiev, Ukraine. The Bank acquired a 39.99 per cent. equity interest in BTA Ukraine in December 2008, and currently owns a 49.99 per cent. equity interest; 9.99 per cent. being unarguable ownership and 39.99 per cent. purchased pursuant to sale purchase agreements. In 2009, the Bank's 39.99 per cent. equity interest was written off from the Bank's accounts by bodies connected with Mr. Ablyazov. The Bank began retaliatory actions to save the ownership status of the disputed 39.99 per cent. of shares. As a result, such shares have been reinstated on the Bank's account; however legal proceedings on the issue are still continuing and are in the final stages of appeals.

Proceedings in Turkey

On 29 December 2011, 15,912,460 shares (1.59 per cent. of the total share capital) in Sekerbank, indirectly owned by the Bank through BTA Securities, were attached by an order of the Ankara Execution Court at the request of Mr. Turgut Sera Tirali, a Turkish citizen, against the Ministry of Finance of the Republic of Kazakhstan. The attachment of the shares in Sekerbank was established as the competent authorities in Turkey saw a relationship between the Ministry of Finance of the Republic of Kazakhstan and BTA Securities, a subsidiary of the Bank, as Samruk-Kazyna, owned by the Government of the Republic of Kazakhstan, has control over the Bank.

Subsequently, 22.22 per cent. of the shares in Sekerbank, owned by BTA Securities, have been transferred to Samruk-Kazyna, pursuant to a decision of the Banking Regulation and Supervision Agency of Turkey. At the request of Turgut Sera Tirali, 15,912,460 shares (1.59 per cent. of the total share capital) in Sekerbank were released on 16 April 2012. At that time, the Bank had already initiated litigation against Turgut Sera Tirali seeking confirmation from the court for the ownership of the shares and legal costs and compensation. The lawsuit is still pending since the parties have mutual secondary claims against each other whereby (i) BTA Securities claims bad faith compensation on the grounds that Turgut Sera Tirali acted in bad faith while initiating an unjust collection proceeding against BTA Securities and (ii) Turgut Sera Tirali also claims a counter bad faith compensation on the grounds that BTA Securities unfairly filed this lawsuit.

Vakifbank's claim was based on a letter of guarantee issued by the Bank on 14 December 2007 in favour of Vakifbank. The Bank's indebtedness under this guarantee was restructured in 2010, and, accordingly, was terminated by execution. At that time, Vakifbank submitted a claim form and received the appropriate entitlements as part of the 2010 Restructuring.

Legal proceedings in Ankara

On 10 May 2010, Vakifbank submitted a claim to the commercial court of Ankara against ELT Lojistik Sirketi Ltd., the Bank, BTA Securities and other individuals regarding the collection of debts amounting to U.S.$66,558,333.79.

On 14 February 2012, as a result of procedural breaches by the plaintiff, the court ruled that the claim should be regarded as having not been submitted. The decision will come into force after the time for appeal by either side has lapsed.

On the recommendation of the legal counsel of the Bank, the judgment was appealed in the Court of Ankara. As of the date of this Prospectus, the hearing date has yet to be confirmed.

Legal proceedings in Istanbul

Following Vakifbank's claim, on the 7 February 2012, a total of 101,726,214 shares in Sekerbank that belong to BTA Securities were attached by an injunction against transferring the shares to third parties.

In defending the Bank's interest in Turkey, the Bank hired Turkish legal counsel, Mutlu Semayli, to advise it as to Turkish law.

On 14 March 2012, a decision was given in favour of Vakifbank's claim regarding the attachment of BTA Securities' shares in Sekerbank.

On 5 April 2012, legal counsel for the Bank submitted an appeal. Evidence is being directed to the Commercial Court of Istanbul. The appeal will be considered on 13 May 2013.

Tax Dispute

In 2012, the Bank was involved in proceedings in the Court in respect of the completion of a tax inspection for the tax period 2007-2010 as a result of which the tax authorities have claimed an accrued tax liability from the Bank in an amount of KZT 672 million as well as a penalty of KZT 173 million. The Bank was disputing KZT 360 million of the accrued tax liability and KZT 96 million of the penalty and the first hearing in the Court was favourable to the Bank. Had the Court found against the Bank, the Bank would have faced additional administrative penalties of KZT 180 million. The Court's decision was, however, in favour of the Bank and so the Bank has paid only an administrative penalty only in respect of the non-disputed part of the additional tax liability in an amount of KZT 154 million.

Criminal Proceedings Against Former Management

The Bank is aware of criminal investigations commenced against Mr. Ablyazov and other former management members as well as entities connected to them in each of Kazakhstan, Ukraine, the Russian Federation and Kyrgyzstan in respect of actions taken by these individuals and entities during the period in which Mr. Ablyazov was the Chairman of the Board of Directors of the Bank.

Based on claims by the Ministry of Internal Affairs of the Russian Federation and the Ministry of Internal Affairs of Ukraine, criminal proceedings were commenced against members of the former management of the Bank and against people connected with the former management of the Bank. The Bank is recognised as an injured party in the criminal process, and part of the criminal proceedings have been submitted to court for trial. A sentence has been passed whereby four people connected with Mr. Ablyazov were convicted and sentenced to between eight and nine years of imprisonment and has come into force. The court also established that the organised crime group had been operating for a number of years and had committed serious criminal offences. The investigation into Mr. Ablyazov and other members of the Bank's former management is continuing.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion should be read in conjunction with the Financial Statements and the notes thereto, prepared in accordance with IFRS and included elsewhere in this Prospectus. The forward looking statements contained in this discussion and analysis are subject to a variety of factors that could cause actual results to differ materially from those contemplated by such forward looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in "Forward-Looking Statements" and "Risk Factors". Operating results for the periods presented are not necessarily indicative of the results for any following period.

Introduction

The Group's Financial Statements, including the notes thereto as at and for the years ended 31 December 2012, 2011 and 2010, which are included on pages F-2 to F-143 of this Prospectus, were audited by Ernst & Young LLP, whose audit reports thereon are included on pages F-4 and F-77 of this Prospectus.

Overview

After following an aggressive growth strategy from 2004 to 2007 primarily funded by short-term bank borrowings and debt securities issues in the international capital markets, the Bank's financial condition and liquidity position had severely deteriorated by February 2009. The Bank reported increasing levels of loan loss provisions on its loan portfolio throughout the first five months of 2009, beginning with provisions on its loan portfolio of KZT 214,777 million (based on FMSA Methodology), representing 9.2 per cent. of its total loan portfolio as at 1 January 2009, KZT 518,272 million (based on FMSA Methodology), representing 19.9 per cent. of the total loan portfolio as at 1 March 2009, and finally KZT 1,522,139 million (based on FMSA Methodology), representing 57.6 per cent. of its total loan portfolio as at 1 June 2009. This increase of provisions caused the Bank to breach its capital adequacy ratios on 1 June 2009. As at 1 October 2009, the Bank had created KZT 1,958,899 million (based on FMSA Methodology) in provisions, representing 75.5 per cent. of its total loan portfolio.

Additional provisions were recognised in the Bank's consolidated financial statements as at 31 December 2008 in accordance with IFRS. The Group recognised loan loss provisions in its audited financial statements equal to KZT 1,217,278 million as at 31 December 2008, KZT 2,123,408 million as at 31 December 2009, KZT 1,968,424 million as at 31 December 2010 and KZT 1,794,705 million as at 31 December 2011. For a discussion of the differences between the determination of loan loss provisions under FMSA Methodology and IFRS, see "*Asset and Liability Management — Provisioning Policy*".

On 2 February 2009, the Government accepted the recommendation by the FMSA to recapitalise the Bank, following which Samruk-Kazyna acquired a controlling shareholding of the Bank's total share capital for cash consideration of KZT 212,095 million. As at the date of this Prospectus, Samruk-Kazyna holds approximately 97.26 per cent. of the issued share capital of the Bank. Furthermore, the Government provided additional support in the form of deposits and pursuant to loans under the State Finance Programmes. As at 31 December 2012, the Group had received support in the amount of KZT 650,914 million from Samruk-Kazyna and other state owned entities to support the Group's financial stability and capitalisation. As part of the 2012 Restructuring, the Bank also received funding from Samruk-Kazyna in the form of the SK Loan in amount of KZT 105,748 million, and certain deposits of Samruk-Kazyna with the Bank were converted into Shares in the Bank in amount of KZT 176,376 million.

On 7 December 2009, the Bank and the steering committee of the Bank's creditors signed the principal commercial terms sheet setting out key commercial terms of the 2010 Restructuring, the restructuring packages and certain other arrangements, principally relating to the Bank's corporate governance and other aspects of its operations and business following completion of the 2010

Restructuring. On 17 March 2010, the Bank and the steering committee entered into an amendment to the principal commercial terms sheet.

The proposed restructuring plan was approved by the creditors at the claimants' meeting on 28 May 2010. On 4 June 2010, the restructuring plan was approved by the FMSA. On 1 July 2010, the restructuring plan was approved by the Court. All principal steps to complete the restructuring were completed by 16 September 2010.

As a result, the Group's external debt amounting to U.S.$11,647 million was settled by cash of U.S.$945 million, new senior debt of U.S.$3,242 million, new subordinated debt of U.S.$773 million and a revolving committed trade finance facility of U.S.$698 million as well as Recovery Units. As a result of the restructuring the Bank's regulatory capital increased to comply with the standards of the regulatory bodies.

However, despite the restructuring of the Bank's financial liabilities, which resulted in a considerable recovery of the Group's equity and the Bank's regulatory capital, the Group continued to run a capital deficit during 2010 which totalled KZT 104,513 million as at 31 December 2010.

The Bank was not able to implement during 2011 the business model accepted in 2010, which envisaged significant recovery of funds in 2011 from the restructuring and repayment of loans. Moreover, the Group could not realise the collateral at the previously estimated prices, which was in part caused by protracted litigation related to enforcement of collateral.

As a result of these developments the Group's total liabilities as at 31 December 2011 exceeded its total assets by KZT 534,808 million. Moreover, during 2011, the Group incurred net losses of KZT 418,010 million (net income for 2010 amounted to KZT 986,265 million) and negative cash flows of the Group from operating activities amounted to KZT 29,690 million (positive cash flows from operating activities for 2010 amounted to KZT 137,623 million).

On 7 December 2011, Moody's Investors Service downgraded the long-term local and foreign currency deposit ratings of the Bank from "B3" to "Caa2" as a result of the fact that the Bank issued its financial statements reporting worsening results for the third quarter of 2011. In addition, the agency downgraded the long-term senior unsecured debt rating in foreign currency from "Caa2" to "Ca" and long-term subordinated debt rating from "Caa3" to "C".

On 23 December 2011, Fitch Ratings downgraded the long-term issuer default ratings of the Bank in foreign and national currencies from "CCC" to "C". Furthermore, the agency downgraded the senior unsecured debt ratings of the Bank (Recovery Rating on it was "RR5") and supporting long-term issuer default ratings from "CCC" to "C".

As at 31 December 2011, the Bank was the third largest bank in Kazakhstan by total assets with a market share of 12.6 per cent., compared to 16.6 per cent. as at 31 December 2010 and 17.1 per cent. as at 31 December 2009. As at 31 December 2011, the Group's total assets were KZT 1,493,061 million compared to KZT 1,895,710 million as at 31 December 2010 and KZT 1,968,659 million as at 31 December 2009, representing a decrease of 21.2 per cent. and 3.7 per cent., respectively. The Group's total equity deficit was KZT 534,808 million as at 31 December 2011 as a result of the provisions against the Group's loan portfolio and impairment of deferred corporate income tax assets, compared to total equity deficit of KZT 104,513 million as at 31 December 2010 and total equity deficit of KZT 1,689,820 million as at 31 December 2009.

On 22 December 2011, a General Meeting of Shareholders was called for 26 January 2012 in accordance with a resolution of the Board of Directors dated 19 December 2011. The Board of Directors proposed that the shareholders vote on certain matters relating to the potential restructuring of the Bank's indebtedness and on whether the Bank should impose a general moratorium on payments to third parties. None of the proposed resolutions were adopted at the General Meeting of Shareholders.

After the announcement of a possible restructuring at the end of 2011, an outflow of deposits commenced. Deposits of individuals decreased from KZT 308,874 million as at 31 December 2011 to KZT 298,285 million as at 31 December 2012. Amounts due to Samruk-Kazyna decreased from KZT 296,507 million as at 31 December 2011 to KZT 126,097 million as at 31 December 2012 as a result of the conversion of certain of Samruk-Kazyna's deposits into Shares. Deposits of SME and corporate businesses decreased from KZT 148,349 million as at 31 December 2011 to KZT 111,502 million as at 31 December 2012.

In January 2012, an event of default occurred under certain of its debt securities as a result of non-payment by the Bank of interest due under the relevant securities.

From January 2012 until the completion of the 2012 Restructuring, the Bank was in breach of liquidity ratios and the ratios on foreign currency open positions enacted by the FMSC.

On 27 January 2012, the Bank held meetings with its creditors. A steering committee of the Bank's creditors was formed on 6 February 2012 and it was formally appointed by the Bank on 5 April 2012.

On 23 April 2012, the Bank declared the suspension of any payments with respect to the Recovery Units.

On 28 April 2012, the Bank received a notice of acceleration in respect of the Recovery Units from the trustee for the holders of the Recovery Units based on the insolvency event of default in the terms and conditions of the Recovery Units. The Bank did not challenge the reasonableness of this notice of acceleration.

From 28 April 2012 until the completion of the 2012 Restructuring, the Bank was in breach of all prudential requirements enacted by the NBK.

Following a due diligence exercise and discussions with the members of the steering committee and their advisers in the following months, on 2 October 2012, the Bank and the majority of the steering committee agreed upon a term sheet setting out the principal terms of the proposed restructuring.

The Bank published an information memorandum dated 8 November 2012 in relation to the 2012 Restructuring, which contained the form of the Restructuring Plan, and a supplemental information memorandum dated 27 November 2012. The Restructuring Plan was approved by the Bank's Shareholders on 3 December 2012 and by the Claimants at the Claimants' Meeting held on 5 December 2012. The Court approved the Restructuring Plan on 13 December 2012.

On 11 December 2012, the NBK registered an increase in the Bank's share capital from 55,258,129,745 to 641,500,788,955 Shares, and, accordingly, on 24 December 2012, the Bank increased its authorised share capital to KZT 1,367,817,967,816.70.

On 24 December 2012, the Bank and The Bank of New York Mellon as Distribution Agent distributed the cash, Notes, Shares and GDRs to Claimants in consideration for the cancellation of their claims against the Bank.

On 28 December 2012, the Court declared the 2012 Restructuring complete, which decision came into force on 6 February 2013, effectively finalising the process by which the Bank successfully restructured KZT 1,685 billion of its financial indebtedness, equivalent to U.S.$11.2 billion. Accordingly, the Bank recognised a restructuring gain of KZT 1,074 million.

As part of the successful completion of the 2012 Restructuring, the Bank has cancelled all of its previously issued debt securities and other liabilities and in consideration therefor has distributed KZT 243,487 million (U.S.$1,618 million) in cash to Claimants in addition to Notes in principal amount of KZT 113,055 million (U.S.$750 million) and has issued 597,286,607,949 Shares (in the form of both Shares and GDRs). The Bank also amended and restated the RCTFF Agreement.

The completion of all of the steps contemplated by the Restructuring Plan has resulted in a further improvement in the Bank's capital position of KZT 209,887 million as at 29 December 2012. The Bank's regulatory capital amounted to KZT 217,631 million as at 29 December 2012, allowing the Bank to comply with the required NBK capital adequacy ratios.

As at 31 December 2012, the Bank was the third largest bank in Kazakhstan by total assets with a market share of 10.9 per cent., compared to 12.6 per cent. as at 31 December 2011. As at 31 December 2012, the Group's total assets were KZT 1,610,522 million compared to KZT 1,493,061 million as at 31 December 2011, representing an increase of 7.9 per cent. The Group's total equity was KZT 268,576 million as at 31 December 2012, primarily due to the restructuring gain in the amount of KZT 1,073,982 million, compared to total equity deficit of KZT 534,808 million as at 31 December 2011.

Recent Developments

On 15 April 2013, as part of its ongoing asset recovery process, the Bank foreclosed on 149,187 common shares in Temirleasing, as a result of which the Bank's interest in Temirleasing increased from 44.96 per cent. to 54.53 per cent.

Going Concern

As a result of the above developments, the Group continued to have a capital deficit as at 31 December 2011 and the combination of the above circumstances and the circumstances and events outlined in the previous sections indicated that there was still an uncertainty casting significant doubt about the Group's ability to continue as a going concern.

In light of the negative events described above, the Financial Statements for the year ended 31 December 2011 included a note whereby there is a material uncertainty which may cast significant doubt about the Bank's ability to continue as a going concern.

The Financial Statements for the year ended 31 December 2011 did not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary if the 2012 Restructuring had been unsuccessful and adequate additional resources are not available and the Bank is unable to continue as a going concern.

On 28 December 2012, the Court declared the 2012 Restructuring to be complete, which decision came into force on 6 February 2013. The completion of all of the steps contemplated by the Restructuring Plan led to, among other things, the restoration of the Bank's equity capital, allowing the Bank to comply with the required NBK capital adequacy ratios.

Following the successful completion of the 2012 Restructuring, the Bank had equity capital of KZT 268,576 million as at 31 December 2012 and the Financial Statements for the year ended 31 December 2012 included an unqualified opinion.

Having successfully completed the 2012 Restructuring, the Bank intends to focus on implementing its business plan and returning to profitability.

The Bank's management believes that the Bank is now well positioned to continue as a going concern.

Factors Affecting the Bank's Results of Operations

Kazakhstan's Economy

The current challenging global market and economic conditions are characterised by tight credit conditions and slow growth. Persistent concerns about the health of the financial sector in many countries, inflation, energy costs, geopolitical issues and the availability and cost of credit have contributed to increased market volatility and diminished expectations for various economies.

The economy in Kazakhstan was particularly affected by the collapse of oil and gas prices beginning in the second half of 2008. In addition, real estate prices in Kazakhstan dropped sharply in 2007. Although the situation in the real estate market has substantially stabilised since 2011, the markets remain significantly illiquid. See "*Risk Factors — Risks Relating to the Bank — Volatility in the real estate market in Kazakhstan and Russia has had and may continue to have an adverse effect on the Bank's asset quality and collateral value*". Volatility in commodity prices and the real estate market in Kazakhstan has had an adverse effect on the country's economy. These adverse economic conditions led to a decrease in GDP growth to 1.2 per cent. in 2009 and 3.3 per cent. in 2008 compared to 8.9 per cent. GDP growth in 2007. While GDP growth has since significantly recovered and reached 7.3 per cent and 7.5 per cent. in 2010 and 2011, GDP growth of 5.0 per cent. for 2012 was largely driven by the services sector, while the manufacturing sector (industry, agriculture, construction) is recovering at a much slower pace than in 2011. Economic investment in the country has been principally funded by companies using their own capital as opposed to borrowings from banks. In addition, industries directly related to the banking sector have struggled to recover from the financial crisis and have recently exhibited negative trends, particularly in the small and medium-sized business sector, as evidenced by the increases in overdue loans of commercial banks. As a result of this and the findings of the IMF and World Bank, the Government has revised down its forecasts for economic growth in the near future, which will likely impact upon the recovery of the banking sector.

In addition, concern about the stability of the banking sector in Kazakhstan has led to a material reduction in liquidity, as wholesale funding has become more expensive and less available. Funding from retail depositors has also fallen as a result of a public loss of confidence in the Kazakhstan banking sector. To prevent deposit outflow and due to the deterioration in asset quality in 2009, Samruk-Kazyna provided substantial financial support to the banking sector, including by actively participating in the bank restructurings which took place in 2009 and 2010. This support took a number of forms, including direct equity investments as well as placing deposits with the banks, and the exchange of various bonds for SK Bonds for a total amount of KZT 750 billion (4.4 per cent. of Kazakhstan's GDP in 2009). For the implementation of the Joint Action Plan of the Government, the NBK and the FMSA to stabilise the economy and financial system for 2009-2010, funds were allocated from the National Fund of the Republic of Kazakhstan totalling KZT 1,196.1 billion (7.0 per cent of the GDP of Kazakhstan in 2009), excluding the exchange of bonds between Samruk-Kazyna and the restructured banks. The plan provided for the recapitalisation of second-tier banks (KZT 332.1 billion), solving problems in the real estate market (KZT 290 billion), support of SMEs (KZT 120 billion), the realisation of innovation, industrial and infrastructure projects (KZT 190 billion) and the support of the agricultural sector (KZT 120 billion).

The Bank, in common with all banks in Kazakhstan, has been affected by the on-going economic crisis. The worsened macroeconomic conditions contributed to the deterioration in the quality of the Group's loan portfolio which led to the restructuring of the Group's indebtedness which was completed in 2010. The unfavourable economic conditions and illiquidity in the real estate market have continued to affect the Bank since the 2010 Restructuring and through the 2012 Restructuring.

Allowances for Impairment on the Loan Portfolio

The Bank's allowances for impairment on corporate loans as a percentage of total corporate loans increased to 84.8 per cent. as at 31 December 2012 compared to 84.3 per cent as at 31 December 2011, which represented an increase compared to 82.2 per cent as at 31 December 2010.

The increase of allowances for impairment on corporate loans between 31 December 2010 and 31 December 2012 was mainly due to the Bank's lack of current information about the financial activities of non-resident borrowers, the absence of communication with non-residents leading to the loss of control of a project's realisation, and a lack of continuing assessments of the value of the underlying loan collateral. In addition, a number of unfavourable court decisions in relation to the Bank's claims against defaulting borrowers in Kazakhstan and abroad increased the expected time taken to recover problem debts and realise collateral. In 2012, the Bank could not realise collateral at the prices which prevailed in previous years. The Bank's decision to temporarily suspend the financing of investment projects also led to the suspension of operational and investment activities of many of the Bank's borrowers, leading to a deterioration in the quality of the Bank's loan portfolio.

Allowances for impairment on SME loans as a percentage of total loans to SME clients decreased to 24.8 per cent. as at 31 December 2012 compared to 27.4 per cent as at 31 December 2011, an increase compared to 15.1 per cent as at 31 December 2010.

The decrease of allowances for impairment on SME loans for 2012 was mainly due to scheduled repayments of principal by large borrowers and also to the change of the "loss ratio" of the "insignificant impaired" pool.

Allowances for impairment on retail loans as a percentage of total retail loans increased to 14.1 per cent. as at 31 December 2012 in comparison with 11.0 per cent as at 31 December 2011 and 6.4 per cent as at 31 December 2010. The increase of allowances for impairment on retail loans as at 31 December 2012 was primarily due to the increase in the length of time by which repayments on several loans were overdue, leading to the transfer of such loans from the unimpaired pool to the impaired pool, and also to an increase of loss ratio on impaired pools for 2012. The changes between 2010 and 2011 are largely due to a change in the methodology the Bank used to calculate allowances for impairment on retail loans.

During 2009 and 2010, the value of the loan portfolio of the retail business significantly decreased. This was due to a decrease in the value of loans extended, the absence of any active growth of new loan issues and the repayment of existing loans. As at 31 December 2010, the loan portfolio of the retail business was divided into two pools: "Mortgages" (with a loss ratio of 4.5 per cent.) and "Consumer loans" (with a loss ratio of 3.7 per cent.), with loans overdue by more than 90 days having a loss ratio of 51.8 per cent. Since 1 July 2011, in accordance with new methodology applied to its retail business, the Bank's approach to the assessment of a retail pools' impairment changed to allow the Bank to assess the retail business's loan portfolio more accurately with an account of the features and specifics of its retail loan products. As a result of these changes in methodology, additional provisions were created in 2011.

Interest Rates

As a significant portion of the Bank's assets and liabilities are interest bearing, changes in prevailing interest rates, both in Kazakhstan and internationally, can materially affect its results. As a general matter, because the Bank has both interest earning assets and interest bearing liabilities, rising interest rates can lead to higher or lower interest margins, depending on whether the Bank's interest earning assets re-price at a faster rate than its interest bearing liabilities.

From 2003 to early 2009, the NBK steadily raised refinancing interest rates, from 7 per cent. as at 7 July 2003 to 10 per cent. as at 1 January 2009. From 2009 to 2012, the NBK has decreased the refinancing interest rate from 10 per cent. as at 1 January 2009 to 5.5 per cent as at 6 August 2012. Although the official refinancing rate of the NBK has, under normal conditions, a minimal effect on the cost of funding of Kazakhstan banks, its influence grows sharply during periods of liquidity squeeze in the internal banking market, when most banks are forced to turn to the NBK for liquidity.

In addition, the Bank's securities portfolio, which consists of both Tenge and U.S. Dollar denominated assets, is affected by changes in interest rates. Rising interest rates would, over time, increase the Bank's income from its securities portfolio but may at the same time reduce the market value of its pre-existing fixed income investment portfolio.

Mix of Funding Base

Historically, international sources of funding were less expensive than domestic sources of funding. Before 2008, the Bank relied heavily on raising funds through the international debt capital markets and through term facilities with international lenders. Following the completion of the 2010 Restructuring, the Bank has not issued any new debt securities in the international markets other than the Notes. However, a substantial amount of debt securities had remained a part of the Bank's funding base even after the completion of the 2010 Restructuring. Furthermore, following the 2010 Restructuring, the Bank has continued to rely on the funding and liquidity support of Samruk-Kazyna, which has been provided in the form of long-term deposits. As at 31 December 2012, 23.5 per cent. of the deposits held with the Bank were deposits of Samruk-Kazyna compared to 39.3 per cent. at as 31 December 2011 and 43.3 per cent. as at 31 December 2010. Even following the successful completion of the 2012 Restructuring, the Bank may remain reliant on the continued support of Samruk-Kazyna, but no assurance can be given that such support will be forthcoming.

Significant Accounting Policies and Estimates

The Group's accounting policies are integral to an understanding of the results of operations and financial condition presented in the consolidated financial statements and notes thereto. The Group's significant accounting policies are described in Note 4 to each of the Financial Statements appearing on pages F-17 and F-90 of this Prospectus. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the relevant period. On an on-going basis, management evaluates its estimates and judgments, including those related to impairment charges, reserves for insurance claims, the carrying values of property and investments, income taxes and deferred taxes, financing operations and contingencies, litigation and arbitration. Management bases its estimates and judgments on historical experience and on various other factors that are considered to be reasonable under the circumstances. Actual results may differ from estimates under different assumptions or conditions.

Results of Operations for the Years ended 31 December 2012 and 2011

Summary

For the year ended 31 December 2012, the Group reported a net income of KZT 370,300 million or KZT 7.13 per diluted share, compared to net loss of KZT 418,010 million or KZT 9.53 per diluted share for the year ended 31 December 2011. The significantly higher income in 2012 is largely attributable to the gain from the 2012 Restructuring recognised in the relevant period which amounted to KZT 1,073,982 million. Furthermore, the financial results for the year 2011 were impacted by substantially increased impairment charges on interest bearing assets, which amounted to KZT 129,739 million compared to KZT 10,637 million in 2012 (representing a decrease of 91.8 per cent. during the course of 2012) and a recognition of increased impairment charges on investments, which amounted to KZT 45,036 million compared to KZT 626 million in 2012 (representing a decrease of 98.6 per cent. during the course of 2012) primarily due to the impairment of the Bank's investment in Sekerbank in the amount of KZT 41,932 million and also as the result of an impairment to deferred income tax assets in the amount of KZT 159,643 million.

Interest Income, Interest Expense and Provision for Losses

The following table sets out the principal components of the Group's net interest income for the periods indicated:

	Year ended 31 December	
	2012	2011
	(KZT millions)	
Loans to customers	96,800	117,279
SK Bonds	32,095	31,542
Investment securities	2,836	2,652
Financial assets at fair value through profit or loss	2,308	3,766
Amounts due from financial institutions	2,168	2,012
Total interest income	**136,207**	**157,251**
Interest expense	**144,556**	**(165,517)**
Net interest expense before impairment	(8,349)	(8,266)
Impairment charge on interest bearing assets	(10,637)	(129,739)
Net interest expense	**(18,986)**	**(138,005)**

Total Interest Income

Interest income principally comprises income on loans to customers, interest income on SK Bonds, interest income on the Group's investment securities and financial assets at fair value through profit or loss portfolios and interest on amounts due from financial institutions. Total interest income decreased by 13.4 per cent. to KZT 136,207 million for the year ended 31 December 2012 from KZT 157,251 million for the year ended 31 December 2011, largely as a result of a 17.5 per cent. year-to-year decrease in interest on loans to customers to KZT 96,800 million for the year ended 31 December 2012 from KZT 117,279 million for the year ended 31 December 2011 due to the decrease in the quality of the loan portfolio in previous years resulting in a higher default rate of the borrowers which led, in accordance with IFRS and the Bank's accounting policies, to the cessation of accrual of interest on fully impaired loans and write-offs of accrued interest.

For the year ended 31 December 2012, the average yield on total interest earning assets was 10.6 per cent. compared to 10.7 per cent. for the year ended 31 December 2011.

The interest income earned on the SK Bonds increased by 1.8 per cent. to KZT 32,095 million in 2012 from KZT 31,542 million in 2011.

For the year ended 31 December 2012, interest income earned on investment securities increased by 6.9 per cent. to KZT 2,836 million from KZT 2,652 million for the same period in 2011. For the year ended 31 December 2012, the monthly average annual balance of the Group's portfolio of investment securities was KZT 34,077 million, compared to KZT 30,813 million for the year ended 31 December 2011, due to trading operations in 2012 in corporate bonds, bonds of international financial organisations, treasury bills and the bonds of Kazakhstan government institutions.

In the year ended 31 December 2012, interest income earned on financial assets at fair value through profit or loss decreased by 38.7 per cent. to KZT 2,308 million from KZT 3,766 million for 2011. The decrease was mainly attributable to a decrease in the monthly average annual balance of the Group's portfolio of financial assets at fair value through profit or loss to KZT 51,853 million for the year ended 31 December 2012 from KZT 65,850 million for the year ended 31 December 2011.

Interest earned on amounts due from financial institutions increased by 7.8 per cent. to KZT 2,168 million for the year ended 31 December 2012 from KZT 2,012 million for the year ended 31 December 2011. The average interest rates on amounts due from financial institutions increased to 5.7 per cent. over the year ended 31 December 2012 from 4.2 per cent. over the year ended 31 December 2011.

Interest Expense

The following table sets out certain information relating to the Group's interest expense for the periods indicated:

	Year ended 31 December	
	2012	2011
	(KZT millions)	
Amounts due to the Government and the NBK	(29,180)	(27,858)
SK Loan	(454)	—
Amounts due to credit institutions	(5,267)	(11,185)
Amounts due to customers	(49,641)	(56,740)
Debt securities issued	(60,014)	(69,734)
Total	**(144,556)**	**(165,517)**

Interest expense principally comprises interest expense on amounts due to the Government and the NBK, interest expense on the SK Loan, interest expense on amounts due to credit institutions, interest expense on amounts due to customers and interest expense on debt securities issued. For the year ended 31 December 2012, interest expense decreased by 12.7 per cent. to KZT 144,556 million from KZT 165,517 million for the year ended 31 December 2011. The decrease in interest expense over the period was largely due to decreases of interest expense on amounts to credit institutions, amounts due to customers and debt securities issued.

For the year ended 31 December 2012, the interest expense on debt securities issued decreased by 13.9 per cent. to KZT 60,014 million from KZT 69,734 million for the year ended 31 December 2011. The primary reason for this change was the decrease in the discount amortisation expense of the Recovery Units due to the recognition of the Recovery Units at their Reference Amount. For the year ended 31 December 2012, the interest expense on amounts due to credit institutions decreased by 52.9 per cent. to KZT 5,267 million from KZT 11,185 million for the year ended 31 December 2011. The primary reason for these decreases was the reduction of the discount amortisation in respect of the RCTFF, due to the fact that the term of the RCTFF was expected to mature in 2012 according to the original RCTFF agreement dated 25 August 2010.

Interest expense on amounts due to customers decreased by 12.5 per cent. to KZT 49,641 million for the year ended 31 December 2012 from KZT 56,740 million for the year ended 31 December 2011. Average balances of amounts due to customers were KZT 666,674 million for the year ended 31 December 2012, compared to KZT 763,938 million for the year ended 31 December 2011, reflecting an decrease of 12.7 per cent. The decrease in the average balances of the amounts due to customers to a large extent explains the decrease in the interest expenses related to the amounts due to customers. Average interest rates paid on amounts due to customers for the years ended 31 December 2012 and 2011 were 8.7 per cent. and 8.6 per cent., respectively.

Impairment Charge

The Group's impairment charge for the year ended 31 December 2012 decreased by 91.8 per cent. to KZT 10,637 million from KZT 129,739 million for the year ended 31 December 2011. This decrease was primarily due to the fact that, in 2011, the Bank created provisions on impaired assets for the full amount of such assets, whereas during 2012 there was no significant deterioration in the loan portfolio.

Non-Interest Income

The following table sets out certain information on the Group's non-interest income for the periods indicated:

	Year ended 31 December	
	2012	2011
	(KZT millions)	
Net fees and commissions	8,030	2,034
Income from purchase of treasury bonds	10,460	453
Net trading gain/(loss)	5,060	(8,509)
Gains less losses from foreign currencies:		
dealing	5,741	(495)
translation differences	(19,131)	(11,920)
Net income from insurance operations	452	3,038
Share in (loss)/income of associates	(1,677)	7,039
Gain from disposal of subsidiaries	—	2,619
Gain from change in value of Recovery Units	—	10,455
Other income	4,302	3,865
Non-Interest Income	**13,237**	**8,579**

Net fees and commissions

Net fees and commissions increased by 294.8 per cent. to KZT 8,030 million for the year ended 31 December 2012 from KZT 2,034 million for the year ended 31 December 2011. This increase is largely attributable to an increase of commissions from settlement and cash operations and asset management fees and a decrease in custodian services' commission expenses.

Income from purchase of treasury bonds

Income from purchase of treasury bonds increased to KZT 10,460 million for the year ended 31 December 2012 from KZT 453 million for the year ended 31 December 2011. During 2012, pursuant to proceedings against one of the Bank's borrowers, the Bank foreclosed on certain of its 2018 Dollar Notes, Dollar Subordinated Notes and Recovery Units. As a result, the Bank recognised income from treasury bonds in the amount of KZT 10,458 million.

Net trading gain/(loss)

The Bank had a net trading gain of KZT 5,060 million for the year ended 31 December 2012 compared to a net trading loss of KZT 8,509 million for the year ended 31 December 2011. The gain was primarily attributable to increases in the fair value of financial assets at fair value through profit or loss due to positive developments in the financial markets in 2012 in light of a slight upturn in the outlook for the global economy.

Gains less Losses from Foreign Currencies

The Bank recorded a loss from foreign currencies of KZT 13,390 million for the year ended 31 December 2012 compared to a loss of KZT 12,415 million for the year ended 31 December 2011. The losses incurred in 2012 were mainly attributable to the increase of revaluation expenses related to increases in the U.S.$/KZT and EUR/KZT exchange rates.

Net Income from Insurance Operations

The net income from insurance operations decreased by 85 per cent. to KZT 452 million for the year ended 31 December 2012 from KZT 3,038 million for the year ended 31 December 2011. The decrease was mainly due to expenses related to the increase of annuity insurance as a percentage of the Bank's total insurance portfolio.

Share in (Loss)/Income from Associates

The Bank's share in loss from associates was KZT 1,677 million in 2012 compared to a gain of KZT 7,039 million in 2011. The loss in 2012 was largely attributable to losses of BTA Ukraine.

Gain from disposal of subsidiaries

In 2012, the Group recognised no income from the disposal of subsidiaries. In 2011, the Group recognised income from the disposal of "Logopark Hagibey" LLC in an amount of KZT 2,619 million.

Gain from change of fair value of Recovery Units

In 2011, the Group reviewed the expected cash flows on the Recovery Units issued in connection with the 2010 Restructuring. As a result of this review, the Group decreased the fair value of the Recovery Units by KZT 10,455 million due to downward revision of the expected cash flows from the asset recovery process and a corresponding gain was recognised for this amount. There was no such review carried out in 2012 and the Recovery Units were cancelled pursuant to the 2012 Restructuring.

Other Income

Other income increased by 11.3 per cent. to KZT 4,302 million for the year ended 31 December 2012 compared to KZT 3,865 million for the year ended 31 December 2011. This increase was mainly attributable to an increase in dividend income in respect of assets at fair value through profit or loss.

Non-Interest Expense

The following table shows the composition of the Group's non-interest expense for the periods indicated:

	Year ended 31 December	
	2012	**2011**
	(KZT millions)	
Personnel	(19,226)	(20,134)
Other operating expenses	(32,452)	(38,429)
Depreciation and amortisation	(2,716)	(2,898)
Taxes other than income tax	(5,333)	(5,100)
Impairment charge on investments	(626)	(45,036)
Other impairment and provisions	2,689	(4,919)
Expenses on recognition of Recovery Units at their Reference Amount	(633,103)	—
Obligatory insurance of individuals' deposits	(4,022)	(4,462)
Other expenses	(2,864)	(7,700)
Total	**(697,653)**	**(128,678)**

Non-interest expense for 2012 increased by 442.2 per cent. to KZT 697,653 million from KZT 128,678 million for 2011. This increase was mainly attributable to the recognition of loss from the change in the value of the Recovery Units following their acceleration, which amounted to KZT 633,103 million.

Personnel

Personnel expenses decreased by 4.5 per cent. to KZT 19,226 million for 2012 from KZT 20,134 million for 2011, primarily due to staff reductions made by the Bank during 2012 as well as the merger of JSC Accumulative Pension Fund BTA Kazakhstan (a former subsidiary of the Bank) with Ular-Umit and the further reduction in JSC Accumulative Pension Fund BTA Kazakhstan's staff in May 2011.

Other Operating Expenses

Other operating expenses decreased by 15.6 per cent. to KZT 32,452 million for 2012 from KZT 38,429 million for 2011. The decrease was mainly attributable to a decrease in expenses in respect of legal services and consultancy.

Depreciation and Amortisation

Depreciation and amortisation expenses for 2012 decreased by 6.3 per cent. to KZT 2,716 million from KZT 2,898 million for 2011. This decrease was primarily attributable to the high rate of depreciation of computer equipment and the limited capital investments made in previous years.

Taxes other than Income Tax

Taxes other than income tax were KZT 5,333 million for 2012, compared to KZT 5,100 million for 2011, reflecting an increase of 4.6 per cent, primarily due to a VAT adjustment.

Impairment Charge on Investments

Impairment charge on investments decreased by 98.6 per cent. to KZT 626 million for 2012 from KZT 45,036 million for 2011. The large impairment charge in 2011 was explained by the impairment of the Bank's investment in Sekerbank in an amount of KZT 41,932 million.

Other impairment and provisions

Other impairment and provisions resulted in a positive balance of KZT 2,689 million for 2012, compared to an expense of KZT 4,919 million for 2011. The substantial change from 2011 was mainly attributable to the recovery of impairments on guarantees and letters of credit during 2012.

Expenses on recognition of Recovery Units at their Reference Amount

On 28 April 2012, the Bank received a notice of acceleration in respect of the Recovery Units from the trustee for the holders of the Recovery Units based on the insolvency event of default in the terms and conditions of the Recovery Units. As a result, the Bank recognised the Recovery Units at their Reference Amount and recognised an expense of KZT 633,103 million for 2012 in respect of them.

Obligatory Insurance of Individuals' Deposits

The Bank has an obligation to pay premiums to the KDIF in respect of its insured customer deposits. Obligatory expenses for insurance of individuals' deposits for 2012 were KZT 4,022 million as compared to KZT 4,462 million for 2011, a decrease of 9.9 per cent. The decrease was caused by decreases in the deposits of individuals by 3.4 per cent to KZT 298,285 million as at 31 December 2012 from KZT 308,874 million as at 31 December 2011.

Other Expenses

Other expenses decreased by 62.8 per cent. to KZT 2,864 million for 2012 from KZT 7,700 million for 2011 due to the deconsolidation of Logopark Khajibey LLC in 2011. In addition, during 2011 the Bank's subsidiary Zhetysu was involved in legal case and recognised reserves on potential loss of KZT 1.2 billion. No such expenses were recognised by Zhetysu in 2012.

Income Tax

Pursuant to article 147 of the Tax Code, the current rate of corporate income tax in Kazakhstan is 20 per cent.

Expenses for income tax for 2012 were KZT 280 million compared to KZT 159,906 million for 2011. This decrease was primarily due to the derecognition of deferred income tax assets in 2011 which did not occur in 2012.

Results of Operations for the Years ended 31 December 2011 and 2010

Summary

For the year ended 31 December 2011, the Group reported a net loss of KZT 418,010 million or KZT 9.53 per diluted share, compared to net income of KZT 986,265 million or KZT 59.16 per diluted share for the year ended 31 December 2010. The significantly higher income in 2010 is largely attributable to the gain from the 2010 Restructuring recognised in the relevant period which amounted to KZT 853,914 million. Furthermore, the financial results for the year 2011 were impacted by substantially increased impairment charges on interest bearing assets, which amounted to KZT 129,739 million compared to KZT 45,717 million in 2010 (representing an increase of 183.8 per cent.) and a recognition of increased impairment charges on investments, which amounted to KZT 45,036 million compared to KZT 956 million in 2010 (representing an increase of 4,610.9 per cent.) primarily due to investments in Sekerbank in the amount of KZT 23,556 million being reclassified to assets held for sale in connection with the Group's decision to sell shares of Sekerbank to Samruk-Kazyna.

Interest Income, Interest Expense and Provision for Losses

The following table sets out the principal components of the Group's net interest income for the periods indicated:

	Year ended 31 December	
	2011	**2010**
	(KZT millions)	
Loans to customers	117,279	147,076
SK Bonds	10,746	11,290
SK Bonds pledged under repurchase agreements	20,796	23,484
Investment securities	2,652	2,732
Financial assets at fair value through profit or loss	3,766	4,866
Amounts due from financial institutions	2,012	7,419
Total interest income	**157,251**	**196,867**
Interest expense	**(165,517)**	**(209,382)**
Net interest expense before impairment	(8,266)	(12,515)
Impairment charge on interest bearing assets	(129,739)	(45,717)
Net interest expense	**(138,005)**	**(58,232)**

Total Interest Income

Interest income principally comprises income on loans to customers, interest income on SK Bonds, interest income on the Group's investment securities and financial assets at fair value through profit or loss portfolios and interest on amounts due from financial institutions. Total interest income decreased by 20.1 per cent. to KZT 157,251 million for the year ended 31 December 2011 from KZT 196,867 million for the year ended 31 December 2010, largely as a result of a 20.3 per cent. year-to-year decrease in interest on loans to customers to KZT 117,279 million for the year ended 31 December 2011 from KZT 147,076 million for the year ended 31 December 2010 due to the decrease in the quality of the loan portfolio resulting in a higher default rate of the Bank's borrowers which led, in accordance with IFRS and the Bank's accounting policies, to a cessation of the accrual of interest on fully impaired loans and write-offs of accrued interest. The decrease in total interest income was also partially caused by the decrease in interest income from the SK Bonds, investment securities, financial assets at fair value through profit or loss and amounts due from financial institutions.

For the year ended 31 December 2011, the average yield on total interest earning assets was 10.7 per cent. compared to 9.3 per cent. for the year ended 2010.

The interest income earned on the SK Bonds decreased by 9.3 per cent. to KZT 31,542 million in 2011 from KZT 34,774 million in 2010. The decrease was mainly attributable to the change of the terms of the SK Bonds pursuant to which the maturity of the securities was extended to 15 years. This resulted in the de-recognition of an amount of KZT 511,909 million from the statement of financial position and recognition of an amount of KZT 521,652 million. This change caused a decrease in the interest attributed as having accrued in any particular year.

For the year ended 31 December 2011, interest income earned on investment securities slightly decreased by 2.9 per cent. to KZT 2,652 million from KZT 2,732 million for the same period in 2010. For the year ended 31 December 2011, the monthly average annual balance of the Group's portfolio of investment securities was KZT 30,813 million, compared to KZT 30,865 million for the year ended 31 December 2010. Thus the size of the portfolio remained relatively stable during the relevant period.

In the year ended 31 December 2011, interest income earned on financial assets at fair value through profit or loss decreased by 22.6 per cent. to KZT 3,766 million from KZT 4,866 million for 2010. The decrease was mainly attributable to a 37.9 per cent. reduction in the portfolio of financial assets at fair value through profit or loss to KZT 51,060 million as at 31 December 2011 from KZT 82,257 million as at 31 December 2010, due to sales of financial assets at fair value through profit or loss.

Interest earned on amounts due from financial institutions decreased by 72.9 per cent. to KZT 2,012 million for the year ended 31 December 2011 from KZT 7,419 million for the year ended 31 December 2010. This decrease was primarily attributable to the decrease in the monthly average annual gross amount due from financial institutions by 24.6 per cent. to KZT 90,432 million in 2011 from KZT 120,004 million in 2010. The decrease in the balance was primarily attributable to the repayment by Temirbank of a loan in an amount of KZT 57,700 million at the end of 2010. The average interest rates on amounts due from financial institutions decreased to 4.2 per cent. over the year ended 31 December 2011 from 8.2 per cent. over the year ended 31 December 2010.

Interest Expense

The following table sets out certain information relating to the Group's interest expense for the periods indicated:

	Year ended 31 December	
	2011	2010
	(KZT millions)	
Amounts due to the Government and the NBK	(27,858)	(28,831)
Amounts due to credit institutions	(11,185)	(19,378)
Amounts due to customers	(56,740)	(43,794)
Debt securities issued	(69,734)	(117,379)
Total	**(165,517)**	**(209,382)**

Interest expense principally comprises interest expenses on amounts due to the Government and the NBK, interest expenses on amounts due to credit institutions, interest expenses on amounts due to customers and interest expenses on debt securities issued. For the year ended 31 December 2011, interest expense decreased by 21.0 per cent. to KZT 165,517 million from KZT 209,382 million for the year ended 31 December 2010. The decrease in interest expense over the period was largely due to the reduction in interest expense on debt securities issued as a result of the 2010 Restructuring.

For the year ended 31 December 2011, the interest expense on debt securities issued decreased by 40.6 per cent. to KZT 69,734 million from KZT 117,379 million for the year ended 31 December 2010. For the year ended 31 December 2011, the interest expense on amounts due to credit institutions decreased by 42.3 per cent. to KZT 11,185 million from KZT 19,378 million for the year ended 31 December 2010. The primary reason for these decreases was the completion of the 2010 Restructuring, which resulted in the Group's outstanding pre-restructuring external debt of U.S.$11,647 million being cancelled or restructured in exchange for (i) cash of U.S.$945 million, (ii) new senior debt of U.S.$3,242 million, (iii) new subordinated debt of U.S.$773 million, (iv) a revolving committed trade finance facility of U.S.$698 million and (v) Recovery Units.

The decrease in the interest expense on debt securities issued and amounts due to credit institutions between 2010 and 2011 was partially offset by a 29.6 per cent. increase in the interest expense on amounts due to customers to KZT 56,740 million for the year ended 31 December 2011, from KZT 43,794 million for the year ended 31 December 2010. Average balances of amounts due to customers were KZT 763,938 million for the year ended 31 December 2011, compared to KZT 683,387 million for the year ended 31 December 2010, reflecting an increase of 11.8 per cent. The increase in the average balances of the amounts due to customers to a large extent explains the increase in the interest expenses related to the amounts due to customers. Furthermore, the increase was also attributable to the fact that a larger share of such amounts due to customers reflected long-term deposits, which attract higher rates of interest. Average interest rates paid on amounts due to customers for the years ended 31 December 2011 and 2010 were 8.6 per cent. and 7.8 per cent., respectively.

Impairment Charge

The Group's impairment charge for the year ended 31 December 2011 increased by 183.8 per cent. to KZT 129,739 million from KZT 45,717 million for the year ended 31 December 2010. This increase was primarily attributable to three factors affecting the Bank's loan portfolio over the period. The Bank encountered substantial delays in legal proceedings to enforce the repayment of loans and the realisation of underlying security. In addition, during the period of the 2010 Restructuring, the Bank suspended further financing to various borrowers, which, in certain instances, caused further deterioration in the financial conditions of such borrowers. Furthermore, the recovery in the real estate market in Kazakhstan has been limited and therefore, in many instances, the value of the collateral used to secure loans to the Bank's customers continued to deteriorate.

Non-Interest Income

The following table sets out certain information on the Group's non-interest income for the periods indicated:

	Year ended 31 December	
	2011	**2010**
	(KZT millions)	
Net fees and commissions	2,034	12,014
Income from purchase of treasury bonds	453	1,481
Net trading loss	(8,509)	(26,864)
Gains less losses from foreign currencies:		
dealing	(495)	12,736
translation differences	(11,920)	6,413
Net income from insurance operations	3,038	1,347
Share in income of associates	7,039	4,250
Excess of the acquirer's share in net fair value of identifiable assets and liabilities of acquiree over the cost	509	10,169
Gain from disposal of subsidiaries	2,619	38,590
Gain from change in value of Recovery Units	10,455	—
Other income	4,247	2,637
Non-Interest Income	**9,470**	**62,773**

Net fees and commissions

Net fees and commissions decreased by 83.1 per cent. to KZT 2,034 million for the year ended 31 December 2011 from KZT 12,014 million for the year ended 31 December 2010. This decrease is largely attributable to a substantial increase in fees during 2011 as a result of the inclusion of the monthly costs of the SK Bond guarantees, being KZT 1,075 million per month, in the fees line item starting from September 2010. As a result, KZT 8,600 million in additional fees related to the guarantees have been included in the fees line item in 2011, as compared to 2010.

Income from purchase of treasury bonds

Income from purchase of treasury bonds decreased to KZT 453 million for the year ended 31 December 2011 from KZT 1,481 million for the year ended 31 December 2010, primarily due to an increase in the market price of treasury bonds in 2011. These bonds were purchased by subsidiaries of the Bank.

Net trading loss

Net trading loss for the year ended 31 December 2011 decreased by 68.3 per cent. to KZT 8,509 million from KZT 26,864 million for the year ended 31 December 2010. The decrease was primarily attributable to one-off trading losses which were incurred in 2010 in relation to certain swap contracts which amounted to approximately KZT 10,325 million and the recognition of a loss of KZT 7,052 million related to the restructuring of the indebtedness of Alliance Bank in 2010. Significant one-off losses did not recur in 2011.

Gains less Losses from Foreign Currencies

The Bank recorded a loss from foreign currencies of KZT 12,415 million for the year ended 31 December 2011 compared to a gain of KZT 19,149 million for the year ended 31 December 2010. The losses incurred in 2011 were attributable to the cancellation of loans indexing in 2011 and a related decrease in the fair value of options, the negative fair value revaluation of non-deliverable forward contracts which amounted to KZT 4,540 million, and an increase of revaluation expenses related to an increase in the U.S.$/KZT exchange rate.

Net Income from Insurance Operations

The net income from insurance operations increased by 125.5 per cent. to KZT 3,038 million for the year ended 31 December 2011 from KZT 1,347 million for the year ended 31 December 2010. The increase was mainly attributable to the growth in insurance premiums received by the Group in 2011, such insurance premiums increasing by 45.0 per cent. on average among the Group's insurance units compared to 2010. The increase in insurance premiums was due to legislative changes which allowed life insurance companies to attract pensions annuities. Additionally, after the reorganisation through joining Atlanta-Polis and BTA Zabota with BTA Insurance, BTA Insurance improved its position in the insurance market by developing its corporate business.

Share in Income from Associates

Share in income from associates increased by 65.6 per cent. to KZT 7,039 million in 2011 from KZT 4,250 million in 2010. This growth was largely attributable to the increase in net income of Sekerbank and of BTA Ukraine, and to the increase in share capital of Oranta as the result of foreclosure of its shares as a partial customer debt payment to the Bank.

Excess of the acquirer's share in net fair value of identifiable assets and liabilities of acquiree over the cost

The excess of the acquirer's share in net fair value of identifiable assets and liabilities of acquiree over the cost for the year ended 31 December 2011 decreased by KZT 9,660 million to KZT 509 million from KZT 10,169 million for the year ended 31 December 2010. The Group benefitted from one-off income from excess value of Zhetysu, Atlanta-Polis, Titan Inkassatciya and Ular-Umit in the amount of KZT 10,169 million in 2010, which did not recur in 2011.

Gain from disposal of subsidiaries

In 2010, the Group recognised income from the disposal of Temirbank in an amount of KZT 38,590 million. In 2011, the Group recognised income from the disposal of "Logopark Hagibey" LLC in an amount of KZT 2,619 million.

Gain from change of fair value of Recovery Units

In 2011, the Group reviewed the expected cash flows on the Recovery Units issued in connection with the 2010 Restructuring. In connection with this review, the Group decreased the value of the Recovery Units by KZT 10,455 million due to the downward revision of the expected cash flows from the asset recovery process, and a corresponding gain was recognised for this amount.

Other Income

Other income increased by 61.1 per cent. to KZT 4,247 million for the year ended 31 December 2011 compared to KZT 2,637 million for the year ended 31 December 2010. This increase was mainly attributable to the operations of the Bank's subsidiaries.

Non-Interest Expense

The following table shows the composition of the Group's non-interest expense for the periods indicated:

	Year ended 31 December	
	2011	**2010**
	(KZT millions)	
Personnel	(20,134)	(20,717)
Other operating expenses	(38,429)	(39,902)
Depreciation and amortisation	(2,898)	(3,832)
Taxes other than income tax	(5,100)	(5,038)
Loss from realisation of collateral	(674)	(3,826)
Loss from decline in value of collateral	(217)	(1,123)
Impairment charge on investments	(45,036)	(956)
Other impairment and provisions	(4,919)	54,596
Obligatory insurance of individuals' deposits	(4,462)	(3,141)
Other expenses	(7,700)	(3,930)
Total	**(129,569)**	**(27,869)**

Non-interest expense for 2011 increased by 364.9 per cent. to KZT 129,569 million from KZT 27,869 million for 2010. This increase was mainly attributable to the substantial increase in impairment charge on investments and a significant reduction in the recovery of provisions compared to the recovery of provisions achieved in 2010.

Personnel

Personnel expenses decreased by 2.8 per cent. to KZT 20,134 million for 2011 from KZT 20,717 million for 2010, primarily due to the deconsolidation of Temirbank in 2010.

Other Operating Expenses

Other operating expenses decreased by 3.7 per cent. to KZT 38,429 million for 2011 from KZT 39,902 million for 2010. The decrease was mainly attributable to the deconsolidation of Temirbank on 11 May 2010, the other operating expenses of which for the first five months of 2010 were KZT 1,445 million.

Depreciation and Amortisation

Depreciation and amortisation expenses for 2011 decreased by 24.4 per cent. to KZT 2,898 million from KZT 3,832 million for 2010. This decrease was primarily attributable to the deconsolidation of Temirbank and the limited capital investment made in previous years.

Taxes other than Income Tax

Taxes other than income tax were KZT 5,100 million for 2011, compared to KZT 5,038 million for 2010, reflecting an increase of 1.2 per cent, primarily due to an increase of VAT for non-residents as a result of increased consulting services purchased from non-residents during 2011. This increase was partially offset by decrease of other taxes due to the deconsolidation of Temirbank in 2010.

Loss from Realisation of Collateral

Loss from realisation of collateral was KZT 674 million for 2011, compared to KZT 3,826 million for 2010, reflecting a decrease of 82.4 per cent. The decrease was mainly attributable to the fact that the financial results for 2010 included a one-off sale of collateral with a carrying value of KZT 14,884 million to "Distressed Assets Fund" JSC.

Loss from Decline in Value of Collateral

Loss from decline in value of collateral was KZT 217 million for 2011, compared to KZT 1,123 million for 2010, reflecting a decrease of 80.7 per cent., primarily attributable to a decrease in the value of collateral of KZT 1,123 million for 2010, while in 2011 a decrease in the value of collateral of KZT 670 million was partially offset by the recovery by the Bank in 2011 of the value of previously impaired collateral in the amount of KZT 454 million.

Impairment Charge on Investments

Impairment charge on investments increased by KZT 44,080 million to KZT 45,036 million for 2011 from KZT 956 million for 2010, reflecting an increase of 4,610.9 per cent. The substantial increase was largely attributable to an impairment of the Bank's investment in Sekerbank recorded in an amount of KZT 41,932 million in 2011.

Other impairment and provisions

Other impairment and provisions were KZT 4,919 million for 2011, compared to a positive balance of KZT 54,596 million for 2010. The substantial change from 2010 was mainly attributable to the fact that the results for 2010 included the recovery of certain provisions made in respect of contingent liabilities. Earlier provisions were created on these contingent liabilities, but due to the restructuring of these contingent liabilities in 2010, such provisions were recovered.

Obligatory Insurance of Individuals' Deposits

The Bank has an obligation to pay premiums to the KDIF in respect of its insured customer deposits. Obligatory expenses for insurance of individuals' deposits for 2011 were KZT 4,462 million as compared to KZT 3,141 million for 2010, an increase of 42.1 per cent. The increase was caused by a substantial increase in the deposits of individuals by 19.2 per cent. to KZT 308,874 million as at 31 December 2011 compared to KZT 259,062 million as at 31 December 2010.

Other Expenses

Other expenses increased by 95.9 per cent. to KZT 7,700 million for 2011 from KZT 3,930 million for 2010 due to certain expenses of Logopark Hagibey LLC amounting to KZT 1,895 million and certain expenses of Zhetysu amounting to KZT 1,311 million.

Income Tax

Pursuant to article 147 of the Tax Code, the current rate of corporate income tax in Kazakhstan is 20 per cent.

Expenses for income tax for 2011 were KZT 159,906 million as a result of the impairment of a deferred income tax asset in the amount of KZT 159,643 million, which did not impact upon current liabilities for the purposes of income tax.

Financial Condition as at 31 December 2012, 2011 and 2010

Total Assets

As at 31 December 2012, the Group's total assets were KZT 1,610,552 million compared to KZT 1,493,061 million as at 31 December 2011, reflecting an increase of 7.9 per cent.

The primary cause of the increase in value of total assets was the increase in the value of the SK Bonds, which was partially offset by the sale in March 2012 of 222,148,406 shares held by the Group in Sekerbank

Cash and cash equivalents decreased by 10.2 per cent to KZT 50,375 million as at 31 December 2012 from KZT 56,120 million as at 31 December 2011. The change was mainly due to a decrease of cash in hand by KZT 4,944 million and a decrease of funds in current accounts in national banks by KZT 538 million.

Financial assets at fair value through profit or loss increased by 33.1 per cent. to KZT 67,986 million as at 31 December 2012 from KZT 51,060 million as at 31 December 2011. The increase was primarily attributable to the reclassification of the remaining shares of the Group in the capital of Sekerbank of 11.76 per cent from assets held-for-sale to financial assets measured at fair value through profit or loss due to the fact that, as at 31 December 2012, the terms for classification as assets held for sale were no longer met by the shares in Sekerbank. The fair value of the Bank's investment in Sekerbank (11.76 per cent share of the share capital of Sekerbank) amounted to KZT 17,853 million as at 31 December 2012.

Amounts due from financial institutions decreased by 15.0 per cent to KZT 25,984 million as at 31 December 2012 from KZT 30,570 million as at 31 December 2011, primarily due to a decrease in deposits provided to other banks by KZT 3,624 million and an increase in allowances for impairment on amounts due from financial institutions.

Assets held for sale decreased to nil as at 31 December 2012 from KZT 23,556 million as at 31 December 2011 as a result of the sale in March 2012 of 222,148,406 shares in Sekerbank and of the reclassification of the remaining shares of the Group in the capital of Sekerbank to financial assets measured at fair value through profit or loss.

Investment securities available-for-sale increased by 49.8 per cent. to KZT 40,044 million as at 31 December 2012 from KZT 26,723 million as at 31 December 2011, primarily as a result of the reclassification in August 2012 of all securities held-to-maturity as investment securities available-for-sale and as a result of the purchase by the Bank of various securities, most of which were corporate bonds, bonds of Kazakhstan state institutions and equity securities.

Investment securities held-to-maturity decreased to nil as at 31 December 2012 from KZT 5,569 million as at 31 December 2011, as a result of reclassification in August 2012 of all investment securities held to maturity as investment securities held for sale.

Loans to customers decreased by 1.1 per cent to KZT 644,683 million as at 31 December 2012 from KZT 651,797 million as at 31 December 2011, primarily due to the repayment of loans by corporate borrowers and large SME borrowers.

As at 31 December 2012, the value of the SK Bonds increased in aggregate by KZT 116,166 million, which was caused by the recognition of the new fair value of SK Bonds due to the increase of the SK Bonds' interest rate from 4 per cent. per annum to 6 per cent. per annum in December 2012.

Property and equipment increased by 15.2 per cent to KZT 8,903 million as at 31 December 2012 from KZT 7,727 million as at 31 December 2011, mainly due to the revaluation of buildings.

Other assets increased by 28.2 per cent to KZT 87,076 million as at 31 December 2012 from KZT 67,917 million as at 31 December 2011, mainly due to the foreclosure by the Bank on collateral pursuant to its asset recovery process.

As at 31 December 2011, the Group's total assets were KZT 1,493,061 million compared to KZT 1,895,710 million as at 31 December 2010, reflecting a decrease of 21.2 per cent.

The decrease in total assets as at 31 December 2011 compared to 31 December 2010 was caused primarily by a significant decrease in loans to customers and the impairment of nearly all deferred corporate income tax assets.

Cash and cash equivalents decreased by 44.3 per cent. to KZT 56,120 million as at 31 December 2011 from KZT 100,790 million as at 31 December 2010, primarily due to the decrease in amounts placed by the Bank with the NBK by KZT 22,373 million and the decrease in amounts held in current accounts with other financial institutions by KZT 24,721 million.

Financial assets at fair value through profit or loss decreased by 37.9 per cent. to KZT 51,060 million as at 31 December 2011 from KZT 82,257 million as at 31 December 2010. The decrease was primarily attributable to the sale or revaluation of certain securities in the Bank's portfolio in 2011.

Amounts due from financial institutions increased by 21.4 per cent. to KZT 30,570 million as at 31 December 2011 from KZT 25,177 million as at 31 December 2010, primarily due to the recognition of a loan to BTA Ukraine.

Derivative financial assets decreased by 65.5 per cent. to KZT 1,653 million as at 31 December 2011 from KZT 4,795 million as at 31 December 2010. The decrease was caused primarily by the fact that, in accordance with applicable legislation, the Bank ceased to index certain loans and, as a result, the related options amounting to KZT 4,795 million were de-recognised from the statement of financial position in 2011. Derivative financial assets shown as at 31 December 2011 are all swaps related to the Bank's operations in Belarus.

Assets held for sale increased to KZT 23,556 million as at 31 December 2011 from nil as at 31 December 2010, primarily as a result of the reclassification of the shares in Sekerbank as assets held for sale.

Investment securities available for sale increased by 26.6 per cent. to KZT 26,723 million as at 31 December 2011 from KZT 21,110 million as at 31 December 2010, primarily as a result of the Bank purchasing various securities, most of which were Kazakh corporate and government bonds.

Investment securities held to maturity decreased by 23.9 per cent. to KZT 5,569 million as at 31 December 2011 from KZT 7,321 million as at 31 December 2010, primarily as a result of the redemption of certain bonds in the portfolio in 2011.

Loans to customers decreased by 17.2 per cent. to KZT 651,797 million as at 31 December 2011 from KZT 787,618 million as at 31 December 2010, primarily as a result of increased loan provisions. The increase in loan provisions was primarily attributable to three factors affecting the Bank's loan portfolio over the period. The Bank encountered substantial delays in legal proceedings to enforce the repayment of loans and the realisation of underlying security. In addition, during the period of the 2010 Restructuring, the Bank suspended further financing to various borrowers, which, in certain instances, caused further deterioration in the financial conditions of such borrowers. Furthermore, the recovery in the real estate market in Kazakhstan has been limited and therefore, in many instances, the value of the collateral used to secure loans to the Bank's customers continued to deteriorate.

As at 31 December 2011, the value of the SK Bonds decreased, in aggregate, by KZT 5,742 million compared to their value as at 31 December 2010 as a result of the amortisation of the discount on the bonds.

Investments in associates decreased by 69.6 per cent. to KZT 27,491 million as at 31 December 2011 from KZT 90,326 million as at 31 December 2010. The decrease was largely attributable to a one-off impairment charge on the investment in Sekerbank in an amount of KZT 41,932 million and the reclassification of the Bank's investment in Sekerbank with a carrying value of KZT 23,556 million as an asset held for sale in 2011.

Property and equipment decreased by 27.5 per cent. to KZT 7,727 million as at 31 December 2011 from KZT 10,664 million as at 31 December 2010. This decrease was mainly attributable to a KZT 2,841 million decrease in the value of property under construction caused by the sale of the Bank's shares in Logopark Hagibey LLC in 2011.

Goodwill decreased by 80.1 per cent. to KZT 752 million as at 31 December 2011 from KZT 3,786 million as at 31 December 2010, primarily as a result of the disposal of Logopark Hagibey LLC in 2011 which caused a decrease in the value of goodwill by KZT 1,945 million and a foreign currency revaluation of goodwill which accounted for a further decrease of KZT 1,089 million in the value of goodwill.

Deferred corporate income tax assets decreased by KZT 158,691 million to KZT 1,044 million as at 31 December 2011 from KZT 159,735 million as at 31 December 2010. The decrease in deferred income tax assets was primarily attributable to the Group recognising an impairment of deferred corporate income tax assets in 2011 due to the Group decreasing its forecasted income tax in future periods. The Group decreased its forecasted income tax as a result of the absence of reliable information for the determination of the Group's taxable income of future periods and the possibility of accounting for transferrable tax losses and an increase in the period for the recovery of loan provisions. Deferred corporate income tax assets as at 31 December 2011 were attributable to a deferred income tax asset of subsidiaries in an amount of KZT 1,044 million.

Total Liabilities

As at 31 December 2012, the Group's total liabilities were KZT 1,341,946 million compared to KZT 2,027,869 million as at 31 December 2011, representing a 33.8 per cent. decrease. The decrease was due to the completion of the 2012 Restructuring.

Amounts due to the Government and the NBK increased by 15.2 per cent. to KZT 496,496 million as at 31 December 2012 from KZT 431,055 million as at 31 December 2011. The increase was mainly attributable to the increase of repo operations in the amount of KZT 63,928 million.

On 19 December 2012, Samruk-Kazyna granted the SK Loan to the Bank in the amount of KZT 239,771 million. As at 31 December 2012, the carrying value of the SK Loan is KZT 105,748 million, including nominal value of KZT 239,771 million, discount of KZT 134,369 million and accrued interest of KZT 346 million

Amounts due to credit institutions decreased by 30.7 per cent. to KZT 64,798 million as at 31 December 2012 from KZT 93,528 million as at 31 December 2011. The decrease was mainly caused by the repayment of two tranches of the RCTFF in the amount of KZT 11,992 million in accordance with the new repayment schedule introduced pursuant to the 2012 Restructuring.

Amounts due to customers decreased by 28.9 per cent. to KZT 535,884 million as at 31 December 2012 from KZT 753,730 million as at 31 December 2011. The decrease was mainly caused by the outflow of deposits that started after the announcement of restructuring plans at the end of 2011 and ratings downgrades.

Debt securities issued decreased by 89.4 per cent. to KZT 74,126 million as at 31 December 2012 from KZT 696,232 million as at 31 December 2011. The decrease was due to the cancellation of the bonds issued by the Bank in connection with the 2010 Restructuring as a result of the 2012 Restructuring, which was partially offset by the issue of the Notes.

Derivative financial liabilities increased by 86.1 per cent. to KZT 8,450 million as at 31 December 2012 from KZT 4,541 million as at 31 December 2011. The increase was mainly caused by the closing of the EUR/KZT non-deliverable forward contract with the NBK in January 2012 and the recognition of a forward liability in connection with the agreement of the sale of shares in Sekerbank. In 2012, the Group signed an agreement with Samruk-Kazyna for the sale of the remaining shares of the Bank in Sekerbank in consideration for a value to be determined as at a certain date. As at 31 December 2012, the difference between the fair value of these shares and the cost of sale according to the terms of agreement was recognised as a forward liability in the amount of KZT 8,444 million.

Other liabilities increased by 27.3 per cent to KZT 53,420 million as at 31 December 2012 from KZT 41,953 million as at 31 December 2011, mainly due to an increase of reserves for insurance losses by KZT 8,198 million and payables by KZT 2,410 million.

As at 31 December 2011, the Group's total liabilities were KZT 2,027,869 million compared to KZT 2,000,223 million as at 31 December 2010, representing a 1.4 per cent. year-to-year increase. This increase is primarily attributable to a 10.3 per cent increase in amounts due to customers, less significant increases in derivative financial liabilities, debt securities issued, provisions, and other liabilities and recognising a deferred income tax liability. These increases and the deferred income tax liability were partially offset by decreases in amounts due to the Government and the NBK and amounts due to credit institutions.

Amounts due to the Government and the NBK decreased by 4.2 per cent. to KZT 431,055 million as at 31 December 2011 from KZT 450,025 million as at 31 December 2010. This decrease was mainly attributable to a KZT 18,828 million decrease in the amount of loans extended to the Bank by the NBK as part of its repo operations.

Amounts due to credit institutions decreased by 46.3 per cent. to KZT 93,528 million as at 31 December 2011 from KZT 155,644 million as at 31 December 2010. This decrease was mainly caused by a KZT 43,084 million decrease in the amount drawn under the RCTFF due to the repayment of two tranches.

Amounts due to customers increased by 10.3 per cent. to KZT 753,730 million as at 31 December 2011 from KZT 683,301 million as at 31 December 2010, primarily attributable to an increase in SME deposits due to competitive interest rates on deposits and an increase in retail deposits due to customers regaining confidence in the Bank after the 2010 Restructuring.

Derivative financial liabilities increased to KZT 4,541 million as at 31 December 2011 from KZT 1 million as at 31 December 2010. This increase was caused by the revaluation of the EUR/KZT non-deliverable forward contract entered into with the NBK in 2011, the fair value of which as at 31 December 2011 was negative KZT 4,540 million.

Debt securities issued increased by 3.5 per cent. to KZT 696,232 million as at 31 December 2011 from KZT 672,650 million as at 31 December 2010. This increase was mainly attributable to accrued and unpaid interest on the bonds issued by the Bank.

Provisions increased by 393.0 per cent. to KZT 5,877 million as at 31 December 2011 from KZT 1,192 million as at 31 December 2010. This increase was mainly attributable to the deterioration in quality of certain contingent liabilities.

Other liabilities increased by 12.1 per cent. to KZT 41,953 million as at 31 December 2011 from KZT 37,410 million as at 31 December 2010. This increase was mainly attributable to the accrual of liabilities on consulting services and withholding tax.

Off-Balance Sheet Arrangements

The Group enters into swaps to hedge movements in interest and foreign currency rates. The notional amount of currency swaps of the Group increased to KZT 4,772 million as at 31 December 2012, from KZT 3,450 million as at 31 December 2011, representing an increase of 38.3 per cent. This was due to currency swaps concluded by BTA Belarus in 2012. The Group had no interest rate swaps as at 31 December 2012 or as at 31 December 2011.

The notional amount of currency swaps of the Group as at 31 December 2011 was KZT 3,450 million compared to KZT 1,730 million as at 31 December 2010 representing an increase of 99 per cent. due to currency swaps concluded by BTA Belarus in 2011.The Group had no interest rate swaps as at 31 December 2011 and as at 31 December 2010.

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. The notional amount of forwards and futures contracts that the Group entered into increased from KZT 347 million as at 31 December 2010 to KZT 44,000 million as at 31 December 2011 and decreased to nil as at 31 December 2012, due to the termination in January 2012 of a non-deliverable forward with National Bank Kazakhstan with a notional amount of KZT 44,000 million to hedge the Bank's currency position in Euros.

As at 31 December 2012, the Group had issued letters of credit totalling KZT 124 million, guarantees in the amount of KZT 36,188 million and undrawn loan commitments in the amount of KZT 72,606 million. As at 31 December 2011, the Group had issued letters of credit totalling KZT 2,188 million, guarantees in the amount of KZT 24,995 million and undrawn loan commitments in the amount of KZT 115,236 million. As at 31 December 2010, the Group had issued letters of credit totalling KZT 3,569 million, guarantees in the amount of KZT 29,419 million and undrawn loan commitments in the amount of KZT 109,346 million. The Group's maximum exposure to credit losses for guarantees and letters of credit is represented by the contractual amount of these transactions. Since many of the commitments are expected to expire without being drawn upon, the total amount does not necessarily represent future cash requirements.

The Group did not have any significant commitments as at 31 December 2012 other than as discussed above.

The Group applies the same credit control and management policies to its off-balance sheet commitments as it does to its on-balance sheet operations.

Shareholders' Equity

The following table sets out a breakdown of the Group's shareholders' equity as at the dates indicated:

	As at 31 December			Change from 31 December 2011 to 31 December 2012	
	2012	**2011**	**2010**		
	(KZT millions)	*(KZT millions)*	*(KZT millions)*	*(KZT millions)*	*(per cent.)*
Shareholders' Equity					
Share capital common shares	1,366,771	1,187,023	1,187,023	179,748	15.1
Additional paid in capital	117,295	(130,029)	(130,029)	247,324	(190.2)
Treasury shares	(8,517)	(8,244)	(8,260)	(273)	3.3
Available-for-sale investment securities	1,649	1,144	(713)	505	44.1
Foreign currency translation reserve	(2,501)	(2,702)	(651)	201	7.4
Revaluation reserve for property and equipment	1,909	—	—	1,909	—
Other reserves related to assets held for sale	—	(3,685)	—	(3,685)	—
(Accumulated deficit)/Retained earnings	(1,209,315)	(1,579,626)	(1,156,236)	(370,311)	23.4
Non-controlling interest	1,285	1,311	4,353	(26)	(2.0)
Total equity/(deficit)	**268,576**	**(534,808)**	**(104,513)**		

The total equity as at 31 December 2012 amounted to KZT 268,576 million compared to a total equity deficit of KZT 534,808 million as at 31 December 2011.

The increase in total shareholders' equity as at 31 December 2012 compared to 31 December 2011 was due to the conversion of certain deposits of Samruk-Kazyna with the Bank and the Subordinated Notes into Shares.

As at 31 December 2012, the authorised share capital of the Bank consisted of 641,500,688,955 common shares and 100,000 preference shares. Out of the total authorised share capital of the Bank, 641,367,379,978 common shares were issued as at 31 December 2012. No preference shares were issued as at 31 December 2012. As at 31 December 2011, the authorised share capital of the Bank consisted of 55,258,029,745 common shares and 100,000 preference shares. Out of the total authorised share capital of the Bank, 44,209,411,924 common shares were issued as at 31 December 2011.

The total equity deficit as at 31 December 2011 amounted to KZT 534,808 million compared to a total equity deficit of KZT 104,513 million as at 31 December 2010.

The decrease in total shareholders' equity as at 31 December 2011 compared to 31 December 2010 primarily reflected the substantial increase in accumulated deficit which grew by 36.6 per cent. between 31 December 2010 and 31 December 2011 due to a loss for 2011 of KZT 418,010 million.

Capital Adequacy

As at 31 December 2012, the Bank was in compliance with the minimum capital adequacy ratios established by the NBK. The necessary capital ratios were achieved following the successful completion of the 2012 Restructuring by virtue of the economic gain the Bank achieved from the reduction of the principal amount of the Bank's indebtedness and conversion of certain deposits and the Subordinated Notes into Shares.

The Bank is currently subject to the general minimum level requirements of 5 per cent. for K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) ratios and 10 per cent. for K2 (own capital to total assets weighted for risk) ratio. Depending on the composition of the Bank's shareholders in the future, it may become subject to the increased requirements of 6 per cent. for the K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) ratios and 12 per cent. for the K2 (own capital to total assets weighted for risk) ratio. See "*Risk Factors — Risks Relating to the Bank — Any failure to maintain the minimum capital adequacy ratios could lead to conservation or liquidation of the Bank*".

SELECTED STATISTICAL AND OTHER INFORMATION

Average Balances

The following table sets out certain information as to average balances of the Group's assets and liabilities for the periods indicated based upon the monthly average balances of such periods, respectively:

	For the years ended 31 December		
	2012[(1)]	**2011[(1)]**	**2010[(1)]**
		(KZT millions)	
Average Assets:			
Cash and cash equivalents	59,651	82,216	90,399
Obligatory reserves	77	55	9,979
Gross amounts due from financial institutions	93,756	90,432	120,004
Financial assets at fair value through profit or loss	51,853	65,850	103,662
Available-for sale securities	28,675	24,033	24,778
Held-to-maturity securities	5,402	6,780	6,087
Gross loans to customers	2,456,726	2,513,915	2,817,320
Allowance for impairment of gross loans to customers and gross amounts due from financial institutions	(1,870,088)	(1,831,688)	(1,962,870)
SK Bonds	547,748	532,765	519,079
Property and equipment	7,076	8,664	9,440
Investments in associates	26,983	86,229	78,889
Assets held for sale	14,460	1,812	—
Goodwill	760	2,726	2,739
Current corporate income tax assets	4,029	4,373	5,722
Deferred corporate income tax assets	531	123,602	16,230
Derivative financial assets	1,575	6,238	14,073
Other assets	73,213	67,279	52,100
Total average assets	**1,502,427**	**1,785,281**	**1,907,631**
Average liabilities and equity:			
Amounts due to the Government and the NBK	517,712	400,819	415,458
SK Loan	8,134	—	—
Amounts due to credit institutions	85,913	120,408	562,818
Amounts due to customers	666,674	763,938	683,378
Debt securities issued	1,059,740	685,928	1,242,586
Deferred corporate income tax liabilities	254	73	7
Derivative financial liabilities	1,002	1,110	4,818
Reserves (provisions) against loss from notional liabilities	4,600	2,070	32,987
Other liabilities	42,257	36,469	34,569
Total average liabilities	**2,386,286**	**2,010,815**	**2,976,621**
Non-controlling interest	1,069	2,271	(4,689)
Average equity	(884,928)	(227,805)	(1,064,301)
Average liabilities and equity	**1,502,427**	**1,785,281**	**1,907,631**

Note:
(1) Calculated based on the monthly averages.

The table below sets out the Group's consolidated average balances and interest rates for the periods indicated, as calculated by the Group according to the unaudited consolidated accounting records of the Group for the years ended 31 December 2012, 2011 and 2010, respectively.

	For the years ended 31 December								
	2012[1]			2011[1]			2010[1]		
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
				(KZT millions)					
Assets									
Interest-earning deposits	**38,349**	**2,168**	**5.7%**	**48,288**	**2,012**	**4.2%**	**90,316**	**7,419**	**8.2%**
KZT	19,473	1,148	5.9%	17,844	953	5.3%	40,586	3,386	8.3%
Foreign currency	18,876	1,020	5.4%	30,444	1,059	3.5%	49,730	4,033	8.1%
Securities	58,518	5,144	8.8%	67,651	6,418	9.5%	92,820	7,598	8.2%
KZT	45,623	4,225	9.3%	46,096	4,877	10.6%	57,891	4,087	7.1%
Foreign currency	12,895	919	7.1%	21,555	1,541	7.1%	34,929	3,511	10.1%
Loans	652,251	96,800	14.8%	726,239	106,483	14.7%	633,967	73,763	11.6%
KZT	398,033	65,237	16.4%	381,615	97,601	25.6%	364,330	47,290	13.0%
Foreign currency	254,218	31,563	12.4%	344,624	8,882	2.6%	269,637	26,473	9.8%
SK Bonds	541,208	32,095	5.9%	526,281	31,542	6.0%	512,674	34,774	6.8%
KZT	541,208	32,095	5.9%	526,281	31,542	6.0%	512,674	34,774	6.8%
Total interest-earning assets	**1,290,326**	**136,207**	**10.6%**	**1,368,459**	**146,455**	**10.7%**	**1,329,777**	**123,554**	**9.3%**
Cash and non-interest deposits	116,825	—	—	177,564	—	—	196,715	—	—
Accrued interest	8,794	—	—	29,045	—	—	283,573	—	—
Allowance	—	—	—	—	—	—		—	—
Fixed assets	7,076	—	—	8,664	—	—	9,440	—	—
Other assets	79,406	—	—	201,549	—	—	88,126	—	—
Total average assets	**1,502,427**	—	—	**1,785,281**	**—**	**—**	**1,907,631**	**—**	**—**
Liabilities and equity									
Due to the NBK and the Government	**515,339**	**29,180**	**5.7%**	**399,776**	**27,858**	**7.0%**	**414,413**	**28,831**	**7.0%**
KZT	414,644	26,169	6.3%	376,715	27,276	7.2%	414,339	28,828	7.0%
Foreign currency	100,695	3,011	3.0%	23,061	582	2.5%	74	3	4.1%
Due to other banks	**85,503**	**5,267**	**6.2%**	**118,806**	**11,185**	**9.4%**	**546,084**	**19,378**	**3.5%**
KZT	29,699	2,334	7.9%	40,116	3,339	8.3%	55,681	3,490	6.3%
Foreign currency	55,804	2,933	5.3%	78,690	7,846	10.0%	490,403	15,888	3.2%
Due to customers	**568,673**	**49,641**	**8.7%**	**658,990**	**56,740**	**8.6%**	**563,083**	**43,794**	**7.8%**
KZT	472,315	43,310	9.2%	524,219	47,444	9.1%	389,065	31,437	8.1%
Foreign currency	96,358	6,331	6.6%	134,771	9,296	6.9%	174,018	12,357	7.1%
Debt securities issued	**1,016,159**	**60,014**	**5.9%**	**668,673**	**69,734**	**10.4%**	**1,172,227**	**117,379**	**10.0%**
KZT	74,576	8,209	11.0%	84,234	9,180	10.9%	453,361	56,236	12.4%
Foreign currency	941,583	51,805	5.5%	584,439	60,554	10.4%	718,866	61,143	8.5%
SK Loan	**8,108**	**454**	**5.6%**	**—**	**—**	**—**	**—**	**—**	**—**
KZT	8,108	454	5.6%	—	—	—	—	—	—
Total interest-bearing liabilities	**2,193,782**	**144,556**	**6.6%**	**1,846,245**	**165,517**	**9.0%**	**2,695,807**	**209,382**	**7.8%**
Non interest bearing customer accounts	85,795	—	—	92,782	—	—	114,648	—	—
Accrued interest	58,596	—	—	32,066	—	—	93,785	—	—
Other liabilities	48,113	—	—	39,722	—	—	72,381	—	—
Minority interest	**1,069**	—	—	**2,271**	**—**	**—**	**(4,689)**	**—**	**—**
Equity	**(884,928)**	—	—	**(227,805)**		**—**	**(1,064,301)**	**—**	**—**
Total average liabilities and equity	**1,502,427**	—	—	**1,785,281**	**—**		**1,907,631**	**—**	**—**
Net interest spread	—	—	4.0%	—	—	1.7%	—	—	1.5%
Net interest income	—	(8,349)	—	—	(19,062)	—	—	(85,828)	—
Net interest margin	—	—	(0.6%)	—	—	(1.4%)	—	—	(6.5%)

Note:

(1) Calculated based on the monthly averages.

Analysis of Changes in Net Interest Income

The following table provides a comparative analysis of changes in net interest income and expense by reference to changes in average volumes and rates for the periods indicated. Changes in net interest income are attributed to either changes in average balances (volume change) or changes in average rates (rate change) for earning assets and sources of funds on which interest is received or paid. Volume change is calculated as change in volume multiplied by the previous rate, while rate change is change in rate multiplied by the current volume. The rate/volume change (change in rate multiplied by change in volume) is allocated between volume change and rate change at the ratio each component bears to the absolute value of their total.

	For the years ended 31 December					
	2012/2011 Increase (decrease) due to changes in			2011/2010 Increase (decrease) due to changes in		
	Volume	Rate	Net Change	Volume	Rate	Net Change
	(KZT millions)					
Interest Income						
Interest earning deposits:						
KZT	87	108	195	(1,897)	(536)	(2,433)
Foreign currency	(402)	363	(39)	(1,564)	(1,410)	(2,974)
Securities:						
KZT	(50)	(602)	(652)	(833)	1,623	790
Foreign currency	(619)	(3)	(622)	(1,344)	(626)	(1,970)
Loans:						
KZT	4,199	(36,563)	(32,364)	2,244	48,067	50,311
Foreign currency	(2,330)	25,011	22,681	7,362	(24,953)	(17,591)
SK Bonds:						
KZT	895	(342)	553	923	(4,155)	(3,232)
Foreign currency	—	—	—	—	—	—
Total interest income	**1,780**	**(12,028)**	**(10,248)**	**4,891**	**18,010**	**22,901**
Interest Expense						
Due to the Government and the NBK:						
KZT	2,746	(3,853)	(1,107)	(2,618)	1,066	(1,552)
Foreign currency	1,959	470	2,429	932	(353)	579
Due to other banks:						
KZT	(867)	(138)	(1,005)	(976)	825	(151)
Foreign currency	(2,282)	(2,631)	(4,913)	(13,339)	5,297	(8,042)
Due to customers:						
KZT	(4,698)	564	(4,134)	10,921	5,086	16,007
Foreign currency	(2,650)	(315)	(2,965)	(2,787)	(274)	(3,061)
Debt securities:						
KZT	(1,053)	82	(971)	(45,788)	(1,268)	(47,056)
Foreign currency	37,004	(45,753)	(8,749)	(11,434)	10,845	(589)
SK Loan:						
KZT	—	454	454	—	—	—
Foreign currency	—	—	—	—	—	—
Total interest expense	**30,159**	**(51,120)**	**(20,961)**	**(65,089)**	**21,224**	**(43,865)**
Net change in net interest income	**(28,379)**	**39,092**	**10,713**	**69,980**	**(3,214)**	**66,766**

The Group's Loan Portfolio

Loans to customers represent the largest part of the Bank's business. The Group's gross loan portfolio (including accrued interest) was KZT 2,756,042 million as at 31 December 2010, KZT 2,446,502 million as at 31 December 2011 and KZT 2,467,623 million as at 31 December 2012. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Financial Condition as at 31 December 2012, 2011 and 2010 — Total Assets*". The average balance of the Group's gross loan portfolio (net of accrued interest) was KZT 2,547,717 million for 2010, KZT 2,223,584 million for 2011 and KZT 2,128,041 million for 2012. Lending to corporate clients represented 83.6 per cent. of the Group's gross loan portfolio as at 31 December 2012, compared to 83.5 per cent. as at 31 December 2011 and 85.1 per cent. as at 31 December 2010. The Group's customer base includes many of Kazakhstan's leading industrial companies and trading corporations, as well as medium and small size enterprises. Amounts due from financial institutions have also represented a small percentage of the Group's gross loan portfolio including gross amounts due from financial institutions (3.5 per cent. as at 31 December 2012, 3.7 per cent. as at 31 December 2011 and 3.2 per cent. as at 31 December 2010).

The following table sets out certain information relating to the amounts and composition of the Group's loan portfolio, its contingent liability exposure and loss allowances, respectively, as calculated by the Bank according to the unaudited accounting records of the Bank as at 31 December 2012, 2011 and 2010, respectively:

	As at 31 December		
	2012	**2011**	**2010**
		(KZT millions)	
Loans	2,117,383	2,139,385	2,490,796
including:			
Non performing loans[(1)]	1,389,483	1,338,986	1,390,453
Accrued interest receivable	350,240	307,117	265,246
Total gross loans	**2,467,623**	**2,446,502**	**2,756,042**
Commercial letters of credit	124	2,188	3,569
Financial guarantees	36,188	24,995	29,419
Undrawn loan commitments	72,606	115,236	109,346
Total contingent liabilities	**108,918**	**142,419**	**142,334**
Allowance for impairment of loans	1,822,940	1,794,705	1,968,424
Provision for off-balance sheet items	2,922	5,850	223
Allowance for impairment on amounts due from financial institutions	64,491	63,313	64,416
Other	4,445	4,172	6,125
Total	**1,894,798**	**1,868,040**	**2,039,188**
Equity	**268,576**	**(534,808)**	**(104,513)**
Non performing loans/gross loans	56.3%	54.7%	50.5%
Allowance for impairment of loans/non-performing loans	131.2%	134.0%	141.6%
Allowance for impairment of loans/gross loans	73.9%	73.4%	71.4%

Note:

(1) For the year ended 31 December 2010, non-performing loans comprised loans where past due payments exceeded 90 days and are 100 per cent. provisioned. For the years ended 31 December 2011 and 2012, non-performing loans comprised loans on which the accrual of interest had been suspended and that had no return and are 100 per cent. provisioned.

Loans by Type

The Group provides financing for various purposes, although the majority of loans are for working capital purposes with a maturity of twelve months or less, for fixed asset purchases and for trade finance.

The following table sets out certain information relating to the Group's loan portfolio (including advances and accrued interest), by reference to the type of loan, as calculated by the Bank according to the unaudited accounting records of the Bank as at the dates indicated in the table:

	As at 31 December					
	2012		**2011**		**2010**	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Working capital finance	694,496	28.1	641,771	26.2	683,194	24.8
Construction and repair	386,558	15.7	436,368	17.8	493,052	17.9
Fixed asset purchase (excluding real estate)	25,742	1.0	26,231	1.1	24,332	0.9
Consumer loans	117,176	4.7	102,097	4.2	115,791	4.2
Real estate purchase	350,152	14.2	416,169	17.0	516,992	18.8
Other	893,499	36.2	823,866	33.7	922,681	33.5
Total (including accrued interest)	**2,467,623**	**100.0**	**2,446,502**	**100.0**	**2,756,042**	**100.0**

Loans by Type of Borrower

The following table sets out certain information relating to the Group's commercial loan portfolio (including advances and accrued interest), by reference to the type of borrower, as at the dates indicated in the table:

	As at 31 December					
	2012		2011		2010	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Private companies	2,224,531	90.2	2,209,805	90.3	2,505,538	90.9
Individuals	242,114	9.8	234,168	9.6	249,454	9.1
State companies	967	0.0	2,508	0.1	778	0.0
Others	11	0.0	21	0.0	272	
Loans to customers, gross	**2,467,623**	**100.0**	**2,446,502**	**100.0**	**2,756,042**	**100.0**

As at 31 December 2012 and 31 December 2011, loans to private companies and individuals represented practically 100 per cent. and 99.9 per cent. of total loans, respectively. The Bank inherited a large corporate customer base from its predecessors, Alem Bank and Turan Bank, including many of the country's leading industrial companies engaged in a broad range of industries. Historically, a significant percentage of the Bank's predecessors' loans were extended to state-owned companies, but since the Bank's establishment in January 1997, this focus has been significantly reduced. Furthermore, the privatisation of a number of state-owned enterprises by the Government in recent years as well as organic growth in the private sector increased the size of the role of the private sector in the economy and it accounted for 78.5 per cent. of GDP in 2011 according to the NSA's statistics.

As at 31 December 2012, the Group's ten largest borrowers accounted for 18.8 per cent. of the total gross loan portfolio then outstanding (as compared to 18.8 per cent. and 16.9 per cent. as at 31 December 2011 and 31 December 2010, respectively), although no single borrower accounted for more than 2.7 per cent. of the total loan portfolio.

Loans by Sector

The following table sets out the composition of the Group's loan portfolio (including advances and accrued interest), by reference to the economic sector of the borrower, as at the dates indicated in the table:

	As at 31 December					
	2012		2011		2010	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Housing construction	383,467	15.5	437,604	17.9	462,001	16.7
Real estate investments	437,895	17.7	434,863	17.8	501,768	18.2
Oil & gas	330,805	13.4	330,323	13.5	352,715	12.8
Wholesale trade	236,376	9.6	241,697	9.9	333,232	12.1
Individuals	242,114	9.8	234,168	9.6	249,454	9.0
including mortgage loans	124,938	5.1	132,071	5.4	133,663	4.8
including consumer loans	117,176	4.7	102,097	4.2	115,791	4.2
Construction of roads and industrial buildings	232,717	9.4	186,486	7.6	238,497	8.6
Agriculture	169,181	6.9	153,597	6.3	164,973	6.0
Chemical industry	65,068	2.6	65,635	2.7	65,543	2.4
Energy	55,900	2.3	55,494	2.3	67,505	2.4
Transport	43,740	1.8	42,315	1.7	39,505	1.4
Telecommunication	41,474	1.7	40,443	1.6	40,587	1.5
Food industry	39,048	1.6	40,201	1.6	40,204	1.5
Retail trade	31,173	1.3	31,749	1.3	37,590	1.4
Metallurgical industry	32,052	1.3	28,636	1.2	28,775	1.0
Mining	22,037	0.9	21,734	0.9	31,878	1.2
Other	104,576	4.2	101,557	4.1	101,815	3.7
Total	**2,467,623**	**100.0**	**2,446,502**	**100.0**	**2,756,042**	**100.0**

Loans by Maturity

The Group predominantly lends to SMEs for terms ranging from one to three years and to large corporations for longer terms. The Bank expects that demand for longer term financing from existing customers and other high quality corporate creditors will continue to increase and that the maturity profile of the Group's loan portfolio will, in turn, be lengthened. The policy of the Bank in respect of the maturity profile of its loans depends on the Bank's strategic goals and the sources of funding available to the Bank, as well as on the current state of the Kazakhstan economy, overall market conditions and the financial standing of the borrower.

The following table sets out certain information relating to the maturity profile of the Group's net loan portfolio (including advances and accrued interest) based on the accounting records of the Bank as at the dates indicated in the following table:

	As at 31 December					
	2012		2011		2010	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Less than 1 year	317,186	49.2	479,979	73.6	394,738	50.1
Over 1 year	327,497	50.8	171,818	26.4	392,880	49.9
Total	**644,683**	**100.0**	**651,797**	**100.0**	**787,618**	**100.0**

Loans by Geographic Location

The following table sets out certain information relating to the Group's gross loan portfolio (including advances and accrued interest) by reference to the geographic location of the borrower, based on the unaudited accounting records of the Bank as at the dates indicated in the table:

	As at 31 December					
	2012		2011		2010	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Kazakhstan						
Almaty	874,838	35.4	912,033	37.3	753,836	27.4
West region	70,470	2.9	80,464	3.3	166,776	6.1
South region(1)	99,542	4.0	56,787	2.3	90,900	3.3
Central region(2)	53,163	2.2	52,794	2.2	52,247	1.9
East region	43,817	1.8	49,282	2.0	99,976	3.6
North region	32,427	1.3	32,920	1.3	39,919	1.4
Astana	24,848	1.0	25,827	1.1	90,527	3.3
CIS and other countries	**1,268,519**	**51.4**	**1,236,397**	**50.5**	**1,461,861**	**53.0**
Total	**2,467,623**	**100.0**	**2,446,502**	**100.0**	**2,756,042**	**100.0**

Notes:
(1) .... Excluding Almaty
(2) .... Excluding Astana.

Collateralisation of Loan Portfolio

While Kazakhstan has passed a law on the foreclosure of assets such as property of a pledge, historically the Bank has generally not been able to realise the full value of the collateral on its loans. The following table sets out certain information relating to the collateralisation of the Group's loan portfolio, based on the unaudited accounting records of the Bank as at the dates indicated in the table. For a description of the Bank's collateralisation policy, see "*Asset and Liability Management — Lending Policies and Procedures*". See also "*Risk Factors — Risks Relating to the Bank — Volatility in the real estate market in Kazakhstan and Russia has had and may continue to have an adverse effect on the Bank's asset quality and collateral value.*"

	As at 31 December					
	2012		2011		2010	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Collateralised	2,083,997	84.5	2,200,024	89.9	2,343,607	85.0
Uncollateralised	383,626	15.5	246,478	10.1	412,435	15.0
Total loans	**2,467,623**	**100.0**	**2,446,502**	**100.0**	**2,756,042**	**100.0**

Credit Exposure other than Loans

As at 31 December 2012, the Group had exposure to other credit risks consisting of financial instruments with off-balance sheet risk in the aggregate amount of KZT 108,918 million, including commitments to extend credit of KZT 72,606 million, financial guarantees and promissory notes of KZT 36,188 million and commercial letters of credit of KZT 124 million. As at 31 December 2012, the Bank did not hold any open forward contracts.

As at 31 December 2011, the Group had exposure to other credit risks consisting of financial instruments with off-balance sheet risk in the aggregate amount of KZT 142,419 million, including commitments to extend credit of KZT 115,236 million, financial guarantees and promissory notes of KZT 24,995 million and commercial letters of credit of KZT 2,188 million. As at 31 December 2011, the Bank held open forward contracts for KZT 44,000 million.

As at 31 December 2010, the Group was exposed to other credit risks consisting of financial instruments with off-balance sheet risk in the aggregate amount of KZT 142,334 million, including commitments to extend credit of KZT 109,346 million, financial guarantees and promissory notes of KZT 29,419 million and commercial letters of credit of KZT 3,569 million. As at 31 December 2010, the Bank did not hold any open forward contracts.

As at 31 December 2012, 31 December 2011 and 31 December 2010, the Group had established provisions for losses with respect to off-balance sheet risks of KZT 2,922 million, KZT 5,850 million and KZT 223 million, respectively.

Investments

Financial assets at fair value through profit or loss

Securities purchased with the intention of recognising short-term profits, which consist primarily of debt securities, but also include some equity securities, are classified as financial assets at fair value through profit or loss. After initial recognition, securities which are classified as held for trading are measured at estimated fair value. Changes in the estimated fair value are included in the accompanying consolidated statements of income within net trading gain/(loss). In determining estimated fair value, financial assets at fair value through profit or loss are valued at the last trade price or the last bid price.

The following table sets out certain information relating to the Group's portfolio of financial assets at fair value through profit or loss as at the dates indicated:

	As at 31 December								
	2012			2011			2010		
	Amount (KZT millions)	%	Repayment term	Amount (KZT millions)	%	Repayment term	Amount (KZT millions)	%	Repayment term
Debt securities:									
Corporate bonds	17,369	3.14-14.75	2012-2028	21,206	5.9-14.0	2012-2028	28,153	6.5-14.0	2011-2030
Treasury bills of the Ministry of Finance of Kazakhstan	1,801	4.4-8.75	2012-2023	2,536	2.5-8.8	2012-2023	5,668	0-8.8	2011-2017
Bonds of Kazakhstan non-financial institutions	4,177	7.5-10.5	2013-2018	4,366	8.0-10.5	2012-2015	5,387	8.0-8.8	2011-2013
Sovereign bonds of OECD countries	—	—	—	—	—	—	8,863	4.0	2037
Bonds of Kazakhstan financial institutions	1,250	5.6-7.41	2014-2026	2,645	6.0-9.7	2013-2026	5,457	5.5-7.375	2013-2026
Bonds of international financial organisations	—	—	—	—	—	—	97	4.375-5.5	2012-2013
Treasury bills of the Ministry of Finance of Russia	276	7.85	2018	144	7.9	2018	3	7.5	2030
Bonds of Kazakhstan government institutions	975	5.89-7.9	2012-2020	511	6.2	2015	13	6.2	2015
Total	**25,848**	—	—	**31,408**	—	—	**53,641**	—	—
Equity securities	42,121	—	—	19,649	—	—	28,616	—	—
Mutual funds shares	17	—	—	3	—	—	—	—	—
Trading Securities	**67,986**	—	—	**51,060**	—	—	**82,257**	—	—
Subject to repurchase agreements	1,161	—	—	1,182	—	—	—	—	—

Available-for-Sale Investment Securities

The Bank classifies investment securities based on the intention of management at the time of the purchase.

Available-for-sale securities are measured at fair value, which is equal to the market value at the relevant balance sheet date. When debt securities with fixed maturities are non-marketable or there is no available public information for similar instruments, fair value is estimated as discounted future cash flows using current interest rates.

The following table sets out certain information in respect of the Group's securities classified as available-for-sale as at the dates indicated in the table.

	As at 31 December								
	2012			2011			2010		
	Amount *(KZT millions)*	**%**	**Repayment term**	**Amount** *KZT (millions)*	**%**	**Repayment term**	**Amount** *(KZT millions)*	**%**	**Repayment term**
Corporate bonds	18,552	5.45-16	2012-2028	13,142	6.3-15	2012-2028	8,514	6.7-15	2011-2028
Treasury bonds of the Ministry of Finance of Kazakhstan	11,229	3.2-8.8	2013-2031	10,639	0-8.75	2012-2022	9,683	0-8.75	2011-2022
Bonds of Kazakhstan financial institutions	1,262	4.91-7.4	2013-2026	294	5.5-9.7	2013-2017	148	5.50	2015
Bonds of Kazakhstan government institutions	2,257	5.89-8	2014-2020	376	6.20	2015	—	—	—
Notes of the NBK	—	—	—	—	—	—	1,054	—	2011
Bonds of international financial organisations	1,409	0-4.88	2012-2015	371	4.9	2013	—	—	—
Government bonds of non OECD countries	392	12.5	2016	—	—	—	—	—	—
Treasury bills of the Ministry of Finance of the Russian Federation	827	7.85	2018	—	—	—	—	—	—
Bonds of Kazakhstan non financial institutions	963	8-10.5	2013-2015	1,169	8-10.5	2013-2015	760	8-10.5	2013-2015
Bonds available for sale	**36,891**	—	—	**25,991**	—	—	**20,159**	—	—
Equity securities	3,153	—	—	732	—	—	951	—	—
Securities available for sale	40,044	—	—	26,723	—	—	21,110	—	—

Held-to-Maturity Investment Securities

Non-derivative financial assets with fixed or determinable payment and fixed maturity are classified as held-to-maturity when the Bank 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.

The following table sets outs certain information in respect of the Group's securities classified as held-to-maturity as at the dates indicated in the table.

	As at 31 December								
	2012			2011			2010		
	Amount *(KZT millions)*	**%**	**Repayment term**	**Amount** *(KZT millions)*	**%**	**Repayment term**	**Amount** *(KZT millions)*	**%**	**Repayment term**
Corporate bonds	—	—	—	1,648	7.5-15	2012-2028	2,520	7.5-18.3	2011-2028
Treasury bonds of the Ministry of Finance of Kazakhstan	—	—	—	2,386	4.3-8.75	2012-2019	3,191	0-8.75	2011-2019
Bonds of Kazakhstan financial institutions	—	—	—	1,007	6-9.7	2013-2026	963	6-8.2	2013-2026
Bonds of Kazakhstan government institutions	—	—	—	528	6.20	2015	533	6.20	2015
Notes of the NBK	—	—	—	—	—	—	114	0.00	2011
Held-to-maturity investment securities	—	—	—	**5,569**	—	—	**7,321**	—	—

In 2010, following the amendments to IAS 39 and IFRS 7, "Reclassification of Financial Assets", the Group reclassified certain financial assets that met the definition of securities out of available-for-sale category to held-to-maturity investments, as the Group has an intention and ability to hold them for the foreseeable future or until maturity.

Funding Sources

The Group's principal sources of funding include domestic customer deposits, amounts due from other banks and financial institutions and debt securities issued.

The following table sets out certain information relating to the Group's sources of funding as at the dates indicated in the table:

	As at 31 December					
	2012		2011		2010	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Customer deposits[(1)]	535,884	39.9	753,730	37.2	683,301	34.1
Time deposits	397,557	29.6	593,474	29.3	552,237	27.6
Current accounts	130,520	9.7	151,334	7.5	124,270	6.2
Guarantee and other restricted deposits	7,807	0.6	8,922	0.4	6,794	0.3
Amounts due to credit institutions	64,798	4.8	93,528	4.6	155,644	7.8
Debt securities issued	74,126	5.5	696,232	34.3	672,650	33.6
Amounts due to the Government and the NBK	496,496	37.0	431,055	21.3	450,025	22.5
SK Loan	105,748	7.9	—	—	—	—
Derivative financial liabilities	8,450	0.6	4,541	0.2	1	0.0
Provisions	2,949	0.2	5,877	0.3	1,192	0.1
Deferred corporate income tax liability	75	0.0	953	0.0	—	0.0
Other liabilities	53,420	4.1	41,953	2.1	37,410	1.9
Total	**1,341,946**	**100.0**	**2,027,869**	**100.0**	**2,000,223**	**100**

Note:

(1) Including deposits of Samruk-Kazyna: KZT 126,097 million as at 31 December 2012, KZT 296,507 million as at 31 December 2011 and KZT 296,165 million as at 31 December 2010.

Funding from Samruk-Kazyna and the NBK

As at 31 December 2012, the Group had received support in the amounts of KZT 394,074 million through refinancing loans from the NBK under BTA/NBK Repo Transactions against delivery of the SK Bonds, KZT 102,335 million under loans from the NBK against delivery of the SK Bonds, KZT 90,347 million in deposits of Samruk-Kazyna and KZT 64,158 million under the State Finance Programmes. See "*The Bank — NBK Support*". As part of the 2012 Restructuring, the Bank also received funding from Samruk-Kazyna in the form of the SK Loan in the amount of KZT 105,748 million and the conversion of certain deposits of Samruk-Kazyna with the Bank into Shares in the amount of KZT 176,376 million.

Customer Deposits

The Bank believes customer deposits are relatively insensitive to short-term fluctuations in interest rates and more dependent on the Bank's ability to provide a good level of customer service and on the range of banking products and services. As at 31 December 2012, the Group had total customer deposits of KZT 535,884 million. As at 31 December 2012, 44.3 per cent. of deposits were made by corporate and governmental entities (including 23.5 per cent. by Samruk-Kazyna of total deposits) and 55.7 per cent. of deposits were made by individuals.

As at 31 December 2012, the ten largest customers of the Group accounted for 27.9 per cent. of total customer deposits (with Samruk-Kazyna accounting for 23.5 per cent. of total customer deposits) compared to 46.1 per cent. as at 31 December 2011 (with Samruk-Kazyna accounting for 39.3 per cent. of total customer deposits).

The Group's deposits consist of customer current accounts and time deposits. Customer current accounts generally bear no interest and can be withdrawn upon demand. For time deposits, different interest rates are paid on the various types of accounts offered by the Group. For the year ended 31 December 2012, rates on Tenge based time deposits offered by the Bank ranged between 0.2 per cent. and 7.0 per cent. while interest rates paid on U.S. Dollar and Euro deposits ranged from 0.65 per cent. to 5.8 per cent. For the year ended 31 December 2011, rates on Tenge based time deposits offered by the Bank ranged between 0.5 per cent. and 11.0 per cent., while interest rates paid on U.S. Dollar and Euro deposits ranged from 0.7 per cent. to 10.7 per cent. For the year ended 31 December 2010, rates on Tenge based time deposits offered by the Bank ranged between 0.1 per cent. and 11.0 per cent. while interest rates paid on U.S. Dollar and Euro deposits ranged between 0.8 per cent. and 10.7 per cent.

Deposits by Currency

As at 31 December 2012, foreign currency deposits accounted for 20.2 per cent. of total customer deposits compared to 19.5 per cent. and 18.5 per cent. as at 31 December 2011 and 2010, respectively. Customer deposits in foreign currencies are substantially denominated in U.S. Dollars.

The following table sets out certain information relating to customer deposits in Tenge and foreign currency, by amount and as a percentage of the total amount owed to customers, as at the dates indicated in the table:

	As at 31 December					
	2012		**2011**		**2010**	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Foreign currency	108,012	20.2	146,918	19.5	126,318	18.5
Tenge accounts	427,873	79.8	606,812	80.5	556,983	81.5
Total	**535,884**	**100.0**	**753,730**	**100.0**	**683,301**	**100.0**

Deposits by Maturity

The following table sets out certain information relating to the structure of the Group's deposits based on the unaudited accounting records of the Bank, as at the dates indicated in the table.

	As at 31 December					
	2012		**2011**		**2010**	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
On demand	148,983	27.8	150,880	20.0	120,951	17.7
Savings:						
Less than 1 month	3,703	0.7	22,273	3.0	16,041	2.3
Between 1 and 3 months	39,592	7.4	24,381	3.2	23,674	3.5
Between 3 months and 1 year	142,212	26.6	96,245	12.8	112,199	16.4
Between 1 and 3 years	63,461	11.8	174,204	23.1	129,179	18.9
Over 3 years	137,933	25.7	285,747	37.9	281,257	41.2
Total savings	**386,901**	**72.2**	**602,850**	**80.0**	**562,350**	**82.3**
Total (On demand + savings)	**535,884**	**100.0**	**753,730**	**100.0**	**683,301**	**100.0**

Deposits by Type of Accounts

The following table sets out the balances of the Group's customer deposits, by type, as at the dates indicated in the table:

	As at 31 December		
	2012	2011	2010
		(KZT millions)	
Time deposits			
Commercial entities	19,481	13,209	26,669
Individuals	251,470	266,945	223,395
Governmental entities(1)	126,465	312,787	292,310
Non-commercial entities	141	533	6,863
Current accounts			
Commercial entities	73,462	93,449	74,741
Individuals	44,018	38,517	32,472
Governmental entities(1)	11,395	11,862	14,325
Non-commercial entities	1,645	7,506	2,732
Guarantees and other restricted deposits			
Commercial entities	4,748	5,391	3,493
Individuals	2,970	3,412	3,195
Governmental entities(1)	86	118	105
Non-commercial entities	3	1	1
Total	**535,884**	**753,730**	**683,301**

Note:
(1) Including Samruk-Kazyna deposits.

Deposits by Sector

The following table sets out the composition of the Group's customer deposits by reference to the economic sector of the deposits, as at the dates indicated in the table:

	As at 31 December					
	2012		2011		2010	
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Individuals	298,285	55.7	308,874	41.0	259,062	37.9
Amounts due to Samruk-Kazyna	126,097	23.5	296,507	39.3	296,165	43.3
Construction	19,815	3.7	28,226	3.8	15,528	2.3
Wholesale trade	15,346	2.9	21,760	2.9	16,656	2.4
Education	2,353	0.4	9,931	1.3	2,017	0.3
Non-credit financial institutions	1,068	0.2	9,442	1.3	12,145	1.8
Non-commercial entities	1,843	0.3	8,040	1.1	9,596	1.4
Oil and gas	5,793	1.1	7,208	1.0	11,299	1.7
State administration bodies	8,867	1.7	7,053	0.9	734	0.1
Retail trade	6,643	1.2	5,603	0.7	5,100	0.7
Production of machinery and equipment	8,603	1.6	5,383	0.7	5,348	0.8
Agriculture	2,908	0.5	4,332	0.6	2,830	0.4
Research and development	3,000	0.6	4,011	0.5	8,511	1.3
Transportation	2,588	0.5	2,951	0.4	3,598	0.5
Mining	1,077	0.2	2,066	0.3	2,150	0.3
Chemical processing	1,582	0.3	2,032	0.3	1,673	0.2
Communications	1,773	0.3	1,769	0.2	1,075	0.2
Textile and leather industry	2,626	0.5	1,631	0.2	1,307	0.2
Metallurgy	616	0.1	1,131	0.2	916	0.1
Energy	1,993	0.4	980	0.1	1,145	0.2
Food industry	2,550	0.5	889	0.1	1,167	0.2
Entertainment	419	0.1	807	0.1	632	0.1
Hotel and hospitality	253	0.0	317	0.0	270	0.0
Other	19,786	3.7	22,787	3.0	24,377	3.6
Total	**535,884**	**100.0**	**753,730**	**100.0**	**683,301**	**100.0**

Bank Loans and Similar Financings

The following table sets out certain information relating to balances due to other banks and financial institutions based on the unaudited accounting records of the Group, as at the dates indicated in the table:

	As at 31 December		
	2012	2011	2010
		(KZT millions)	
Revolving Committed Trade Finance Facility	34,722	49,700	92,784
Loans from Kazakhstan banks and financial institutions	24,988	34,330	41,587
Loans from non-OECD banks and financial institutions	4,433	6,520	11,821
Loans from OECD based banks and financial institutions	—	—	6,972
Interest-bearing placements from Kazakhstan banks	326	2,331	1,750
Loro accounts	329	628	710
Interest-bearing placements from non-OECD banks	—	19	20
Total	**64,798**	**93,528**	**155,644**
Subject to repurchase agreements	**1,000**	**1,000**	**—**

The Group has historically entered into various trade finance interbank facilities with foreign banks and Kazakhstan subsidiaries of foreign banks. The Bank's principal method of trade finance is utilisation of the RCTFF, a U.S.$698 million revolving committed trade finance facility agreement, dated 25 August 2010, as amended from time to time, which was extended to the Bank for the purposes of providing funding for a variety of international trade finance transactions. The RCTFF is an important line of finance for the Bank and is key for enabling it to undertake business and increase its market share in the international trade finance market.

In accordance with the Conditions of the Notes and the terms of the RCTFF Agreement, the Bank is required to maintain its Tier 1 capital ratio, calculated in accordance with the recommendations of the Basel Committee on Banking Supervision, at or above 10.0 per cent.. As at 31 December 2012, the Bank was in compliance with this capital adequacy ratio.

Debt Securities

As at 31 December 2012, the Group had the following outstanding debt securities:

Issuer	Name	Currency	Nominal Value	Interest rate	Due
Bank	Senior notes	U.S.$	750,000,000	5.50%	2022
BTA Belarus	Bonds	BYR	115,000,000	Refinance rate of the National Bank of Belarus plus 10%	July 2013
BTA Belarus	Bonds	U.S.$	2,000,000	7%	July 2013
BTA Belarus	Bonds	U.S.$	6,000,000	8%	September 2013
BTA Ipoteka	Bonds of 2nd issue	KZT	1,500,000,000	Inflation rate + 1.30%	2014
BTA Ipoteka	Bonds of 5th issue	KZT	4,000,000,000	Inflation rate + 1.00%	2015
BTA Ipoteka	Bonds of 8th issue	KZT	7,000,000,000	Inflation rate + 0.50%	2013
BTA Ipoteka	Bonds of 9th issue	KZT	4,000,000,000	Inflation rate + 0.10%	2016
BTA Ipoteka	Bonds of 14th issue	KZT	3,895,540,000	Inflation rate + 0.10%	2014

As at the date of this Prospectus, the Group had issued no outstanding convertible debt securities, exchangeable debt securities or debt securities with warrants attached.

As at the date of this Prospectus, the Bank has no other loan capital, borrowings or indebtedness or contingent liabilities other than those included in this Prospectus and there has been no material change in the capitalisation and indebtedness of the Bank since 31 December 2012.

ASSET AND LIABILITY MANAGEMENT

Introduction

The Bank monitors its interest rate and exchange rate exposure and the maturities of its financial instruments in order to minimise the effect of market changes on the Bank's profitability and liquidity. The Bank's funding base includes substantial Tenge and U.S. Dollar demand deposits, of which, as at 31 December 2012, 43.5 per cent. were corporate and SME deposits and 56.5 per cent. were retail deposits. Clients' assets were, as at the same date, comprised of 72.6 per cent. term deposits and 27.4 per cent. demand deposits. In addition, as at 31 December 2012, the Bank's loan portfolio was comprised of 91.0 per cent. corporate and SME loans and 9.0 per cent. retail loans. Accordingly, the Bank's interest rate risk is relatively low and, despite the size of the portfolio, adjusting the profile of the portfolio is relatively straightforward for the Bank.

Asset and Liability Management Committee

The overall asset and liability position of the Bank is monitored by the Bank's Asset and Liability Management Committee ("**ALCO**"), which reports directly to the Management Board with respect to issues relating to the day-to-day operations of the Bank or, in the case of matters relating to the Bank's strategy, directly to the Board of Directors. ALCO is chaired by the Chairman of the Management Board or Deputy Chairman of the Management Board or any person specifically appointed by the Management Board. The Current Chairman of ALCO is Mr. Yerik Balapanov. ALCO meets on a weekly basis to review the Group's asset and liability position by reference to the following criteria, based on information provided by the Financial Controlling Department:

- size and maturity of assets and liabilities;
- the Bank's foreign currency position;
- operational ratios in terms of the regulations established by the FMSC; and
- exchange rates and other economic data.

Based on its review of this information, ALCO determines short-term policies for the forthcoming week with the aim of increasing interest and non-interest income for the Group while maintaining adequate liquidity, complying with prudential standards and regulations and minimising the impact of financial market risks so as to maintain the Group's attractiveness to depositors. Policies proposed by ALCO are reviewed and approved by the Bank's senior management, which has overall responsibility for ensuring that the asset and liability maturity profiles are prudent considering prevailing market conditions, consistent with the Bank's strategy and in compliance with all of the FMSC's requirements.

Liquidity Risk and Management of Funding Sources

Liquidity risk is the risk that the Group may not be able to meet its obligations when they fall due despite having sufficient (illiquid) assets. Managing the liquidity risk is one of the key components of the Group's risk management process. The Bank seeks to manage this risk by:

1. compliance with the regulators' liquidity ratios at a minimum; and
2. gap analysis and forecasting cash flows.

According to FMSC requirements, the Bank must meet certain liquidity ratios over each reporting period, including the K4, K4-1, K4-2, K4-3, K4-4, K4-5 and K4-6 ratios. The K4 ratio is calculated as the ratio of average monthly highly liquid bank assets to the average size of on demand deposits, taking into account accrued interest. The K4-1 ratio is calculated as the average size of highly liquid assets to the average size of fixed-term obligations with remaining maturity up to seven days inclusive. The K4-2 ratio is calculated as the average size of liquid assets with a remaining maturity up to one month inclusive, including highly liquid assets, to the average size of fixed-term obligations with remaining maturity up to one month inclusive. The K4-3 ratio is calculated as the average size of liquid assets with a remaining maturity up to three months inclusive, including highly liquid assets, to the average size of fixed-term obligations with remaining maturity up to three months inclusive. The K4-4 ratio is calculated as the average size of highly liquid assets in foreign currency to the average size of fixed-term obligations in the same foreign currency with remaining maturity of up to seven days inclusive. The K4-5 ratio is calculated as the average size of liquid assets in foreign currency with a remaining maturity up to one month inclusive, including highly liquid assets, to the average size of fixed-term obligations in the same foreign currency with remaining maturity up to one month inclusive. The K4-6 ratio is calculated as the average size of liquid assets in foreign currency with remaining maturity up to three months inclusive, including highly liquid assets, to the average size of fixed-term obligations in the same foreign currency with remaining maturity up to three months inclusive. The minimum ratio values established by the FMSC are as follows: K4 (0.3), K4-1 (1.0), K4-2 (0.9), K4-3 (0.8), K4-4 (1.0), K4-5 (0.9) and K4-6 (0.8).

The gap analysis consists of comparing the maturity profiles of the Group's assets and liabilities to evaluate the absolute and relative gap between the flow of assets and liabilities at each of the various intervals. The Bank then attempts to adjust the maturities of its assets and liabilities to reduce significant gaps in any given maturity interval.

In forecasting future cashflows, the Bank analyses the risk of changes of the dates on which payments are due to and from the Bank and unexpected withdrawals of deposits. The Bank undertakes this analysis on both a short-term and long-term basis to detect potential risks to such changes.

ALCO meets weekly to analyse operational data and make liquidity management decisions. If the situation warrants it, additional ALCO meetings are scheduled. ALCO reviews asset-liability gaps by maturity and currency, asset and liability durations and projected future cash flows. All business subdivisions, together with Risk Management, participate in the process of managing the liquidity of the Group so as to provide informational support.

The management regularly monitors highly liquid assets that can be sold at any time. The Group maintains a portfolio of highly liquid assets consisting mostly of debt instruments issued by governments with high credit ratings.

As at 31 December 2012, the balance of funds borrowed by the Group through bonds (including the Notes), the RCTFF and other loans from financial institutions totalled KZT 138,924 million.

On 8 May 2012, the Court granted the Bank's application to commence restructuring proceedings in respect of its financial indebtedness. The Court's decision on the termination of the 2012 Restructuring came into effect on 6 February 2013.

Analysis of Financial Liabilities by Reference to Maturity

The table below summarises the Group's financial obligations as at 31 December 2012, with a breakdown by the time remaining until maturity on the basis of contractual undiscounted repayment obligations.

	Maturity		
As at 31 December 2012	**1 year or less**	**More than 1 year**	**Total**
		(KZT millions)	
Amounts due to the Government and the NBK	500,699	28	500,727
SK Loan	5,142	350,066	355,208
Amounts due to credit institutions	22,982	55,103	78,085
Derivative financial instruments	8,450	—	8,450
Amounts due to customers	355,957	313,153	669,110
Debt securities outstanding	11,831	179,612	191,443
Provisions	642	2,307	2,949
Other liabilities	33,032	1,518	34,550
Total undiscounted financial obligations	**938,735**	**901,787**	**1,840,522**

The table below summarises the Group's financial obligations as at 31 December 2011, with a breakdown by the time remaining until maturity on the basis of contractual undiscounted repayment obligations.

	Maturity		
As at 31 December 2011	**1 year or less**	**More than 1 year**	**Total**
		(KZT millions)	
Amounts due to the Government and the NBK	434,897	219	435,116
Amounts due to credit institutions	56,996	47,466	104,462
Derivative financial instruments	4,541	—	4,541
Amounts due to customers	342,541	817,909	1,160,450
Debt securities outstanding	112,137	1,012,157	1,124,294
Provisions	3,440	2,437	5,877
Other liabilities	25,769	108	25,877
Total undiscounted financial obligations	**980,321**	**1,880,296**	**2,860,617**

The table below summarises the Group's financial obligations as at 31 December 2010, with a breakdown by the time remaining until maturity on the basis of contractual undiscounted repayment obligations.

	Maturity		
As at 31 December 2010	**1 year or less**	**More than 1 year**	**Total**
		(KZT millions)	
Amounts due to the Government and the NBK	451,426	394	451,820
Amounts due to credit institutions	64,694	104,066	168,760
Derivative financial instruments	1	—	1
Amounts due to customers	322,311	774,405	1,096,716
Debt securities outstanding	108,667	1,062,436	1,171,103
Provisions	996	196	1,192
Other liabilities	41,394	169	41,563
Total undiscounted financial obligations	**989,489**	**1,941,666**	**2,931,155**

The Group's financial condition deteriorated drastically in 2008, mainly due to losses from its loan portfolio, financial derivatives and securities uncovered by the Bank's new management in 2009. This effectively put both the Bank and the Group in breach of certain prudential ratios, including the FMSA's capital adequacy ratios. As at 31 December 2009, the Bank did not comply with the capital adequacy ratio calculated in accordance with certain prudential requirements set by the FMSA.

On 16 September 2010, the Bank completed the process of restructuring its debt based on the order issued on 31 August 2010 by the Court. Completion of all procedures provided for by the restructuring plan resulted in the restoration of the Bank's regulatory capital as at 31 December 2010, calculated in accordance with the FMSA requirements that allowed the Bank to comply with the FMSA's capital adequacy ratios.

However, the financial results of the Group for 2010 showed an IFRS capital deficit of KZT 104.5 billion as at 31 December 2010. The financial condition of the Bank further deteriorated in 2011. Due to an adverse business environment and complex legal procedures (see "*The Bank — Legal Proceedings*"), the recovery and revival of non-performing loan portfolios was much lower than expected.

As a result, the Group's total liabilities exceeded its total assets by KZT 534,808 million as at 31 December 2011, and the Group reported a net loss of KZT 418,010 million for the year ended 31 December 2011.

In January 2012, the Bank defaulted on the 2018 Notes, OID Notes, Subordinated Notes and Subordinated Tenge B Notes due to non-payment of interest payable on those securities. On 23 April 2012, the Bank announced the suspension of all payments in relation to the Recovery Units. On 28 April 2012, the Bank received a notice of acceleration in respect of the Recovery Units from the trustee for the holders of the Recovery Units. The Bank did not dispute the reasonableness of this acceleration.

However, due to the successful completion of the 2012 Restructuring, the Group's total assets exceeded its total liabilities by KZT 268,576 million as at 31 December 2012, and the Group reported a net profit of KZT 370,300 million for the year ended 31 December 2012.

The table below summarises the contractual maturities of the Group's financial and contingent liabilities.

	1 year or less	More than 1 year	Total
		(KZT millions)	
2012	27,942	80,976	108,918
2011	35,316	107,103	142,419
2010	47,006	95,328	142,334
2009	205,601	346,057	551,658

The tables below breaks down financial assets and liabilities by reference to their expected maturities.

As at 31 December 2012	**1 year or less**	**More than 1 year**	**Total**
		(KZT millions)	
Assets:			
Cash and cash equivalents	50,375	—	50,375
Obligatory reserves	62	30	92
Financial assets at fair value through profit or loss	67,986	—	67,986
Amounts due from financial institutions	17,525	8,459	25,984
Derivative financial assets	555	1,204	1,759
Available for sale investment securities	5,508	34,536	40,044
Investments in associates	—	26,098	26,098
Held-to-maturity securities	—	—	—
Loans to customers	317,186	327,497	644,683
SK Bonds	7,871	645,000	652,871
Other assets	83,135	3,941	87,076
	550,203	**1,046,765**	**1,596,968**
Liabilities:			
Amounts due to the Government and the NBK	496,468	28	496,496
SK Loan	346	105,402	105,748
Amounts due to credit institutions	17,107	47,691	64,798
Derivative financial liabilities	8,450	—	8,450
Amounts due to customers	334,490	201,394	535,884
Debt securities issued	4,479	69,647	74,126
Provisions	642	2,307	2,949
Other liabilities	41,979	11,441	53,420
	903,961	**437,910**	**1,341,871**
Net position	**(353,758)**	**608,855**	**255,097**
Accumulated gap	**(353,758)**	**255,097**	**—**

As at 31 December 2011	1 year or less	More than 1 year	Total
		(KZT millions)	
Assets:			
Cash and cash equivalents	56,120	—	56,120
Obligatory reserves	24	31	55
Financial assets at fair value through profit or loss	51,060	—	51,060
Amounts due from financial institutions	17,728	12,842	30,570
Derivative financial assets	1,653	—	1,653
Assets held for sale	23,556	—	23,556
Available for sale investment securities	2,804	23,919	26,723
Investments in associates	—	27,491	27,491
Held-to-maturity securities	919	4,650	5,569
Loans to customers	479,979	171,818	651,797
SK Bonds	7,477	529,228	536,705
Other assets[(1)]	50,438	17,479	67,917
	691,758	**787,458**	**1,479,216**
Liabilities:			
Amounts due to the Government and the NBK	430,943	112	431,055
Amounts due to credit institutions	52,745	40,783	93,528
Derivative financial liabilities	4,541	—	4,541
Amounts due to customers	293,779	459,951	753,730
Debt securities issued	78,454	617,778	696,232
Provisions	3,440	2,437	5,877
Other liabilities	34,241	7,712	41,953
	898,143	**1,128,773**	**2,026,916**
Net position	**(206,385)**	**(341,315)**	**(547,700)**
Accumulated gap	**(206,385)**	**(547,700)**	**—**

As at 31 December 2010	1 year or less	More than 1 year	Total
		(KZT millions)	
Assets:			
Cash and cash equivalents	100,790	—	100,790
Obligatory reserves	40	—	40
Financial assets at fair value through profit or loss	82,257	—	82,257
Amounts due from financial institutions	18,484	6,693	25,177
Derivative financial assets	1,370	3,425	4,795
Available for sale investment securities	7,474	13,636	21,110
Investments in associates	—	90,326	90,326
Held-to-maturity securities	2,026	5,295	7,321
Loans to customers	394,738	392,880	787,618
SK Bonds	7,477	523,486	530,963
Other assets[(1)]	64,554	1,208	65,762
	679,210	**1,036,949**	**1,716,159**
Liabilities:			
Amounts due to the Government and the NBK	449,814	211	450,025
Amounts due to credit institutions	60,091	95,553	155,644
Derivative financial liabilities	1	—	1
Amounts due to customers	272,865	410,436	683,301
Debt securities issued	58,163	614,487	672,650
Provisions	996	196	1,192
Other liabilities	36,860	550	37,410
	878,790	**1,121,433**	**2,000,223**
Net position	**(199,580)**	**(84,484)**	**(284,064)**
Accumulated gap	**(199,580)**	**(284,064)**	**—**

(1) In 2011, the methodology of calculation changed and the figures for 2010 were retrospectively changed.

Treasury Operations

The Treasury Department manages the Bank's liquidity position and, within limits set by the Bank's internal policies, carries out own-account trading operations.

Furthermore, the Treasury Department conducts operations with foreign currencies, securities, derivative financial instruments, operations on money market and client operations.

The Treasury Department also provides brokerage services in relation to trading in government securities.

Foreign Currency Management

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in exchange rates. The Bank's limits on foreign exchange positions are based on those of the FMSC. The positions are monitored daily.

The following table sets out the Tenge equivalent amount of the Group's financial assets and liabilities denominated in Tenge and foreign currencies as at the dates indicated:

	As at 31 December								
	2012			2011			2010		
	KZT	Foreign currency	Total	KZT	Foreign currency	Total	KZT	Foreign currency	Total
					(KZT millions)				
Assets:									
Cash and cash equivalents	31,335	19,040	50,375	32,052	24,068	56,120	56,342	44,448	100,790
Obligatory reserves	—	92	92	—	55	55	—	40	40
Financial assets at fair value through profit or loss	18,708	49,278	67,986	19,112	31,948	51,060	24,687	57,570	82,257
Amounts due from financial institutions	14,824	11,160	25,984	14,475	16,095	30,570	7,924	17,253	25,177
Available for sale securities	30,122	9,922	40,044	25,476	1,247	26,723	19,722	1,388	21,110
Held-to-maturity securities	—	—	—	3,552	2,017	5,569	6,177	1,144	7,321
Loans to customers	405,745	238,938	644,683	399,083	252,714	651,797	475,758	311,860	787,618
Assets held-for-sale	—	—	—	—	23,556	23,556	—	—	—
SK Bonds	652,871	—	652,871	536,705	—	536,705	530,963	—	530,963
Derivative financial assets	—	1,759	1,759	0	1,653	1,653	2,065	2,730	4,795
Other assets	85,005	2,071	87,076	65,030	2,887	67,917	62,760	3,002	65,762
Total assets	**1,238,610**	**332,260**	**1,570,870**	**1,095,485**	**356,240**	**1,451,725**	**1,186,398**	**439,435**	**1,625,833**
Liabilities:									
Amounts due to the Government and the NBK	394,161	102,335	496,496	330,300	100,755	431,055	450,005	20	450,025
SK Loan	105,748	—	105,748	—	—	—	—	—	—
Amounts due to credit institutions	25,343	39,455	64,798	36,139	57,389	93,528	46,045	109,599	155,644
Amounts due to customers	427,873	108,011	535,884	606,812	146,918	753,730	556,983	126,318	683,301
Debt securities issued	8,530	65,596	74,126	84,880	611,352	696,232	90,985	581,665	672,650
Derivative financial liabilities	—	8,450	8,450	4,540	1	4,541	0	1	1
Provisions	2,275	674	2,949	2,829	3,048	5,877	1,192	0	1,192
Other liabilities	41,405	12,015	53,420	26,006	15,947	41,953	24,600	12,810	37,410
Total liabilities	**1,005,335**	**336,536**	**1,341,871**	**1,091,506**	**935,410**	**2,026,916**	**1,169,810**	**830,413**	**2,000,223**
Net balance sheet position	**233,275**	**(4,276)**	**228,999**	**3,979**	**(579,170)**	**(575,191)**	**16,588**	**(390,978)**	**(374,390)**

The following table shows currencies in which the Group had principal positions as at 31 December 2012, 31 December 2011 and 31 December 2010 by cash assets and liabilities, and also by assumed cash flow. The analysis calculates the effect of reasonably possible changes of the currency rate against the Tenge, with all other variables held constant on the income statement. Negative amounts reflect a potential net decrease in income and positive amounts reflect a potential net increase.

	Reasonably possible changes		Reasonably possible changes		Reasonably possible changes	
Currency	**Change in currency rate as at 31 December 2012**	**Effect on pre tax income as at 31 December 2012**	**Change in currency rate as at 31 December 2011**	**Effect on pre tax income as at 31 December 2011**	**Change in currency rate as at 31 December 2010**	**Effect on pre tax income as at 31 December 2010**
	(per cent)	*(KZT millions)*	*(per cent)*	*(KZT millions)*	*(per cent)*	*(KZT millions)*
U.S.$	(1.8)/1.8	987/(987)	(3.4)/3.4	16,556/(16,556)	(2.4)/2.4	7,648/(7,648)
Euro	(12.24)/12.24	(2,951)/2,951	(14.0)/14.0	4,742/(4,742)	(19.4)/19.4	9,922/(9,922)
RUB	(12.43)/12.43	(2,296)/2,296	(13.8)/13.8	(1,867)/1,867	(19.0)/19.0	(6,517)/6,517
CHF	(13.93)/13.93	(2)/2	(16.0)/16.0	(4)/4	(19.6)/19.6	(77)/77
JPY	(11.21)/11.21	(6)/6	(14.6)/14.6	(1,434)/1,434	(21.2)/21.2	(39)/39
GBP	(9.81)/9.81	(157)/157	(13.9)/13.9	(188)/188	(21.2)/21.2	(493)/493
BYR	(41.55)/41.55	(2,505)/2,505	(36.7)/36.7	(873)/873	(21.8)/ 21.8	(800)/ 800

Regulation and monitoring of the net foreign currency positions of banks in Kazakhstan are carried out by the NBK. The NBK defines the net open foreign currency position as the difference between the Tenge equivalent of all foreign currency assets and all foreign currency liabilities. Foreign currency assets include all foreign currency claim accounts and the total value of its forward currency purchases. Foreign currency liabilities include all foreign currency liability accounts and the total value of its forward foreign currency sales. The Bank provides a report on the Bank's net currency positions to the NBK on a weekly basis.

Since its establishment, the Bank's management has attempted to maintain a currency position within current standards set by the NBK. At its weekly meetings, ALCO monitors the open foreign currency position in accordance with the prevailing market conditions and outlook, advises of the Bank's position and implements the Bank's strategy accordingly. The Bank is permitted to maintain open positions in currencies of countries with sovereign ratings of "A" or better at a level not exceeding 12.5 per cent. of equity capital, with an overall limit on all currencies not exceeding 25 per cent. of equity capital.

The following table shows the net foreign currency positions of the Bank on an unconsolidated basis as at the dates indicated in the table:

	As at 31 December		
	2012	**2011**	**2010**
Net long/(short) position (U.S.$ millions)	29	(172.19)	55.58
Net position as a percentage of risk weighted capital	2.03%	8.44%	2.36%
Net position as a percentage of foreign currency liabilities	1.06%	1.58%	0.50%

As at 31 December 2012, the Bank was not a party to any forward contracts on hedging against currency risk.

Interest Rate Risk

The risk resulting from changes in interest rates is caused by the fact that changes in interest rates will affect future cash flows or fair value of financial instruments. The following table demonstrates the sensitivity of the income statement of the Group on changes in interest rates. Other parameters are in constants.

The sensitivity of the net interest income statement means the impact of forecasted changes in interest rates on net interest income for one year, calculated based on financial assets and liabilities with a floating interest rate as at 31 December 2012, 31 December 2011 and 31 December 2010. The sensitivity of equity is calculated by revaluing available-for-sale financial assets with a fixed rate as at 31 December 2012, taking into account reasonably possible changes in interest rates based on the assumption (for each of the following tables) that the shift in the yield curve is parallel.

Currency	(Decrease) increase in basis points 31 December 2012	Sensitivity of net interest income 31 December 2012	Sensitivity of equity 31 December 2012
	(basis points)	*(KZT millions)*	
U.S.$	(136)/131	269/(258)	60/(57)
KZT	(136)/131	581/(558)	1,120/(1,075)
Euro	(136)/131	(63)/60	—
BYR	(136)/131	(14)/134	—
RUB	(136)/131	3/(3)	40/(38)

Currency	(Decrease) increase in basis points 2011	Sensitivity of net interest income 2011	Sensitivity of equity 2011
	(basis points)	*(KZT millions)*	
U.S.$	(92.5)/90.5	264/(258)	45/(44)
KZT	(92.5)/90.5	351/(344)	639/(625)
Euro	(92.5)/90.5	(178)/174	—
BYR	(92.5)/90.5	(7)/7	—
RUB	(92.5)/90.5	5/(5)	5/(5)

Currency	(Decrease) increase in basis points 2010	Sensitivity of net interest income 2010	Sensitivity of equity 2010
	(basis points)	*(KZT millions)*	
U.S.$	(170)/173	1,378/(1,398)	33/(33)
KZT	(170)/173	928/(941)	698/(708)
Euro	(170)/173	(179)/182	—
BYR	(170)/173	(87)/88	—

The following table sets out the effective average interest rates by currencies for interest earning financial instruments as at the dates indicated:

	As at 31 December					
	2012		2011		2010	
	KZT	Foreign Currency	KZT	Foreign Currency	KZT	Foreign Currency
			(per cent.)			
Financial assets at fair value through profit or loss	9.5	7.1	12.3	7.2	5.1	9.9
Amounts due from other credit institutions	5.9	5.4	5.3	3.5	8.3	8.1
Available for sale investment securities	8.7	7.4	9.2	5.2	8.6	11.2
Held to maturity securities	11.2	6.4	9.5	10.3	13.9	14.9
Loans to customers	16.4	12.4	25.6	2.6	13.0	9.8
SK Bonds	5.9	—	6.0	—	6.8	—
Amounts due to the NBK and the Government	6.3	3.0	7.2	2.5	7.0	4.1
SK Loan	5.6	—	—	—	—	—
Amounts due to financial institutions	7.9	5.3	8.3	10.0	6.3	3.2
Amounts due to customers	9.2	6.6	9.1	6.9	8.1	7.1
Debt securities issued	11.0	5.5	10.9	10.4	12.4	8.5

As at 31 December 2012, the Bank was not a party to any interest rate financial derivatives.

Equity price risk

Risk related to share price changes is the risk that the fair value of a share will decrease due to changes in the level of share prices. Risk related to share price changes pertains to investment and trade portfolios.

The risk to the Group relating to share instruments is measured using the capital asset pricing model which examines the profitability of shares depending on the behaviour of the market (or of the index influencing the share) as a whole.

The tables below demonstrate the effect on income and equity (due to changes in the fair value of equity instruments accounted by fair value through income and loss and available-for-sale) as a result of reasonably possible changes in share prices, with the usage of the capital assets determination model; other parameters are taken as constant. In the first table the model assesses the effects of positive movements in the relevant indices. In the second table the model assesses the effects of negative movements in the relevant indices.

	2012			**2011**		
Market index	**Increase in indices**	**Effect on profit before tax**	**Effect on equity)**	**Increase in indices**	**Effect on profit before tax**	**Effect on equity**
	(per cent.)	*(KZT millions)*	*(KZT millions*	*(per cent.)*	*(KZT millions)*	*(KZT millions)*
KASE	23.36	61	91	25.77	110	37
MSCI World Index	12.80	97	—	21.62	3,166	1
FTSE	13.62	2.308	127	21.20	552	—
MICEX	19.39	61	—	27.37	—	—

	2012			**2011**		
Market index	**Decrease in indices**	**Effect on profit before tax and equity**	**Effect on equity**	**Decrease in indices**	**Effect on profit before tax and equity**	**Effect on equity**
	(per cent.)	*(KZT millions)*	*(KZT millions)*	*(per cent.)*	*(KZT millions)*	*(KZT millions)*
KASE	(23.36)	(44)	61	(25.77)	(77)	38
MSCI World Index	(12.80)	(100)	—	(21.62)	(2,717)	(1)
FTSE	(13.62)	(2.256)	(130)	(21.20)	(562)	—
MICEX	(19.39)	—	—	(27.37)	—	—

Operational Risk

Operational risk includes risks related to a system failure, errors of personnel, fraud or external causes. When control systems cease to function, operational risk can damage reputation and may lead to legal proceedings and/or financial losses. The Group cannot eliminate operational risks, but it manages it by means of a control and tracking system. This control system involves implementing effective allocation of responsibilities, rights of access, authorisation and verification procedures, personnel training and evaluation procedures, including internal audits.

The Bank’s operational risk management software was implemented in order to build an effective risk management system in line with international standards. The Bank has further introduced risk management tools, such as risk maps, a database for damages in order to measure operational losses, improved risk self-assessment in its various departments and detailed reports in respect of operational risks. The database allows the Bank to track in a timely manner the potential damages due to operational risks in order to prevent or mitigate such risks and to assess whether compensation is due for such risks from individuals or insurance companies. The database also allows the Bank to track operational risks and analyse the possibility of future risks. The Bank also hired outside consultants to develop and implement a business continuity management system, which was approved by the Board of Directors along with a crisis management plan for the Bank, an emergency situation action plan and activities recovery plans of each of the Bank’s key departments.

Lending Policies and Procedures

General

The Bank's credit approval process is based on the applicable NBK and FMSC regulations, as well as internal procedures approved by the Management Board as established by the Board of Directors. The FMSC regulations limit the exposure to any single borrower or group of borrowers to 10 per cent. of a bank's equity for related parties (excluding Subsidiaries acquiring doubtful and bad assets) and to 25 per cent. of a bank's equity for non-related parties.

All applications for credit must be submitted to the Bank on its standard forms. The level of review of the application is dependent on the type of borrower. The application is reviewed at branch level if the borrower is an SME or an individual and by the Bank's corporate business departments if the borrower is a large corporation.

After an application is received by the corporate business departments or the relevant branch (as the case may be), an expert opinion is prepared containing both a feasibility evaluation of the project to be financed and information on the financial standing, reputation and experience of the potential borrower. Simultaneously, the corporate business departments or the relevant branch make requests to the following departments for separate research:

- the Bank's Security Department is asked to obtain information about potential borrowers, in particular as regards any legal proceedings they are involved;
- an outside firm is asked to make an independent assessment of the collateral being offered; and
- the Legal Department is asked to examine the potential borrower's documents to confirm the legal status of the potential borrower and that the potential borrower has title to any property being collateralised and the identity of such property.

On the basis of the expert opinion and reports of the relevant departments of the Bank, the department of credit and operational risks conducts an independent risk assessment.

The Structure of Credit Committees

The Group has developed policies, regulations and guidelines which are aimed to ensure the independence and integrity of the process when making credit decisions, and are focused on the assessment and timely monitoring of credit risk.

Credit Committees are credit collegial bodies, which deal with the implementation of the Bank's credit policy and consideration, make decisions on the financing, organisation, implementation and control of the lending processes of the Bank, as well as the consideration and decision making on the return of bad debts. Credit projects are considered by the relevant credit committees, depending on the requested loan amount and type of business.

In order to centralise, optimise and improve the quality of credit decisions by the Bank in 2012, various changes were made to the structure of the credit committees. In particular, the transfer of authority to review applications for retail loans from local branches to the Head Office is being currently finalised. In 2012, most of the authorities to review loan applications from SMEs were also transferred from branches to the Head Office.

Currently the Bank has the following Credit Committees:

- *Local Branch Credit Committees* . These credit committees are authorised to consider issues related to the process of financing SMEs and retail businesses within the maximum credit limit established by the Management Board;

- *Retail Business Credit Committee*. This credit committee is authorised to consider issues related to the process of financing retail business within the maximum Credit limit - up to KZT 150,000,000 inclusive, as well as issues on credit projects, the credit limit and powers on which exceed the authority limits of the Local Branch Credit Committees;

- *Branch Network Credit Committee*. This credit committee is authorised to consider issues related to the process of financing SMEs and retail businesses, as well as issues on credit projects, the credit limit on which exceed the authority limits of the Retail Business Credit Committee and the Local Branch Credit Committees;

- *Credit Committee of the Head Office*. This credit committee is authorised to address issues related to the lending process of the corporate unit and the international unit, as well as issues on credit projects, the credit limit on which exceeds the limit of the Branch Network Credit Committee;

- *Management Board*. Loan applications beyond the powers or certain credit limits of the Credit Committee of the Head Office, Branch Network Credit Committee and Retail Business Credit Committee are considered by the Management Board of the Bank.

- *Credit and Asset Recovery Committee*. This committee implements the internal credit policy of the Bank, monitors the quality of loan portfolio and gives preliminary authorisation for the issuance of loans in excess of 5 per cent. of the equity capital of the Bank, in accordance with the internal regulations of the Bank.

- *Board of Directors*. The Board of Directors considers lending decisions of the following nature: (i) transactions with related parties and/or in which any directors or related parties have an interest; (ii) transactions whose terms differ from market conditions; (iii) transactions that exceed 5 per cent. of the shareholders' equity; (iv) transactions within the authority of the Board of Directors of the Bank in accordance with the laws of the Republic of Kazakhstan and the Charter.

Depending on the amount requested to be borrowed in the credit application, a credit application is examined by the appropriate credit decision making body of the Bank for a final decision on the approval of the application as follows:

- the Credit Committee of each branch is authorised to take decisions within lending limits established for each branch by the Credit Committee of the Head Office. This authority varies depending on the size of the branch, the quality of its loan portfolio and the needs of the branch's business;

- the Retail Loans Credit Committee is responsible for improving the Bank's retail loan portfolio structure and is authorised to take decisions on retail loan applications for short and long term financings up to U.S.$1,000,000 (or the equivalent);

- the Branch Network Credit Committee is authorised to take decisions on financings of up to U.S.$5,000,000 (or the equivalent) for investments and up to U.S.$5,000,000 (or the equivalent) for the replenishment of working capital; and

- the Credit Committee of the Head Office is authorised to take decisions on applications for financing in excess of U.S.$5,000,000 (or the equivalent).

Credit Dossiers

Under normal circumstances, the Bank creates a dossier of information for each loan that it provides, including original loan agreements, security and title documents as well as up to date financial statements supplied by borrowers, opinions prepared by the Bank's internal departments (e.g., Risk Management Department, Department of Economic Security, Legal Department and Division of

Collateral Expertise), and on-going confirmations that the loans are used for the purposes provided under the original loan agreements.

In the course of the management's review of the Group's loan portfolio in early 2009, it was discovered that several deficiencies existed in the existing credit dossiers. See "*Risk Factors — Risks Relating to the Bank — The Bank's credit dossiers have serious gaps and many documents are missing*". In particular, the credit dossiers of loans provided to borrowers in the CIS businesses that were held by AMT Bank and BTA Ukraine have not been recovered or have exhibited deficiencies.

The Bank is currently developing an electronic dossiers system which will allow it to minimise some of the operational risks associated with credit dossiers. In addition, the Bank plans to store all original documents at a special storehouse with the Economic Security Department, and employees will work only with electronic dossiers to minimise risks of loss or substitution of client documents. The transition to a system of electronic dossiers is planned to be implemented during 2013.

Loan Supervision and Monitoring

The Bank's Department of Credit and Operational Risk operates independently from the business departments and is responsible for monitoring the Group's loan portfolio and determining allowances and provisions. In order to determine adequate allowances and provisions, loans are classified by their perceived risk in accordance with criteria set out in the Bank's policies and with the requirements of the FMSC and of IFRS. The Department of Credit and Operational Risk also conducts evaluations of other assets and off-balance sheet contingent liabilities.

In 2006, the Department of Credit and Operational Risk changed its methodology for the assessment of the quality of the Group's credit portfolio in line with FMSA requirements, reclassifying all loans in accordance with IAS 39 as at 31 December 2006. The assessment procedure was divided into individual assessment of the loans and collective assessment of the "pool" of loans. According to IAS 39, the losses relating to amortised financial assets are measured on the basis of the "incurred loss model" as opposed to the "expected loss model". This means that the loss is recognised only if there is objective evidence of an event of loss.

For the purposes of individual loan assessment, objective evidence of the impairment resulting from the event of loss is required. Thereafter, potential default risk is assessed and the amount due for repayment is calculated.

For the purposes of the collective assessment, loans having similar credit risk characteristics are pooled together by sector, type of product, region, or otherwise. Reserves required to be made in respect of such pools of loans are estimated on the basis of the historic losses for the loans within the relevant pool over a specified period (the Bank currently uses the period from 31 December 2007 to 31 December 2012 as its base period). "Historic losses" are defined by reference to the amounts of loans outstanding and written-off during the base period.

The following table sets out certain information relating to the Group's loan portfolio, by classification as at 31 December 2012 in accordance with IAS 39 standards:

	As at 31 December 2012			
	Indebtedness	**Percentage of total loans**	**Provisions**	**Provisions Indebtedness**
	(KZT millions)	*(per cent.)*	*(KZT millions)*	*(per cent.)*
Individual loans	2,135,115	86.5	1,803,468	84.5
Pooled loans	332,508	13.5	19,472	5.9
Total loan portfolio	2,467,623	**100.0**	1,822,940	**73.1**

In classifying the Group's loan exposure, the Department of Credit and Operational Risk performs detailed credit reviews and assesses the borrower's financial condition and operating results to determine if these have deteriorated since the origination of the loan, the current performance of the borrower with regards to the timely repayment of principal and interest and whether any extensions of interest or principal payments have been granted or other modifications have been made to the original loan agreement, the quality and quantity of any collateral provided, the purpose of the loan and whether there has been any unauthorised use of the loan proceeds. In addition to these assessments, the Department of Credit and Operational Risk performs other analytical procedures and takes into consideration any macro and microeconomic factors specifically relating to the Kazakhstan economy and the relevant industry sector.

The Department of Credit and Operational Risk controls the execution of loan policy and establishes risk limits by products, counteragents, transactions, branches and persons authorised to make lending decisions. The Department of Credit and Operational Risk provides weekly and monthly reports to the Bank's management detailing all aspects of the Bank's credit activity. Immediate action is taken by the departments having responsibility for supervising and monitoring loan repayments if any issue arises with respect to repayment of principal or accrued interest. The Bank's determination of whether a repayment issue has arisen is based on a number of objective and subjective criteria, including changes to the borrower's turnover in accounts held by the Group, changes to the borrower's economic and financial activity giving rise to the suspicion that a loan is not being used for its intended purpose, applications to change credit terms, failure of the borrower to fulfil the terms and conditions of its loan agreement and refusal of a borrower to cooperate in providing updated information.

The Bank's Department of Credit and Operational Risk is also involved in overseeing the risk management activities of the target banks in which the Group holds an interest, including BTA Belarus, BTA Kazan, BTA Georgia and BTA Armenia. While these local banks maintain their own risk management divisions, their policies have been streamlined with those of the Bank and only the Bank has approval authority with respect to any loan in excess of defined limits.

In 2010, the Bank approved its internal policies concerning money laundering and the financing of terrorism following the coming into force on 9 March 2010 of the Law of the Republic of Kazakhstan "On counter measures to legalisation of income received in illegal ways (money laundering) and to financing of terrorism", which had been signed by the President of Kazakhstan on 28 August 2009. Currently, the Bank complies with its existing policies, rules of internal control and with the requirements of all applicable law.

Any overall deterioration in the quality of the Group's loan portfolio or increased exposure relating to off-balance sheet contingent liabilities is brought to the attention of the Bank's Management Board.

Non-Performing Loans

For the year ended 31 December 2010, non-performing loans were loans where the payment of principal is past due and interest is past due for more than 90 days. For the years ended 31 December 2011 and 2012, non-performing loans comprised loans on which the accrual of interest had been suspended, that had no return and which are 100 per cent. provisioned. The percentage of non-performing loans to gross loans was 56.3 per cent. as at 31 December 2012, 54.7 per cent. as at 31 December 2011 and 50.5 per cent. as at 31 December 2010.

The Bank undertakes the following actions with regards to non-performing loans: (i) devises an action plan for collection of such loans; (ii) conducts an analysis of the relevant company's financial results and activities; (iii) approves a debt repayment schedule considered to be realistic by both the Bank and the borrower; (iv) continuously monitors cash flows of the relevant company; and (v) requires additional collateral to secure such loans. As at 31 December 2012, the ratio of the Group's allowance for impairment on gross loans was 73.9 per cent. compared to 73.4 per cent. as at 31 December 2011 and 71.4 per cent. as at 31 December 2010.

The action plans may consist of any one or more of the following actions by the Bank: (i) negotiation with the borrower to restructure the underlying debt obligation; (ii) pursuit of out-of-court enforcement against the collateral; (iii) out-of-court enforcement against the collateral with simultaneous judicial enforcement; (iv) enforcement against debtors of the borrower for amounts owed to the borrower; (v) initiation of bankruptcy proceedings against the borrower; and (vi) transfer of the claim. Ultimately, the credit committee or the Management Board will decide on the appropriate action plan.

In the event that the Bank pursues debt restructuring with the borrower, the Bank may take one or more of several actions in respect of the underlying loan agreement, including modifying or extending the repayment schedule, changing the interest rate on the loan, cancelling or suspending penalties and fines, providing a repayment grace period. The Bank may also pursue business restructuring, which may include negotiating with the borrower's debtors to encourage repayment, transferring its claims to third parties and assisting the borrower to find new participants in its business. Finally, the Bank may assist the borrower by providing guidance on asset management.

Provisioning Policy

The provisions calculated for regulatory purposes for the Bank's unconsolidated compliance information forms are based on FMSA Methodology and differ from provisions calculated based on IFRS presented in the Group's consolidated Financial Statements. In determining provisions, the main difference between FMSA Methodology and IFRS is the treatment of collateral. According to the FMSA Methodology, provisions are created against amounts of principal of outstanding loans without taking into account accrued interest. With respect to uncollateralised loans, banks must provide provisions equal to 5 per cent. of the loan amount in respect of each new loan. With respect to collateralised loans, the provisioning rate is zero per cent. for loans classified as "standard", 5 per cent. for loans classified as "doubtful 1st category", 10 per cent. for loans classified as "doubtful 2nd category", 20 per cent. for loans classified as "doubtful 3rd category", 25 per cent. for loans classified as "doubtful 4th category", 50 per cent. for loans classified as "doubtful 5th category", and 100 per cent. for loans classified as "loss". In addition, according to the FMSA Methodology, banks are not required to create provisions against accrued interest. Under IFRS, as applied by the Bank, provisions are created against amounts of loans including accrued interest but less the discounted value of collateral in the case of collateralised loans. For IFRS, provisioning rates are determined based on the type of loan (retail or corporate) and the size of the loan. For loans not exceeding KZT 750 million, the Bank determines provisions based on the loss ratio applied to homogenous pools of loans taking into account the historical performance of each pool. See "*Asset and Liability Management — Loan Supervision and Monitoring*". For corporate loans exceeding KZT 750 million, the Bank conducts an individual analysis of each borrower's cash flow and the market value of collateral in order to determine provisions. For corporate loans not exceeding KZT 750 million, as at 31 December 2012, the Bank assessed the level of impairment of such loans on an individual basis. On loans of individuals in the retail business, the loss ratio on loans in the insignificant impaired pools is based on estimated expected losses due to credit risk (ECL ratio). On impaired loans in the retail business pools, the calculation of loss ratio is based on roll rate analysis for the last five-year period, and on impaired loans collateralised by real estate, the analysis of cash flows forecasted in case such collateral is realised with use of the stress-testing model of the retail business portfolio is applied.

Write-off Policy

The Bank writes off loans as it is evident that a loss has been sustained and no amounts will be collected, in accordance with the conclusions of the Security Department and the Legal Department. Once a loan has been written off or fully provisioned, the Security Department, the Problem Loans Department and Management for the Expert Assessment and Monitoring of Security for Credits will continue monitoring the loan and its collateral for a five year period.

The following table sets out an analysis of the Group's allowance for loan impairments, including allowance in respect of amounts due from financial institutions, for the periods indicated:

	For the year ended 31 December		
	2012	2011	2010
		(KZT millions)	
Beginning allowance balance	1,794,705	1,968,424	2,123,408
Impairment charge for losses	12,553	128,933	30,855
Write-offs	(10,728)	(342,212)	(97,730)
Recoveries	6,429	22,169	17,372
Foreign currency revaluation	19,981	17,391	(14,702)
Amounts arising from disposal of subsidiaries	—	—	(90,779)
Ending allowance balance	**1,822,940**	**1,794,705**	**1,968,424**
Net write-offs(1)	(4,299)	(320,043)	(80,358)

(1) Net write-offs are calculated as write-off minus recoveries.

Net write-offs as at 31 December 2012 decreased to KZT 4,299 million compared to net write-offs as at 31 December 2011 of KZT 320,043 million, and KZT 80,358 million as at 31 December 2010. The following table sets forth certain ratios of the Group's write-offs with respect to loans to customers for the periods indicated:

	For the year ended 31 December		
	2012	2011	2010
		(per cent.)	
Ratio of net write-offs to gross loans (excluding accrued interest)	0.20	14.96	3.23
Ratio of net write-offs to the opening reserve balance	0.24	16.26	3.78
Ratio of recoveries to write-offs	59.93	6.48	17.78

Net write-offs as a percentage of gross loans increased from 3.23 per cent. for the year ended 31 December 2010, to 14.96 per cent. for the year ended 31 December 2011 and to 0.20 per cent. for the year ended 31 December 2012, reflecting the continuing deterioration in the Group's overall asset quality over the period.

The ratio of recoveries to write-offs fluctuated throughout each of the years ended 31 December 2012, 2011 and 2010. It is difficult to assess the reasons for this fluctuation due to the timing of write-offs and the date when recoveries are made. The discounting of bad loans is not permitted in Kazakhstan and accordingly the Bank must pursue other methods of recovery. The Bank continues to focus on improving its bad debt recovery ratio, although no assurance can be made that any significant improvement will be achieved in the future.

MANAGEMENT AND CORPORATE GOVERNANCE

The General Meeting of Shareholders is the highest corporate governing body of the Bank. The Charter provides that the Bank shall have a Board of Directors and a Management Board. The JSC Law vests in the Board of Directors the final approval of the majority of corporate decisions, although the final approval of certain major corporate decisions is vested in the General Meeting of Shareholders. In accordance with Kazakhstan legislation, members of the Board of Directors are elected and their powers may be terminated early at any time by the General Meeting of Shareholders. The Chairman of the Board of Directors and Members of the Management Board are elected and their terms of office may be terminated early by the Board of Directors. The appointment of the Chairman, members of the Board of Directors and the Chairman and members of the Management Board is subject to the consent of the FMSC.

Following the successful completion of the 2012 Restructuring, the Bank has implemented certain changes to its management and corporate governance and, on 14 February 2013, adopted a Charter and Corporate Governance Code, which removed the creditor imposed restrictions introduced in connection with the 2010 Restructuring. The structure of the Bank's management bodies remains unchanged and consists of the General Meeting of Shareholders, the Board of Directors and the Management Board. However, approval matters and the composition of certain management bodies have been amended.

Board of Directors

The Board of Directors is a permanently functioning body involved in the general management of the Bank's activities except for the matters specifically reserved by the legislation of the Republic of Kazakhstan and the Bank's Charter as being within the exclusive authority of the General Meeting of Shareholders. The powers of the Board of Directors (subject to the overview of the General Meeting of Shareholders) include deciding on the strategy of the Bank, defining the investment, credit and other policies of the Bank, nominating the Chairman and members of the Management Board, approving certain material contracts, calling General Meetings of Shareholders approving the Bank's budget, establishing and closing branches and representative offices, adopting decisions of the Bank on the acquisition (or alienation) of 10 per cent. or more of the shares in another legal entity and increases in the Bank's liabilities of at least 10 per cent. of its equity capital. In addition, the JSC Law requires that at least 30 per cent. of the members of a company's Board of Directors must be independent directors. All members of the Board of Directors are elected for a term determined by a resolution of the General Meeting of Shareholders.

The Board of Directors currently consists of six members. The following persons are the members of the Board of Directors as at the date of this Prospectus:

Name	Position	Director Since
Yelena Bakhmutova	Chairman, Representative of Samruk-Kazyna	14 February 2013
Yerik Balapanov	Member, Representative of Samruk-Kazyna	11 April 2012
Mira Koshkimbayeva	Member, Representative of Samruk-Kazyna	14 February 2013
Raikhan Imambayeva	Member, Representative of Samruk-Kazyna	14 February 2013
Yury Voicehovsky	Member, Independent Director	14 February 2013
Konstantin Korishchenko	Member, Independent Director	14 February 2013

The business address of all members of the Board of Directors is 97 Zholdasbekov Street, Samal 2 Microdistrict, Almaty 050051, Republic of Kazakhstan.

Yelena Bakhmutova — Chairman of the Board of Directors. Ms. Bakhmutova was born on 27 February 1962 in Rostov-on-Don and graduated from the Institute of the National Economy in Alma-Ata. She started her professional carrier in 1983 and from then until 1993 worked in various positions at companies operating in the real sector of economy. From 1993 until 2001, Ms. Bakhmutova has worked at the central office of the Ministry of Finance of the Republic of Kazakhstan and headed the Budget Department of the Ministry of Finance of the Republic of Kazakhstan.

In April 2001, she was appointed to the position of Vice-Minister of Labour and Social Security of the Republic of Kazakhstan and in August 2002 she acted in the capacity of the Director of Department of the financial supervision of the National Bank of Kazakhstan. In January 2004, Ms. Bakhmutova was appointed as the Deputy Chairman of the FMSA and in January 2008 was appointed as the Chairman of the FMSA. Since January 2012, Ms. Bakhmutova has held the position of Deputy Chairman of the Management Board of Samruk-Kazyna. Prior to her appointment to the above position, she headed the subsidiary of Samruk-Kazyna engaged in the management of Samruk-Kazyna's shares in the Bank, Alliance Bank and Temirbank. On 14 February 2013, Ms. Bakhmutova was elected to the Board of Directors of the Bank and on 15 February 2013 she was elected Chairman of the Board of Directors of the Bank as a representative of Samruk-Kazyna.

Yerik Balapanov — Member of the Board of Directors. Mr. Balapanov graduated from the Alma-Ata Institute of the National Economy in 1989, and from the Eurasian Market Institute in 1997. In 2001, he received a degree of the Candidate of Economic Sciences. Between 1995 to 1998, he worked as Director of the Operational Department and Deputy Chairman of the Management Board in Bank TuranAlem JSC. From 1998 to 2000, he acted as Chairman of the Board of Directors of NAN Onimderi LLP. In 2000, he was appointed Acting Chairman of the Management Board of Almaty Commercial Bank CJSC. From 2001 to 2002, he was the Managing Director at Kazakhstan Development Bank CJSC. From 2002 to 2003, he held the position of Deputy Director General of Kaspi Industrial and Financial Group LLP. From 2009 to 2012, he acted as Chairman of the Board of Directors of various subsidiaries of Kazkommertsbank JSC: Grantum SPF JSC; PAIMC Grantum Asset Management JSC; Insurance Company Kazkommerts-Policy JSC; and Life Insurance Company Kazkommerts-Life JSC. In April 2012, he was elected as the Member of the Board of Directors of the Bank as a representative of Samruk-Kazyna. He was subsequently elected as the Chairman of the Management Board of the Bank.

Mira Koshkimbayeva — Member of the Board of Directors. Ms. Koshkimbayeva graduated from M.V.Lomonosov Moscow State University in 1991 with a major in politics and philosophy. In 1997, she graduated from the Market University at the Kazakh State Academy of Management with a major in finance and credit. In 2003, she graduated from the University of Maastricht, Netherlands with a Master of Science. From 1996 until 2001, Ms. Koshkimbayeva worked at Eurasian Bank CJSC where she held the following positions successively: Chief specialist of the funding sub-division, Head of Funding sub-division, Deputy Director of Securities and Investment Projects Department, Head of Securities and Investment Projects Divisionand Head of Funding and Custody Transactions Division. In July 2001, she took the position of Deputy Chairman of the Committee on Regulation of the Activities of Savings Pension Funds of the Ministry of Labour and Social Security of the Republic of Kazakhstan. In February 2002, she was appointed to the position of the Director for Insurance and Pensions of the Kazakhstan Financiers' Association. From July 2003she has acted as a project adviser at the International Labour Organisation. In October, 2003, Ms. Koshkimbayeva was appointed Deputy Chairman of the Management Board of Eurasian Bank JSC. In May 2005, she was appointed Vice-President for Finance at International Almaty Airport JSC. In September 2006, Ms. Koshkimbayeva was appointed Deputy Director General for Economic and Finance at Kazakhstankaspiyshelf JSC and in October 2007 she was appointed Chairman of the Management Board and a member of the Board of Directors of Wealth Capital JSC. Ms. Koshkimbayeva started working at Delta Bank JSC in January 2009 where she held the positions of Deputy Chairman of the Management Board, Acting Chairman of the Management Board, Chairman of the Management Board and member of the Board of Directors. In 2012, she was appointed Chairman of the Management Board and a member of the Board of Directors of Insurance Company Alliance Police JSC. On 14 February 2013, Ms. Koshkimbayeva was elected to the Board of Directors of the Bank as a representative of Samruk-Kazyna.

Raikhan Imambayeva — Member of the Board of Directors. Ms. Imambayeva graduated in 1993 from Petrapavlovsk Pedagogic Institute with a major in history and methods of educational work. In 1997, she graduated from Karaganda State University named after Y.Buketov with a major in law. She began her career in 1993 working as the Petrapavlovsk Court session secretary and became an assistant to the chairman of the North Kazakhstan regional court in 1994. In 1997, Ms. Imambayeva was appointed as a senior legal adviser to the North Kazakhstan regional division of the NBK. From 1998 to 2004, Ms. Imambayeva worked as a senior lawyer at the Petropavlovsk Branch of Kazkommertsbank JSC and from 2004 to 2009 she was the Head of Legal Services at the Astana Branch of ATF Bank JSC. In 2009, Ms. Imambayeva took the position of Deputy Director of the Legal Department at KazAgro National Managing Holding JSC. Since 2012, she has held the position of Deputy Director General of Samruk-Kazyna Finance LLP and been a member of the Board of Directors of Termirbank JSC. On 14 February 2013, she was elected to the Board of Directors of the Bank as a representative of Samruk-Kazyna.

Yury Voicehovsky- Member of the Board of Directors. Mr. Voicehovsky received a diploma in International Business from the University of Copenhagen in 1993 and a Masters in Finance degree from the London Business School in 2001. Mr. Yury Voicehovsky has over 20 years of international investment banking experience. Between 1995 and 2005, Mr. Voicehovsky held various positions at the European Bank for Reconstruction and Development in London. Between 2005 and 2006, he was a member of the Board of Directors of SUEK and chairman of the audit and strategy and investment committees and, between 2005 and 2007, he was the CEO of Astor Capital in Moscow. Between 2007 and 2010, Mr. Voicehovsky served as president and CEO of Standard Bank in Moscow and then as chairman of the Board of Directors of Troika Dialog. In 2011, he was elected Chairman of the Board of Directors of Arkhangelsk Airport, Astor Capital Group and VCIOM. Mr. Voicehovsky currently holds various non-executive board positions and is a member of the Association of Independent Directors and the Expert Board of the Russian Ministry of Regional Development. He also heads the National Council for Investment Climate Development. On 14 February 2013, Mr. Voicehovsky was elected to the Board of Directors of the Bank as an Independent Director.

Konstantin Korischenko -Member of the Board of Directors. Mr. Korischenko graduated from the M.V.Lomonosov Moscow State University with honours in applied mathematics in 1980. He received a PhD in Economics in 2008. Mr. Korischenko started a scientific and teaching career in finance policy, banking and the stock exchange business in 1992 and lectured at the Center of Personnel Training of the Bank of Russia. He has published (including as co-author) over 20 scientific works on macro and microeconomic issues as well as models and methods of inflation targeting. From 1992 to 1999, Mr. Korischenko worked at the Central Bank of the Russian Federation as head of the secondary market section of the Securities Division, deputy head of the Securities Division, head of the stock market operations section, deputy director of the securities department and director of the open market operations department. Between 2000 and 2001, he took the position of the president of the non-profit partnership Fondovaya Birzha RTS. From 2001 until 2002, he was a managing director at Troika Dialog. between 2002 and 2008, he was the Deputy Chairman of the Central Bank of the Russian Federation. In 2007, Mr. Korischenko was appointed a Member of the Board of Directors of the Central Bank of the Russian Federation and Chairman of the Board of Directors of the National Depositary Center. Between 2008-2009, he was the President of Moscow Interbank Stock Exchange CJSC and from 2009 until 2010 he Director General of MICEX Stock Exchange. From 2010 to 2012, Mr. Korischenko was Country Executive of Merrill Lynch Securities OOO and Since 2012 he has been the Chairman of the Management Board of AKB Investbank OJSC. On 14 February 2013, Mr. Korischenko was elected to the Board of Directors of the Bank as Independent Director.

Committees of the Board of Directors

The following is a description of the committees of the Board of Directors. The Bank expects that membership of the committees as reflected below may be subject to change now that the 2012 Restructuring has been completed.

Audit Committee

The Audit Committee: (a) discusses the Bank's financial statements with the Management Board and external auditor; (b) analyses the functioning and assessment of internal control system efficiency; (c) monitors the integrity of the financial statements of the Bank and any official notices relating to financial indicators of the Bank and reviews the significant estimates used in such financial statements; (d) performs occasional checks of the Bank's strategy; (e) issues recommendations to the Board of Directors on identifying, appointing and re-appointing the external auditor and recommends to the Board of Directors the terms of and the remuneration for the services provided by the external auditors to be put by Board of Directors to the approval of the General Meeting of Shareholders; (f) coordinates the work of external auditors; (g) considers audit results; (h) controls the reliability and efficiency of the Bank's internal control and risk management systems as well as the Bank's corporate governance documents; (i) assesses the external auditor's qualification, competence and independence; (i) assesses the efficiency of the audit processes; (j) monitors the activities of the Internal Audit Service; and (k) assesses the efficiency of internal audit functions and observation of laws by the Bank.

The Audit Committee is comprised of at least two members, including an independent director. The committee is headed by the Chairman and each member of the committee must be a member of the Board of Directors. At least the Chairman of the Audit Committee must be independent. The Audit Committee meets as necessary, but at least once every three months.

As at the date of this Prospectus, the Audit Committee consists of the following members:

Name	Position
Konstantin Korischenko	Chairman
Yury Voicehovsky	Member
Yelena Bakhmutova	Member
Yerik Balapanov	Member
Mira Koshkimbayeva	Member

Risk and Asset Liability Management Committee

The Risk and Asset Liability Committee is an advisory and consultative body under the Board of Directors, engaged in analysis, assessment and control and risk minimisation in order to strengthen the Bank's financial stability. The aim of the committee is to provide recommendations to the Board of Directors in relation to the creation and functioning of the Bank's risk and asset liability management system.

The Risk and Asset Liability Committee provides the Board of Directors with: (a) recommendations on improving the methodology for management, measurement, assessment and monitoring of risks; (b) approval of risk evaluation card, risk profile and risk reporting forms for further approval of the Board of Directors; (c) preliminary approval of internal normative documents related to the Bank's risk management; (d) recommendations for the allocation of maximum acceptable equity losses under risk transactions and risk minimisation; and (e) approval of action plans to implement risk management principles under Basel II in the Bank; (f) establishment and approval rules and procedures for borrowing operations on the purchase and sale of financial instruments, investments and bank guarantees; and (g) guidelines for asset diversification, profitability, liquidity and capital adequacy, a decision for which there is within the competence of the Board of Directors. The committee is entitled to request any information related to risk and asset liability management in the Bank.

The Chairman of the Risk and Asset Liability Management Committee is a member of the Board of Directors who is approved by the Board of Directors. The committee consists of a minimum of two members of the Board of Directors

The Risk and Asset Liability Committee meets as often as is necessary and, as a minimum, meets once every three months As at the date of this Prospectus, the members of the Risk Committee are:

Name	Position
Mira Koshkimbayeva	Chairman

Name	Position
Raikhan Imambayeva	Member
Konstantin Korishchenko	Member
Yerik Balapanov	Member
Yury Voicehovsky	Member

Committee on Appointments, Remunerations and Social Issues

The Committee on Appointments, Remunerations and Social Issues advises and consults with the Board of Directors in order to improve the Bank's management by developing guidelines as to the human resources policy and motivation policy.

The committee: (a) recommends qualification requirements to the Board of Directors in respect of the members of the Management Board, executives and employees of the Internal Audit Service and Compliance Service and the Bank's corporate secretary; (b) provides recommendations to the Board of Directors in relation to nominations for positions to be approved by the Board of Directors and considers the applicants for such positions on a preliminary basis; (c) provides recommendations on early termination, remuneration and bonuses to persons to be approved by the Board of Directors; (d) provides recommendations in respect of the labour contract for the Chairman of the Management Board; (e) performs comparative analyses of the pay level and policy of the chairman and members of the Management Board, Internal Audit Service employees, corporate secretary, and managing directors; and (f) provides recommendations to the Board of Directors in relation to nominations to the boards of directors of subsidiaries and associates and their qualification requirements.

The Committee on Appointments, Remunerations and Social Issues is composed of at least three members of the Board of Directors, including at least one independent director. The committee holds meetings as scheduled by the chairman of the committee. Extraordinary meetings are held pursuant to a decision of the chairman of the committee, at the request of a committee member, or at the request of the Board of Directors.

As at the date of this Prospectus, the members of the Committee on Appointments, Remunerations and Social Issues are:

Name	Position
Yury Voicehovsky	Chairman
Yelena Bakhmutova	Member
Konstantin Korishchenko	Member
Mira Koshkimbayeva	Member
Yerik Balapanov	Member

Strategic Planning Committee

The Strategic Planning Committee is an advisory and consultative body under the Board of Directors, engaged in consideration of the results of the monitoring changes in the economic, competitive, regulatory and legal environment to determine their impact on the existing strategy of the Bank, its subsidiaries and associated companies and to ensure review/reassessment of strategy reflecting these changes.

The Strategic Planning Committee: (a) makes recommendations on the draft budget of the Bank; (b) makes recommendations on the Bank's projected business plans, including the business plans for the Corporate, SME and Retail businesses; and (c) assesses the adequacy of the organisational structure of the Bank in the framework of its strategic goals and objectives.

The Chairman of the Strategic Planning Committee is a member of the Board of Directors who is approved by the Board of Directors. The committee consists of a minimum of three members of the Board of Directors.

The committee holds meetings as scheduled by the chairman of the committee. Extraordinary meetings are held pursuant to a decision of the chairman of the committee, at the request of a committee member, or at the request of the Board of Directors. As at the date of this Prospectus, the members of the Strategic Planning Committee are:

Name	Position
Yury Voicehovsky	Chairman
Yerik Balapanov	Member
Konstantin Korishchenko	Member
Yelena Bakhmutova	Member
Mira Koshkimbayeva	Member

Credit and Asset Recovery Committee

The Credit and Asset Recovery Committee is an advisory and consultative body under the Board of Directors, engaged in review and making recommendations on all matters relating to the Bank's asset recovery process and control of the quality of the Bank's loan portfolio.

The Credit and Asset Recovery Committee's function are (a) the preliminary approval of the issuance of loans exceeding 5 per cent. of the Bank's equity, (b) the preliminary consideration of the terms of loans to be provided to persons related to the Bank, (c) the consideration of reports on loans provided to persons related to the Bank, (d) the preliminary approval of draft internal normative documents of the Bank related to the implementation of the credit policy of the Bank, the approval of which is then referred to the competence of the Board of Directors, (e) the consideration of other issues related to the implementation of the credit policy of the Bank, the approval of which is then referred to the competence of the Board of Directors or a General Meeting of Shareholders, (f) the consideration of reports on work related to the asset recovery process, (g) the preliminary consideration of the recovery assets process and non-performing loans, the approval of resolutions in respect of which is referred to the competence of the Board of Directors or a General Meeting of Shareholders.

The Chairman of the Credit and Asset Recovery Committee is a member of the Board of Directors who is approved by the Board of Directors. The committee consists of a minimum of three members of the Board of Directors.

The Credit and Asset Recovery Committee meets as scheduled by the chairman of the committee. As at the date of this Prospectus, the members of the Credit and Asset Recovery Committee are:

Name	Position
Konstantin Korishchenko	Chairman
Yelena Bakhmutova	Member
Yury Voicehovsky	Member
Yerik Balapanov	Member
Raikhan Imambayeva	Member

Internal Audit Service

The Internal Audit Service reports to the Board of Directors. The Internal Audit Service exercises control over the Bank's financial and economic activities. Under the Charter, the Internal Audit Service monitors the following aspects of the Bank: (a) the Bank's internal control system; (b) the completeness and effectiveness of the Bank's risk assessment methodology and the Bank's risk management procedures; (c) the effective operation of information systems, including the integrity of databases and their protection from unauthorised access, as well as the availability of emergency plans (including a plan of business recovery, a plan for continuity of business and a plan of crisis management); (d) the accuracy, completeness, objectivity and timing of accounting and reporting; (e) the accuracy, completeness, objectivity and timing of all filings under Kazakhstan law; (f) the economic viability and effectiveness of the Bank's operations; (g) the compliance of the Bank's internal documents with Kazakhstan laws; and (h) the Bank's human resources department.

The Internal Audit Service consists of the Internal Audit Division (comprising the Head Office Audit Section, Branch Network Audit Section, Subsidiary Companies and Banks Audit Section and the Information Systems Audit Division, which includes the Information Security Audit Section).

The Internal Audit Service is appointed by and is directly accountable to the Board of Directors and is supervised by the Internal Audit Committee.

Pursuant to the Charter, the office of any member of the Internal Audit Service may be terminated at any time by a resolution of the Board of Directors.

Compliance Service

The Compliance Service reports to the Board of Directors and operates through the development and approval by the Board of Directors of the Work Plan. The Compliance Service is responsible for internal control of the compliance by the Bank with the legal requirements of the Republic of Kazakhstan, including legal acts of the authorised bodies and the internal regulations of the Bank. Management of the service is performed by the Head of Service - Compliance Controller who reports to the Board of Directors and is appointed and dismissed by a resolution of Board of Directors of the Bank and is exclusively responsible for the management (control) of the activities of the Compliance Service and for coordination of the activities of the compliance participants. The Compliance Service consists of the Department of analysis, methodology and training and the Control Department. The structure and staff quantity of the Compliance Service, as well as the job description of the Compliance Controller is approved by the Board of Directors. The main purpose of the Compliance Service is to provide to the Bank an effective mechanism for the prevention, elimination and/or minimisation of compliance risks in the Bank activities. Achievement of the main purpose is defined by the need to protect the interests of the Bank.

Management Board

The Management Board is responsible for the day-to-day management and administration of the Bank's activities. The Management Board possesses all executive powers. The Management Board's responsibilities include making executive business decisions, implementing the Bank's business strategy, appointing senior management and branch representatives of the Bank and dealing with all other matters not reserved to the Board of Directors or the General Meeting of Shareholders.

The internal regulations of the Management Board are approved by the Board of Directors, which also appoints the members of the Management Board. The Management Board has a duty to fulfil decisions approved by the General Meeting of Shareholders and the Board of Directors. Shareholders and employees (whether or not shareholders) are eligible to become members of the Management Board. Members of the Management Board are permitted to act in other capacities for other legal entities only with the prior consent of the Board of Directors.

As at the date of this Prospectus, the members of the Management Board are:

Name	**Position**
Yerik Balapanov	Chairman of the Management Board
Askhat Beisenbayev	The First Deputy Chairman of the Management Board
Janna Akhmetzhanova	Managing Director, Member of the Management Board
Sholpan Basambayeva	Managing Director, Member of the Management Board
Arman Shakenov	Managing Director, Member of the Management Board
Pavel Prosyankin	Managing Director, Member of the Management Board
Zhandos Yessenbay	Managing Director, Member of the Management Board
Viktor Romanyuk	Managing Director, Member of the Management Board

For a biography of Mr. Balapanov, see "— *Board of Directors*".

Askhat Beisenbayev — First Deputy Chairman of the Management Board. Mr. Beisenbayev graduated from the Kazakh State Management Academy in 1997 with a degree in International

Economic Relations. In 1999, he graduated from the Goizueta Business School, Emory University, Atlanta (USA) with an MBA in Finance and Strategy. From 1997 to 2000, he actively participated in business organisation in the Republic of Kazakhstan, with one of the projects being Caspian Oil Tools. From 2000 to 2003, he worked in Kaspi Bank JSC as the Director of Economic Analysis and Planning Department and Deputy Chairman of the Management Board. He was also a member of the Credit, Financial and Rates Committees and Executive Secretary of the Board of Directors. From 2003 to 2010, he was Vice-President for Finance in IT in Air Astana JSC where he supervised all financial issues as well as development and partner relations with banks and other financial institutions. In 2011, he was appointed a Deputy Chairman of the Management Board of the Bank. In January 2012, Mr. Beisenbayev was appointed as acting Chairman of the Management Board of the Bank. In April 2012, he was appointed as the First Deputy Chairman of the Management Board.

Janna Akhmetzhanova — Managing Director, Member of the Management Board. Ms. Akhmetzhanova graduated from the Alma-Ata Institute of Architecture and Civil Engineering in 1984 with a degree in Industrial and Civil Engineering. In 2003, she graduated from the Academy of National Economy with a Masters in Management. From 1985 to 1995, she worked in Turanbank Kazakh Joint-Stock Bank. From 1995, she worked in Bank TuranAlem CJSC as the Head of the Interbank Settlements Division and Head of the Operational Department. Since 1998, she has acted as Financial Director, Vice-President and Director General in various major commercial companies. In 2003, she worked in Kazkommertsbank JSC as Director of the Corporate Relations Department. Since February 2012, she has worked in the Bank as a Managing Director. In April 2012, she was elected a Managing Director - Member of the Management Board.

Sholpan Basambayeva — Managing Director, Member of the Management Board. Ms. Basambayeva graduated from the Karaganda State University in 1986 with a Law Degree. From 1986 to 1995, she worked as a legal advisor in Atbasar Zagotsbytbaza, Kazlegprom Scientific Development and Production Center and Kazvtorchermet. From 1995 to 1997, she worked in Turanbank Joint-Stock Bank as a legal advisor, Head of Sub-Division and Head of Division. Between 1997 and 1998, she worked in Bank TuranAlem JSC as the Head of Sub-Division, Deputy Head of Division, Head of Division and acting Director of the Legal Department. From 1998 to 2005, she worked as a lawyer in the Kazakhstan Legal Group LLP. Since 2006, she has worked at the Bank as the Head of Sub-Division, Deputy Director and Director of the Legal Department. In 2011, she was appointed a Managing Director with a responsibility for supervising legal issues. In May 2012, she was elected a Managing Director - Member of the Management Board.

Arman Shakenov — Managing Director, Member of the Management Board. Mr. Shakenov graduated from North Kazakhstan University in 1997. He started his professional experience at Halyk Bank Kazakhstan JSC. Between 1999 to 2004, he worked at Kazkommertsbank JSC. From 2004 to 2005, he held managing positions in Entrepreneurship Development Fund JSC and Kazagrofinance JSC. He has worked at the Bank since 2006 and has held the following positions: Directorate on work with major Kazakh companies; Regional Director of the Western Regional Directorate; and Regional Director of the Corporate Business Customer Relations Department for Northern and Western regions of BTA Bank JSC. In 2011, he was appointed to the position of a Managing Director, Member of the Management Board.

Pavel Prosyankin — Managing Director, Member of the Management Board. Mr. Prosyankin graduated from the Moscow State Institute of International Relations in 1994 with a degree in International Economics. In 1995, he graduated from the London School of Economics with a degree in Banking. In 1997, he graduated from the Business School of Oxford University with an MBA in Banking and Corporate Finance. From 1997 to 2000, he worked at Bankers Trust Company, then Deutsche Bank in the Emerging Market Transactions Division. From 2002 to 2004, he held the position of Head of Structured Products in Troyka Dialog Investment Company. From 2004 to 2006, he acted as the Director of Structured Products and Stock Market Financing in Renaissance Capital Investment Company. From 2006 to 2008, he held the position of Director of the Structured Transactions Department in Credit Suisse. Since 2009, he has worked with the Bank as an advisor on asset recoveries. In May 2012, he was elected a Managing Director - Member of the Management Board.

Zhandos Yessenbay — Managing Director, Member of the Management Board. Mr. Yessenbay graduated from the Kazakh State Academy of Architecture and Civil Engineering in 2001 with a degree in Economics and Management. From 2000 to 2001, he worked in Eximbank Kazakhstan CJSC. From 2001 to 2004, he worked in the Development Bank of Kazakhstan JSC as Credit Manager, Chief Credit Manager and Deputy Director of the Project Credit Department. From 2004 to 2009, he acted as the Financial Director and Deputy Director General in different entities of the real sector of economy. From 2009 to 2012, he worked as Deputy Chairman of the Management Board of Savings Pension Fund GRANTUM JSC and as Chairman of the Management Board of PAIMC Grantum Asset Management JSC. Since May 2012, he has worked in BTA Bank JSC as a Managing Director. In May 2012, he was elected as a Managing Director - Member of the Management Board.

Viktor Romanyuk - Managing Director, Member of the Management Board. Mr. Romanyuk graduated from the Kazakh National University in 2000 with an Economics degree. In 2002, he graduated from the Kazakh National University with a Masters in Jurisprudence. During the period of 2002 to 2005, he acquired a Ph.D. in Economic Sciences from the Kazakh National University. From 1999 to 2003, he worked in Cedr a.s. as a project coordinator at the Managing Director level. From 2002 to 2004, he worked as a senior adviser to the Chairman of the Eurasian Industrial Group. From 2005 to 2009, he worked as Chairman of the supervisory Board of Chebio a.s. From 2009 to 2010, he worked as an adviser to the Chairman of the Board of Temirbank. From 2010 to 2011, he worked as an adviser to the Chairman of the Board of the Bank. Since 2011, he has held the position of Managing Director in the Bank and was elected to the Management Board of the Bank on 21 November 2012. He currently acts as Chairman of the Directors Board in BTA Belarus and BTA Armenia, and is a member of the Board of the Directors of BTA Georgia and BTA Kazan. Since 2012, he has been a member of the supervisory board of the "First Credit Bureau"

Committees of the Management Board

ALCO

ALCO is responsible for the execution of policy with respect to the asset and liabilities management of the Bank and for setting rates for banking products. See "*Asset and Liability Management — Asset and Liability Management Committee*". The committee meets weekly. The members of ALCO are:

Name	Position
Yerik Balapanov	Chairman, Chairman of the Management Board
Askhat Beisenbayev	Member, The First Deputy Chairman of the Management Board
Janna Akhmetzhanova	Member, Managing Director, Member of the Management Board
Zhandos Yessenbay	Member, Managing Director, Member of the Management Board
Arman Shakenov	Member, Managing Director, Member of the Management Board
Viktor Romanyuk	Member, Managing Director, Member of the Management Board
Rimma Ilyassova	Member, Executive Director – Director of Department of Financial controlling
Shyngyz Zhaksybek	Member, Treasurer
Ainagul Dauletbayeva	Member, Director of Retail business department
Olesya Imasheva	Member, Director of SME department

Product Committee of Retail Business

The Product Committee for working with products for individuals is responsible for making decisions on issues related to the development, modification and implementation of new and competitive banking products in the market to ensure performance of sales plans, achievement of the given market positions and overall financial performance of the Bank. The committee meets as necessary. The members of the Product Committee for working with products for individuals are:

Name	Position
Yerik Balapanov	Chairman, Chairman of the Management Board
Janna Akhmetzhanova	Member, Managing Director, Member of the Management Board
Sultan Doskhodzhayev	Member, Executive Director
Ainagul Dauletbayeva	Member, Director of Retail Business Department
Meruert Sadenova	Member, Chief of Division of Decision making, Internal Division of Department of credit and operational risks
Alpamys Kurmambaev	Member, Chief of Division of Economic Security, Internal Division of Security Department
Larisa Nentsinskaya	Member, Deputy Chief of Division Legal Support and Methodology of SME and Retail and branch networks, an internal division of the Legal Department

Credit Committee of Head Office

The Credit Committee of the Head Office is responsible for the organisation, execution and control over the lending procedures of the Bank. The committee makes decisions regarding issuing any types of financing, setting limits for financing of the other credit committees and contractor banks. The committee meets twice per week. The members of the Credit Committee of the Head Office are:

Name	Position
Yerik Balapanov	Chairman, Chairman of the Management Board
Askhat Beisenbayev	Deputy Chairman, The First Deputy Chairman of the Management Board
Pavel Prosyankin	Deputy Chairman, Managing Director, Member of the Management Board
Janna Akhmetzhanova	Member, Managing Director, Member of the Management Board
Almat Uderbayev	Deputy Member, Director of Department of credit and operational risks
Sholpan Basambayeva	Member, Managing Director, Member of the Management Board
Arman Shakenov	Member, Managing Director, Member of the Management Board
Zhandos Yessenbay	Member, Managing Director, Member of the Management Board
Tuleu Ashlyaev	Member, Managing Director

Credit Committee for HO Retail Business

The Credit Committee for HO Retail Business is responsible for the organisation of control of the retail lending procedures of the Bank based on the principals of transparency, group decision and delegation, and also the improvement of the quality of the retail loan portfolio, expediting and strengthening work on the recovery of indebtedness and the removal of problem retail loans, as well as the coordination of the actions of organisational units on the repayment of retail loans. In making decisions, the Credit Committee for HO Retail Business follows the principal of risk minimisation. The committee meets weekly.

The members of the Credit Committee for HO Retail Business are:

Name	Position
Yerik Balapanov	Chairman, Chairman of the Management Board
Janna Akhmetzhanova	Member, Managing Director, Member of the Management Board
Ainagul Dauletbayeva	Member, Director of Department of Retail Business
Svetlana Kislashko	Member, Deputy Director of the Problem Loans Department
Alla Delmagambetova	Member, Chief of Division Legal Support and Methodology of SME and Retail, an internal division of the Legal Department
Alpamys Kurmambaev	Member, Chief of Division of Economic Security, Internal Division of Security Department

Information committee

The Information Committee was created for the purpose of assisting in the development of the information technology of the Bank in accordance with the requirements of its business plans, the formation of partner relationships between the Bank's departments through the development of information technology, and the development of the Bank's information technology infrastructure. The meetings of this committee are held as necessary.

Name	Position
Yerik Balapanov	Chairman, Chairman of the Management Board
Sultan Doskhodzhayev	Deputy Chairman, Executive Director
Askhat Beisenbayev	Member, The First Deputy Chairman of the Management Board
Janna Akhmetzhanova	Member, Managing Director, Member of the Management Board
Alma Maksutova	Member, Chief Accountant
Tuleu Ashlyaev	Deputy Chairman, Managing Director
Ainagul Dauletbayeva	Member, Director of Retail business department

Tariff committee

The Tariff Committee is responsible for forming a flexible and effective system of tariffs and commissions for banking operations and services, taking into account profitability, market conditions and clients' needs within the frame of tariffs and commissions. The meetings of this committee are held as necessary.

Name	Position
Yerik Balapanov	Chairman, Chairman of the Management Board
Askhat Beisenbayev	Member, The First Deputy Chairman of the Management Board
Rimma Ilyassova	Member, Executive Director – Director of Department of Financial controlling
Alma Maksutova	Member, Chief Accountant

Credit Committee of Branch Network

The Credit Committee of Branch Network makes decisions regarding the financing of small and medium businesses of the Bank's branches. The committee meets weekly.

The members of the Credit Committee of Branch Network are:

Name	Position
Askhat Beisenbayev	Chairman, The First Deputy Chairman of the Management Board
Arman Shakenov	Deputy Chairman, Managing Director, Member of the Management Board
Olesya Imasheva	Member, Director of SME Department
Zhandos Yessenbay	Member, Managing Director, Member of the Management Board
Sholpan Basambayeva	Member, Managing Director, Member of the Management Board
Janna Akhmetzhanova	Member, Managing Director, Member of the Management Board
Tuleu Ashlyaev	Member, Managing Director

Disciplinary Committee

The main purpose of the Disciplinary Committee is to consider questions about violations by Bank's employees of the legislative requirements of the Republic of Kazakhstan, the Charter and other internal normative documents, and then to apply appropriate disciplinary measures in relation to such violations in accordance with existing legislation and internal normative documents. Meetings are held not less than twice per month.

The members of the Disciplinary Committee are:

Name	Position
Askhat Beisenbayev	Chairman, The First Deputy Chairman of the Management Board
Tuleu Ashlyaev	Deputy Chairman, Managing Director
Yerik Balapanov	Member, Chairman of the Management Board
Sholpan Basambayeva	Member, Managing Director, Member of the Management Board
Alma Maksutova	Member, Chief Accountant
Zhapak Mykhayev	Member, Chief Executive, Chief of Administration of the Management Board

Operational Risks Committee

The main purpose of the Operational Risks Committee is the development, management and control of the Bank's operational risks and related systems. Meetings are held not less than once per month.

The members of the Operational Risks Committee are:

Name	Position
Janna Akhmetzhanova	Chairman, Managing Director, Member of the Management Board
Yerik Balapanov	Member, Chairman of the Management Board
Sultan Doskhodzhayev	Member, Executive Director
Ainagul Dauletbayeva	Member, Director of Department of Retail Business
Alma Maksutova	Member, Chief Accountant
Ainura Kunkhozhayeva	Member, Director of Department of sales channels and payments cards
Almat Uderbayev	Member, Director of Department of credit and operational risks
Olesya Imasheva	Member, Director of SME Department
Tuleu Ashlyaev	Member, Managing Director
Nurlan Beisembinov	Member, Chief of the Division of Branch Offices' activities
Dana Zakirova	Member, Chief of Compliance Service

Management Team

The Management Team comprises the individuals responsible for the day-to-day management of their respective departments or divisions and who report regularly to the Management Board in relation to the status of their respective departments. Any member of the Management Team can be called to sit at a meeting of the Board of Directors as appropriate.

As of the date of this Prospectus, the Management Team consists of eight members, including the following persons:

Name	Position
Janna Akhmetzhanova	Managing Director, Member of the Management Board
Sholpan Basambayeva	Managing Director, Member of the Management Board
Arman Shakenov	Managing Director, Member of the Management Board
Pavel Prosyankin	Managing Director, Member of the Management Board
Zhandos Yessenbay	Managing Director, Member of the Management Board
Tuleu Ashlyaev	Managing Director
Viktor Romanyuk	Managing Director, Member of the Management Board

The name and certain other information about each of the current members of the management team are set out below:

For biographies of Ms. Akhmetzhanova, Ms. Basambayeva, Mr. Shakenov, Mr. Prosyankin, Mr. Romanyuk and Mr. Yessenbay, see "*—Management Board*".

Tuleu Ashlyayev — Managing Director. Mr. Ashlyayev graduated from the Kazakh National University in 1993 with a Law degree. From 1993 to 1994, he worked as an Inspector of the Public

Prosecution Department of Almaty. From 1994 to 2009, he worked for the Law Enforcement Bodies of the Republic of Kazakhstan. Since 2009, he has worked at the Bank as the Head and the Managing Director of the Economic Security Division.

Corporate Governance

The current Corporate Governance Code was adopted on 14 February 2013. The Corporate Governance Code incorporates provisions of the Kazakhstan Corporate Governance Code and otherwise complies with the JSC Law in all material respects.

Management Remuneration

In accordance with the Bank's Charter, the remuneration and compensation of all managing directors other than members of the Management Board of the Bank are determined by the Management Board of the Bank.

For the year ended 31 December 2012, the Bank paid KZT 257 million to members of the Management Board, KZT 83 million to its managing directors other than members of the Management Board, KZT 1 million to members of the former management team upon termination of their employment contracts and KZT 169 million in aggregate to the members of the Board of Directors.

The Bank paid KZT 242 million for the year ended 31 December 2011 and KZT 253 million in aggregate during the year ended 31 December 2010 to members of the Management Board. The Bank paid KZT 112 million for the year ended 31 December 2011 and KZT 104.5 million for the year ended 31 December 2010 to its managing directors other than members of the Management Board. The Bank also made payments to members of the former management team upon termination of their employment contracts in an aggregate amount of KZT 17 million for the year ended 31 December 2011 and zero for the year ended 31 December 2010. The Bank paid KZT 201 million in aggregate during the year ended 31 December 2011 compared to KZT 152 million during the year ended 31 December 2010 to the members of the Board of Directors.

Conflicts of Interest

There are no potential conflicts of interest between duties owed to the Bank by any of the members of the current management team and their private interests and/or other duties.

A director may not vote on or be counted in the quorum in relation to a resolution of the Board, or of any committee of the Board, concerning any contract, arrangement, transaction or proposal with the Bank or in which the Bank is otherwise interested and in which he, the Shareholders who appointed him, or any Affiliate, has an interest which may reasonably be regarded as likely to give rise to a material conflict of interest.

Litigation Statement

As at the date of this Prospectus, for at least the last five years, none of the current members of the Board of Directors or the Management Board:

(i) has had any convictions in relation to fraudulent offences;

(ii) has held an executive function in the form of a senior executive officer or a member of the administrative, management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; nor

(iii) has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

RELATED PARTY TRANSACTIONS

The Government of the Republic of Kazakhstan indirectly (through its control of Samruk-Kazyna) controls the majority equity interest in the Bank. See "*Principal Shareholders*".

The Government of the Republic of Kazakhstan directly and indirectly controls and has significant influence over a significant number of entities through its government agencies and other organisations.

The Government of the Republic of Kazakhstan does not provide to the general public or entities under its control a complete list of the entities which are owned or controlled directly or indirectly by it. The information appearing in this section was thus prepared on the basis of actual knowledge of the management of the Group in relation to these matters. As a result, when a relationship which would cause a third party to fall within the related party category was not known to the management of the Group at the time when the relevant Financial Statements were prepared, such transactions would not be included in this section of the Prospectus, neither would they be included in the relevant parts of the Financial Statements.

Prior to the completion of the 2010 Restructuring, the Bank had uncovered a significant number of loans that at present appear to have been provided on preferred terms to companies which may be connected with the former management, and for which the security provided was inadequate or non-existent. The current management suspects that these contracts were entered into on behalf of the Bank through actions of (and for the benefit of) the former management and their associates and in breach of legal duties and of the Bank's existing internal controls. The Bank has established substantial provisions relating to some of these transactions, primarily including purported loans concerning projects in CIS countries. Following the completion of the 2010 Restructuring, the internal procedures relating to the approval of related party transactions have been strengthened by taking a number of measures, including the adoption of a new corporate governance code and introducing periodic audits of the Bank's compliance with its governance policies.

For a description of the definition of related parties under IAS 24 "Related Party Disclosure" and quantitative disclosure on transactions with related parties, see Note 33 to the Financial Statements for 2012 and Note 32 to the Financial Statements for 2011 included elsewhere in this Prospectus.

As at and for the years ended 31 December 2012 and 2011, the Group had the following outstanding transactions with related parties:

	As at 31 December	
	2012	**2011**
	(KZT millions)	
Loans outstanding, net	**1,857**	**3,677**
Entities under common control	868	1,164
Key management personnel	22	5
Government institutions	967	2,508
Amounts due from financial institutions (deposits, net)	**3,374**	**4,171**
Associates	3,374	4,171
Amounts due from financial institutions (loans, net)	**574**	**6,491**
Associates	574	6,491
Amounts due to credit institutions	**23,707**	**35,406**
Entities under common control	20,431	28,282
Associates	41	1,225
Government institutions	3,235	5,899
Available-for-sale investment securities	**18,931**	**13,690**
Shareholders	1,258	154
Government institutions	13,378	12,506
Companies under common control	4,295	1,030
Held-to-maturity investment securities	—	**3,976**
Government institutions	—	2,931
Companies under common control	—	1,045
Financial assets at fair value through profit and loss	**30,182**	**28,164**
Shareholders	362	153

	As at 31 December	
	2012	2011
	(KZT millions)	
Government institutions	6,853	7,894
Entities under common control	22,967	20,117
Cash and cash equivalents	**2,393**	**2,958**
Associates	1	112
Government institutions	2,392	2,846
SK Bonds pledged under repurchase agreements	**545,768**	**392,625**
Shareholders	545,768	392,625
SK Bonds	**107,103**	**144,080**
Shareholders	107,103	144,080
Amounts due to the Government and the NBK	**496,496**	**431,055**
Government institutions	496,496	431,055
Amounts due to customers	**147,299**	**325,544**
Shareholders	126,097	296,507
Key management personnel	32	25
Entities under common control	7,956	5,712
Government institutions	13,208	23,299
Other related parties	6	1
Derivative financial liabilities	**8,444**	**4,540**
Shareholders	8,444	—
Government institutions	—	4,540
Commitments and guarantees issued	**81**	**80**
Entities under common control	81	80
Commitments and guarantees received	**612,750**	**612,750**
Shareholders	612,750	612,750

Loans Outstanding

As at 31 December 2012, the Group had net loans outstanding of KZT 868 million made to entities under common control, KZT 22 million to key management personnel and KZT 967 million to Government institutions. As at 31 December 2011, the Group had net loans outstanding of KZT 1,164 million made to companies under common control, KZT 5 million to key management personnel and KZT 2,508 million to Government institutions. Loans to entities under common control and to government institutions decreased due to repayments on such loans made by such companies. The increase of loans to key management personnel was due to new issuances of loans during the first half of 2012.

Amounts Due from Financial Institutions

The amounts due from financial institutions as deposits decreased by 19.1 per cent. to KZT 3,374 million as at 31 December 2012 compared to KZT 4,171 million as at 31 December 2011, primarily due to additional impairment charges accrued at the end of 2012. The amounts due from financial institutions as loans decreased by 91.2 per cent. to KZT 574 million as at 31 December 2012 from KZT 6,491 million as at 31 December 2011, due to the repayment of loans made by several associates of the Bank during 2012 and due to an impairment charge accrued on the loan balance of one of the associate banks at the end of 2012.

Amounts Due to Credit Institutions

The Group recognised KZT 20,431 million as at 31 December 2012 for amounts due to credit institutions in respect of entities under common control of the Group representing deposits with the credit institutions controlled by Samruk-Kazyna. This compares to KZT 28,282 million as at 31 December 2011. This decrease of amounts due to entities under common control is explained by the partial withdrawals of deposits made during 2012.

Financial assets at fair value through profit or loss

The Group recognised KZT 22,967 million as at 31 December 2012 for financial assets at fair value through profit or loss in respect of entities under common control of the Group. This represents a 14.2 per cent. increase from KZT 20,117 million as at 31 December 2011, which was caused by the fair value revaluation of securities held issued by entities under common control, which was partially offset by sale of bonds of one company under common control.

SK Bonds

As at 31 December 2012, the Group recognised KZT 652,871 million in respect of the SK Bonds compared to KZT 536,705 million as at 31 December 2011. See “The *Bank — NBK Support*”. This change in the value of SK Bonds occurred due to the significant modification of the terms of the SK Bonds as part of the 2012 Restructuring by which the coupon was increased from 4 per cent. per annum to 6 per cent. per annum. This led to a derecognition of the old bonds and the recognition of new bonds at a fair value which was higher than the carrying value of the old bonds.

Amounts Due to Customers

As at 31 December 2012, the Group had KZT 126,097 million in amounts due to its shareholder compared to KZT 296,507 million as at 31 December 2011. This decrease was due to the conversions of certain deposits of Samruk-Kazyna with the Bank into Shares. The amounts due to key management personnel and other related parties as at 31 December 2012 were KZT 32 million and KZT 6 million, respectively, compared to KZT 25 million and KZT 1 million, respectively, as at 31 December 2011.

Commitments and Guarantees Issued

The commitments and guarantees issued as at 31 December 2012 totalled KZT 81 million, compared to KZT 80 million as at 31 December 2011. The lack of change was due to the fact that a guarantee issued to an entity under common control outstanding as at 31 December 2011 expired in March 2012 and a new guarantee to the same company was issued in May 2012.

The following table describes the income and expenses of the Group identified in respect of related party transactions for the years ended 31 December 2012 and 2011:

	Year ended 31 December	
	2012	**2011**
	(KZT millions)	
Interest income on deposits up to 90 days	—	**7**
Government institutions	—	7
Interest income on loans	**314**	**253**
Companies under common control	96	111
Key management personnel	3	8
Government institutions	215	132
Other related parties	—	2
Interest income on SK Bonds	**32,095**	**31,542**
Shareholders	32,095	31,542
Interest income on amounts due from financial institutions (deposits)	**371**	**452**
Associates	371	452
Interest income on amounts due from financial institutions (loans)	**338**	**404**
Associates	338	404
Interest expense on amounts due to credit institutions	**(2,141)**	**(2,939)**
Companies under common control	(1,887)	(2,520)
Associates	(2)	(5)
Government institutions	(252)	(369)
Interest expense on amounts due to customers	**(28,628)**	**(29,325)**
Shareholders	(28,530)	(28,759)
Key management personnel	(2)	(5)
Other related parties	—	(1)
Entities under common control	(15)	(114)
Government institutions	(81)	(446)
Interest expense on amounts due to the Government and the NBK	**(29,180)**	**(27,858)**
Government institutions	(29,190)	(27,858)
Interest income on financial assets at fair value through profit or loss	**558**	**827**
Entities under common control	49	226
Shareholders	19	7
Government institutions	490	594

	Year ended 31 December	
	2012	2011
	(KZT millions)	
Interest income on investment securities	**1,218**	**1,024**
Shareholders	64	10
Entities under common control	218	108
Government institutions	936	906
Interest expenses on derivative financial liabilities	**(8,444)**	**(3,222)**
Government institutions	(8,444)	(3,222)
Fee and commission expenses	**(11,847)**	**(12,900)**
Shareholders	(11,847)	(12,900)
Fee and commission income	—	**1**
Associates	—	1
Loss from realisation of collateral	—	**(770)**
Government institutions	—	(770)

Interest Income

The Group earned no interest income on deposits up to 90 days over the year ended 31 December 2012, compared to KZT 7 million for the year ended 31 December 2011, due to the withdrawal of all interest-earning deposits of related parties during the second half of 2011.

The Group's interest income on loans increased by 24.1 per cent. to KZT 314 million for the year ended 31 December 2012 from KZT 253 million for the year ended 31 December 2011. This increase was due to new loans issued to Government institutions during the second half of 2011.

Interest income on amounts due from financial institutions decreased by 17.2 per cent. to KZT 709 million for the year ended 31 December 2012 from KZT 856 million over the year ended 31 December 2011, primarily due to the fact that the Bank's expected cash flows decreased as a result of an arbitral tribunal decision to uphold the revocation of the banking license of one of the Bank's associate banks by the regulator in July 2011 and also due to partial repayments of loans made by several associates during 2012.

Interest income on financial assets at fair value through profit or loss decreased to KZT 558 million from KZT 827 million over the year ended 31 December 2012 compared to the year ended 31 December 2011. The decrease was primarily due to the sale of bonds issued by a company under common control.

Interest Expense

Interest expense on amounts due to credit institutions decreased over the year ended 31 December 2012 compared to the year ended 31 December 2011, to KZT 2,141 million from KZT 2,939 million. This large decrease was due to the partial withdrawals made by a company under common control during 2012.

Interest expense on amounts due to customers decreased to KZT 28,628 million from KZT 29,325 million for the years ended 31 December 2012 and 2011, respectively. The decrease was primarily due to withdrawals of deposits made by government institutions during 2012 and due to the conversion of certain deposits of Samruk-Kazyna into Shares.

PRINCIPAL SHAREHOLDERS

The Bank's controlling shareholder is Samruk-Kazyna, which holds approximately 97.26 per cent. of the Shares in the Bank as at the date of this Prospectus.

Samruk-Kazyna

Samruk-Kazyna is wholly owned by the Government and is the national managing holding company for substantially all state-owned companies. Samruk-Kazyna was created in 2008 pursuant to the Presidential Edict No. 669, dated 13 October 2008, and the Resolution of the Government No. 962, dated 17 October 2008, by way of the merger of JSC "Kazakhstan Holding for Management of State Assets" "Samruk" and JSC "Sustainable Development Fund" "Kazyna". Samruk-Kazyna is a joint stock company whose shares are held by the Ministry of Finance's Committee of State Property and Privatisation on behalf of the Republic of Kazakhstan.

Samruk-Kazyna's primary objective is to manage shares (participatory interests) of legal entities it owns with a goal of maximising long term value and increasing competitiveness of such legal entities in world markets.

The governance of Samruk-Kazyna's activities is subject to general corporate governance applicable to all joint stock companies in Kazakhstan. Accordingly, the corporate governance structure of Samruk-Kazyna is as follows: the Government, as the sole shareholder, constitutes the supreme governing body, the board of directors constitutes the managing body, and the management board constitutes the executive body.

Members of Samruk-Kazyna's board of directors are appointed by the Government, and its members are, among others, the Minister of Economy and Budget Planning, the Minister of Finance, the Minister of Energy and Mineral Resources, the Minister of Industry and Trade, independent directors and the Chairman of the management board of Samruk-Kazyna. The board of directors is chaired by the Prime Minister of the Republic of Kazakhstan.

On 2 February 2009, taking into account the growing deterioration of the Bank's financial condition, the Government approved the FMSA's plan for Samruk-Kazyna to acquire a controlling stake in the Bank. On the same day, the Bank issued and Samruk-Kazyna purchased 25,246,343 Shares of the Bank at a price of KZT 8,401 per share. As a result the Bank received additional capital of KZT 212,095 million and Samruk-Kazyna obtained 75.1 per cent. of the Bank's authorised share capital.

On 16 September 2010, the Bank completed the 2010 Restructuring. As a result of this restructuring, Samruk-Kazyna increased its shareholding to 81.5 per cent. of the Bank's issued share capital.

As a result of completion of the 2012 Restructuring, Samruk-Kazyna's shareholding in the Bank has now been increased to approximately 97.26 per cent. of the Bank's issued share capital.

THE BANKING SECTOR IN KAZAKHSTAN

Introduction

Since mid-1994, Kazakhstan has adhered to a strict macro-economic stabilisation programme, combining tight budgetary discipline, stringent monetary policy and structural economic reforms. These polices have sharply reduced inflation and lowered interest rates.

Kazakhstan has a two-tier banking system, with the NBK comprising the first tier and all other commercial banks comprising the second tier. Generally, all credit institutions in Kazakhstan are required to be licensed and regulated by the NBK. From 2004 until April 2011 these functions were carried out by the FMSA and, prior to 2004, by the NBK.

The Government, the NBK and the FMSA have also undertaken significant structural reforms in the banking sector, aimed at promoting consolidation and improving the overall sustainability of the system.

Global financial instability and market dislocation have adversely affected the banking sector in Kazakhstan, resulting in asset quality deterioration and reduced funding sources for Kazakhstan banks. Statistics published by the FMSA show the considerable asset quality deterioration in 2009, with non-performing loans (those loans over-due by more than 90 days) in the banking sector increasing to 21.2 per cent. as at 1 January 2010 from 5.2 per cent. as at 1 January 2009.

In 2009, the banking sector overall showed a net loss of KZT 2,834.2 billion (by way of comparison, the aggregate financial result for the banking sector in 2008 was a profit of KZT 10.7 billion) and assets of the banking sector also declined in that period. In the following years the level of non-performing loans continued to increase from 23.8 per cent. as at 1 January 2011 to 30.8 per cent. as at 1 January 2012. In 2010 the banking sector's net profit amounted KZT 1,420.0 billion largely as a result of the several bank restructurings. In 2011, the aggregate financial result again became negative (with a net loss of KZT 37.6 billion) but in 2012 the result became positive and amounted to a net profit of KZT 214.6 billion. Between 2009 and 2012, CAGR (compound annual growth rate) of the aggregate assets of the banking sector was only +6.3 per cent., compared with CAGR for the same period for gross loans of +6.5 per cent., +9.0 per cent. for corporate deposits and +20.8 per cent. for retail deposits.

According to the statistics published by the FMSC, the successor body to the FMSA, non-performing loans in the banking sector slightly decreased to 29.8 per cent. as at 1 January 2013 from 30.8 per cent. as at 1 January 2012. The assets of the banking sector amounted to KZT 13,870.3 billion and increased by 8.2 per cent. in that period. In 2012, the banking sector showed an overall net profit of KZT 214.6 billion, compared with a net profit of KZT 37.6 billion in 2011.

The Government has taken a number of steps to support Kazakhstan's banking sector, including significant capital injections. The Government's capital injections into the Kazakhstan banking sector have been estimated at 6.4 per cent. of Kazakhstan's GDP in 2009, compared, for example, to the United Kingdom and the United States where, according to the IMF, capital injections represented 3.9 per cent. and 2.2 per cent., respectively. The total amount of capital injected into the Kazakhstan banking sector was U.S.$7.4 billion as at 14 March 2011.

As at 14 March 2011, the National Fund of the Republic of Kazakhstan had allocated KZT 1,946.1 billion to putting into effect the Plan of Joint Actions of the Government, the NBK and the FMSA for the Stabilisation of the Economy and the Financial System for 2009-2011.

For a discussion of the various risks associated with the banking sector and banking regulation in Kazakhstan, see "*Risk Factors — Risks Relating to Operating within the Kazakhstan Banking Sector*".

The NBK and the FMSC

The NBK is the central bank of Kazakhstan and the state authority performing state regulation, control and supervision of the financial markets and financial organisations. Although it is an independent institution, it reports directly to the President of the Republic of Kazakhstan. The President of the Republic of Kazakhstan appoints the Chairman of the NBK with the consent of the Senate (upper chamber of Parliament) and the Deputy Chairmen upon the recommendation of the Chairman. The President approves the NBK's annual reports and has the right to demand any information relating to its activity. The President of the Republic of Kazakhstan appointed Grigoriy Marchenko as the Chairman of the NBK in January 2009. The principal governing bodies of the NBK are the Executive Board and the Board of Directors. The Executive Board, the highest governing body of the NBK, consists of nine members, including the Chairman, five other representatives of the NBK (including the Chairman of the FMSC), a representative of the President of the Republic of Kazakhstan and two representatives of the Government of Kazakhstan.

The principal task of the NBK is to control inflation. The NBK is empowered to develop and conduct monetary policy, organise the functioning of payment systems, conduct currency regulation and currency control, ensure the stability of the financial system and to protect the rights and interests of the consumers of financial services.

The NBK is responsible for most of the supervisory and regulatory functions in the financial sector. These functions were performed by the FMSA from 2004 until April 2011, when they were transferred back to the NBK on the basis of a decree of the President of the Republic of Kazakhstan. The NBK's supervisory and regulatory roles in the financial sector are performed by the FMSC, which is a sub-division of the NBK. The FMSC is headed by the Chairman, who is appointed by the Chairman of the NBK and reports to the Chairman and the Executive Board of the NBK. The Chairman of the NBK appointed Mr. Kuat Kozhakhmetov, former deputy chairman of the FMSA, as the Chairman of the FMSC in April 2011. As the NBK's sub-division in charge of supervision and regulation in the financial sector, the FMSC has the authority to regulate and supervise Kazakhstan's banking and insurance sector and the activities of accumulated pension funds, investment funds, credit bureaus and the securities market. The FMSC is empowered, among other things, to license financial institutions, to approve prudential standards for them, to approve the financial reporting requirements for financial institutions and to monitor the activities of, apply sanctions where necessary to, and participate in the liquidation of, financial institutions.

In addition, in April 2011, the NBK took responsibility for the regulation of the operations of the Almaty Regional Financial Centre (the "**RFCA**"), a role previously performed by the Agency for Regulation of the Operations of the RFCA (the "**ARO RFCA**").

The Competition Agency is the competition authority in Kazakhstan and its responsibilities include the supervision of compliance with anti-monopoly legislation within the banking sector. However, certain issues of anti-monopoly regulation are under the jurisdiction of both the Competition Agency and the FMSC. For example, certain transactions with a value exceeding certain thresholds require the prior consent of the Competition Agency. Such thresholds for the purposes of regulated financial organisations are established jointly by the Competition Agency and the FMSC.

Banking Supervision

Banking Reform and Supervision

Reform of the banking sector started in 1995 with the introduction of international prudential standards, including capital adequacy requirements and liquidity ratios to regulate and protect the banking system, transparency requirements as to the auditing of banks by local and international auditors, harmonisation of local accounting practices with IFRS, and personnel training programmes.

In addition, to strengthen the banking industry, promote stability and move towards internationally accepted practices, the NBK required commercial banks to adopt recapitalisation and corporate enhancement plans with the aim of enhancing their ability to attract long-term, private investors. In 2000, guidelines were established for bank inspections and for periodic reporting by commercial banks to the NBK, and then to the FMSA. In 2003, all banks were required to develop and install internal risk management systems.

The objective of these reforms was to bring supervisory practices closer to international standards to allow for a more transparent view of banks' levels of capitalisation and exposure to financial risks.

Capital Adequacy

The FMSA redefined its capital adequacy and credit exposure standards in September 2005, and set limits and rules for calculating capital adequacy, single party exposure, liquidity ratios and open currency positions.

In November 2005, new regulations regarding regulatory capital and risk management came into effect in Kazakhstan. These regulations represent a substantial step towards the implementation of the Basel II accord. In particular, the new regulations introduce the concepts of hybrid capital eligible to be included in Tier I and Tier II capital, Tier III capital (a qualified subordinated debt) and operational and market risks, and include rules for calculating risk with respect to derivatives.

The FMSC requires banks to maintain a K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) capital adequacy ratio of 6 per cent., compared with the BIS Guidelines' recommendation of 4 per cent. The K2 (own capital to total assets weighted for risk) capital adequacy ratio requirement is 12 per cent. compared with the BIS Guidelines' recommendation of 8 per cent. For banks with a bank holding company or a bank parent company among their shareholders and state-controlled banks, the K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) capital adequacy ratio requirement is 5 per cent. while the K2 (own capital to total assets weighted for risk ratio) is 10 per cent. of risk weighted assets.

Furthermore, the FMSC regulations require a bank which does not have amongst its shareholders a physical person holding directly or indirectly at least 10 per cent. of such bank's shares to comply with higher capital adequacy ratios. Such ratios are 7 per cent. for the K1-1 (Tier 1 capital to total assets) and K1-2 (Tier 1 capital to total assets weighted for risk) ratios and 14 per cent. for the K2 (own capital to total assets weighted for risk) ratio. In addition, where a bank is deemed a "systemic bank" pursuant to NBK regulations, such bank may be subject to specific prudential requirements determined by the NBK.

In February 2007, to reduce the risks associated with rapid growth in the external debt of Kazakhstan's banks, the FMSA introduced amendments to the capital adequacy regulations which imposed limits on levels of foreign borrowings or "external liabilities" which a bank can incur as a multiple of such bank's "own capital" as calculated both including and excluding debt securities issued.

These amendments mean that banks are not permitted to increase borrowings from non-domestic holders (subject to certain exceptions) to a level in excess of certain multiples of regulatory capital. If banks exceed the prescribed ratios they have to either repay foreign sourced debt or increase their regulatory capital. The ratios that apply to banks currently are (i) two times own capital for external liabilities excluding debt securities issued by special purpose subsidiaries of the bank guaranteed by the bank (K8 ratio) and (ii) three times own capital for external liabilities including issued debt securities (K9 ratio).

The FMSC monitors compliance with capital adequacy standards (in compliance with international standards set by the Basel Committee), current liquidity ratios, maximum credit exposures to single borrowers and related parties, maximum investments in fixed and other non-financial assets and limits on contingent obligations and foreign exchange positions. Additionally, the FMSC applies regulations on problem asset classification and contingent obligations (similar to the World Bank's Guidelines for Asset Classifications) and loan loss reserves.

Reserve Requirements

Starting in the second half of 2008, the NBK adopted a number of measures aimed at providing additional liquidity to banks. With effect from 3 March 2009, the minimum level at which second tier banks must maintain reserves was decreased from 2 per cent. to 1.5 per cent. with respect to domestic liabilities and from 3 per cent. to 2.5 per cent. with respect to other liabilities. These measures were abolished in May 2011. From 31 May 2011 until 12 November 2012, the minimum level at which second tier banks must maintain reserves was increased from 1.5 per cent. to 2.5 per cent. with respect to domestic liabilities and from 2.5 per cent. to 4.5 per cent. with respect to other liabilities.

Effective since 13 November 2012, the current minimum level at which second tier banks must maintain reserves is 2.5 per cent. for domestic short-term liabilities (with no minimum level for domestic long-term liabilities), 6 per cent. for foreign short-term liabilities and 2.5 per cent. for foreign long-term liabilities.

On 30 November 2009, the NBK reduced the applicable rate of the reserve requirements for banks undergoing restructuring proceedings to zero per cent. for both domestic and other liabilities. The reduced rate applies from the date of the order of the Court commencing the restructuring to the date on which the Court order on the completion of the restructuring comes into force.

Deposit Insurance

In December 1999, a self-funded domestic deposit insurance scheme was established and, as at 1 December 2012, 35 banks, including the Bank, were covered by the scheme. The insurance coverage is presently limited to individual term deposits in any currency and current accounts up to a maximum amount per customer of KZT 5 million at any given bank. From January 2012, the maximum guaranteed amount was increased from KZT 1 million to KZT 5 million. Only banks participating in the deposit insurance scheme are authorised to open accounts and take deposits from private individuals.

Acquisition of Interests in Kazakhstan Banks

Current legislation requires the FMSC to approve any acquisition of a direct or indirect shareholding of 10 per cent. or more (whether held independently or jointly with another legal entity) in a Kazakhstan bank. This requirement does not apply to Samruk-Kazyna and the Government holding shares in a bank.

Furthermore, subject to certain limited exceptions, a foreign entity directly or indirectly holding 10 per cent. or more of the shares in a Kazakhstan bank must have a minimum required credit rating from one of the approved rating agencies. Where a foreign legal entity directly holds 25 per cent. or more of the shares in a bank, such foreign legal entity must be a financial organisation having a minimum required rating and being subject to consolidated supervision in its home country.

Other Regulations

In June 2006, the FMSA implemented measures to restrict Kazakhstan banks from having outstanding external short-term financings which exceed a bank's regulatory capital. These measures may limit a bank's ability to extend the maturity of certain short-term facilities causing it to look for longer term financings or customer deposits to replace such short-term facilities. A failure to replace these facilities could lead to an increase in a bank's funding costs, an increase in its liquidity and interest rate risk or both. See "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Financial Condition as at 31 December 2012, 2011 and 2010 — Capital Adequacy*".

To address concerns about currency mismatches and, more precisely, to manage banks' liquidity, the FMSA has also tightened requirements regarding open/net currency positions and introduced various limits on currency liquidity.

The current FMSA rules on classification of assets and provisioning took effect in 2007. While the principles of classification and provisioning remain largely unchanged, these rules, among others, introduced more stringent requirements regarding the monitoring of credit files, developed a definition of financial soundness with respect to borrowers, provided for a more differentiated approach to various types of borrowers, loans and security and stipulated the right of the FMSA (FMSC) to demand that a bank increases its provisioning levels.

Almaty Regional Financial Center

The RFCA was established in June 2006 for the purpose of developing Kazakhstan's securities market, integrating it into the international capital markets and attracting investment into Kazakhstan's economy. The RFCA is governed by regulations regarding the relations between its participants and relations between foreign and local participants. The NBK controls and supervises the activities of the RFCA, as well as registering its participants. Prior to April 2011, these functions were performed by the ARO RFCA. The inaugural trade on the special trade platform (the "**Special Trade Platform**") of the KASE functioning at the RFCA occurred on 27 February 2007. In November 2009, the Special Trade Platform was merged into the main trading platform of the KASE. As at the date of this Prospectus, twenty five companies are registered as RFCA participants.

Commercial Banks

According to the FMSC, as at 1 January 2013, there were 38 commercial banks in Kazakhstan, excluding DBK and the NBK, compared to 184 in mid-1994. This decrease is largely a result of the NBK's stringent policy towards increased capitalisation and liquidity of the banking system. The general reduction in the number of banks has largely been at the expense of small and medium-sized banks.

According to data published by the FMSC, as at 1 January 2013, 36 of the 38 second-tier banks had capital of over KZT 5,000 million and two banks had capital of KZT 2,000 million to KZT 5,000 million. Since 1 October 2009, any bank whose own capital (i.e. shareholders' equity) falls below KZT 5,000 million (or KZT 2,000 million for banks registered outside of Astana and Almaty and complying with certain other conditions) was required to apply to the FMSC for reorganisation into a credit partnership. Starting from 1 July 2011, the minimum capital requirements were set at KZT 10,000 million for banks, including newly-created banks, KZT 5,000 million for residential construction savings banks and KZT 4,000 million for banks registered and carrying out a significant part of their operations outside Astana and Almaty (and complying with certain other conditions).

The total regulatory capital of commercial banks increased to KZT 2,072.0 billion as at 1 January 2013 compared to capital of KZT 1,955.1 billion as at 1 January 2012 and KZT 1,821.4 billion as at 1 January 2011. During the same period, the total assets of the banks increased to KZT 13,870.3 billion as at 1 January 2013 from KZT 12,817.9 billion as at 1 January 2012 (compared to approximately KZT 12,031.5 billion as at 1 January 2011). The aggregate liabilities increased to approximately KZT 11,872.7 billion as at 1 January 2013 from KZT 11,514.6 billion as at 1 January 2012 and KZT 10,715.2 billion as at 1 January 2011. The aggregate net profit amounted to KZT 214.6 billion for 2012 compared to a net loss of KZT 37.6 billion in 2011.

The NBK decreased its refinancing rate from 10 per cent. in 2008 to 5.5 per cent. effective since 6 August 2012. The NBK stated that the reason for the rate cut was a decrease in inflation and the stimulation of the market rates to fall.

In 2001, the Government established the DBK to provide medium and long term financing for, and otherwise facilitate, industrial projects in Kazakhstan. The DBK was established with a charter capital of KZT 30,000 million. The DBK has its own legal status which does not fall within either tier of the Kazakhstan banking system. The DBK does not currently accept commercial or retail deposits or provide corporate settlement services. However, the Bank expects that the DBK may become an important competitor in the corporate lending sector. The DBK is not treated as a commercial bank for the purposes of market share data and ranking in this Prospectus.

Foreign banks, which include Citibank (Kazakhstan), RBS (Kazakhstan), ATF Bank (Unicredit Group), BCC (Kookmin), Sberbank (Kazakhstan), Alfabank (Kazakhstan), VTB (Kazakhstan) and HSBC Bank Kazakhstan, have established relatively strong positions and compete in the retail and particularly in the corporate segments of the banking sector in Kazakhstan. Since some of these banks may have significantly greater resources and a cheaper funding base than the Bank, such banks, together with the larger local banks, may become the Bank's primary long-term competitors. Foreign banks also bring international experience in customer service and target the best domestic and foreign companies operating in Kazakhstan.

Foreign Capital in the Banking Sector

The liberalisation of the economy in Kazakhstan in recent years has resulted in a number of foreign companies, including banks, establishing operations in Kazakhstan through direct investment and by otherwise participating in the banking and financial services sector. Foreign banks are prohibited from opening branches in Kazakhstan. Accordingly, foreign banks must establish a Kazakh subsidiary or joint venture in order to provide banking services in Kazakhstan.

As at 1 January 2013, there were 19 banks with foreign participation operating in Kazakhstan, including RBS (Kazakhstan), ATF Bank (Unicredit Group), Citibank (Kazakhstan), Sberbank (Kazakhstan), VTB (Kazakhstan) and HSBC Bank Kazakhstan. Under relevant legislation, a bank with foreign participation is defined as a bank whose share capital is more than one third foreign-owned. Banks whose share capital is less than one-third directly or indirectly foreign-owned are considered domestic banks. A number of foreign banks have opened representative offices in Kazakhstan, including JP Morgan Chase Bank N.A., Deutsche Bank AG, Commerzbank AG, ING Bank N.V., Landesbank Berlin AG, The Bank of Tokyo-Mitsubishi UFJ Ltd, Standard Chartered Bank and Société Générale.

Financial Stability and Restructuring Reforms

Financial Stability Laws

On 23 October 2008, new legislation relating to the stability of the Kazakhstan financial system was adopted.

Under this law, in the event of (i) a breach by a bank of capital adequacy or liquidity ratios or (ii) two or more breaches by a bank in any consecutive twelve-month period of any other prudential or other mandatory requirements, the Government may, with the agreement of the NBK, acquire, either directly or through a National Management Holding Company, the shares of any bank in Kazakhstan to the extent necessary (but not less than 10 per cent. of the total amount of placed shares of such bank, including those to be acquired by the Government or a National Management Holding Company) to improve such bank's financial condition and ensure compliance with prudential or other mandatory requirements. Under the law, the Government may acquire shares in a bank with the purpose of protecting the interests of creditors of an affected bank and procure the stability of the Kazakhstan banking system, but only if measures previously applied by the NBK to the affected bank did not improve such bank's financial condition. The new law provides that the management and shareholders of an affected bank are not granted any right to approve any such acquisition, and any shares issued as part of any such acquisition may be issued without granting pre-emptive rights to existing shareholders. Following such an acquisition, the state body authorised to manage state property or a National Management Holding Company is authorised to appoint no more than 30 per cent. of the members of the board of directors and the management board of the affected bank.

The main objectives of the new financial system stability law are to improve early detection mechanisms for risks in the financial system, to provide the Government with the power to acquire shares in commercial banks that face financial problems and to improve the overall condition of financial institutions in Kazakhstan. The law also consolidates the authority to oversee second-tier Kazakhstan banks and provides additional mechanisms for supervising commitments made by banks and other financial institutions.

The Government or a National Management Holding Company must sell the acquired shares within a period of time determined by the Government to a third party investor or investors by way of a direct sale or through the stock exchange.

On 2 February 2009, the FMSA agreed with the Government on the acquisition of approximately 75 per cent. of the shares in the Bank by Samruk-Kazyna within the new financial stability measures. In March 2009, Samruk-Kazyna signed a deposit agreement for the deposit of KZT 24,000 million with Alliance Bank to support its financial stabilisation and further capitalisation. These measures proved to be insufficient and both the Bank and Alliance Bank defaulted on their debt in April 2009.

On 31 December 2009, Samruk-Kazyna purchased 100 per cent. of the common and preferred shares of Alliance Bank. After the restructuring of the debts of Alliance Bank, Samruk-Kazyna became its largest shareholder, holding 67 per cent. of the ordinary shares and 67 per cent. of the preferred shares in Alliance Bank.

The Restructuring Law in Kazakhstan

Prior to July 2009, when Kazakhstan's Parliament adopted a law, amending certain legislative acts, No.185-IV dated 11 July 2009 (the "**Restructuring Law**"), there was no statutory framework allowing the restructuring of banks' indebtedness on the basis of the approval of a majority of the relevant classes of creditors. Creditors not wishing to participate in a restructuring had the ability to set off their claims against a bank's assets or bring litigation in any jurisdiction where any of those assets were located.

Temirbank defaulted and announced a moratorium on the repayment of its debt in November 2009. Astana Finance, a diversified financial services company, defaulted and announced a moratorium on the repayment of its debt in May 2009, and other banks faced increasing pressure due to the growing number of non-performing loans. In response to the pressure faced by major banks in Kazakhstan in 2008-2009, Kazakhstan's Parliament adopted the Restructuring Law with the twin aims of enabling consensual financial restructurings approved by a majority of creditors and of revising the existing framework for good bank/bad bank reorganisations. As at the date of this Prospectus, the Kazakhstan banking system remains under stress with banks starting to de-leverage through partial repayments and debt restructurings.

The completion of the restructuring of Alliance Bank was announced on 30 March 2010, restructuring and/or cancelling over U.S.$4.5 billion of Alliance Bank's financial indebtedness. The completion of the restructuring of Temirbank was announced on 30 June 2010, restructuring approximately U.S.$1.5 billion of Temirbank's financial indebtedness. The 2010 Restructuring of the Bank was completed on 16 September 2010, cancelling approximately U.S.$11.6 billion of the Bank's indebtedness. According to an order of the Court dated 1 August 2012 (after approval of the restructuring plan by creditors on 29 June 2012 and the recognition by the UK Supreme Court on 31 July 2012), the restructuring of Astana Finance must be completed by 28 March 2013.

Financial Restructurings

The Restructuring Law introduced a procedure for restructuring the financial indebtedness of a bank in the following general format. The bank first decides to restructure its debt by a decision of the bank's board of directors and enters into an agreement with the FMSC with respect to such restructuring. The bank then submits a restructuring plan to the FMSC for its consideration. The restructuring plan should describe the process for and period of the restructuring, list the bank's assets and liabilities to be restructured, actions and measures to be taken in the restructuring, expected financial results of the restructuring, and describe limitations on any future activities of the bank. The bank then applies to the Court to initiate the process described in the restructuring plan. If the Court approves the restructuring process, then, with immediate effect, all relevant claims of the bank's creditors are stayed, the bank's property is protected from execution and attachment, and the bank's obligations and performance under agreements for the sale of assets and other agreements for the alienation of the bank's assets or signing of credit agreements and any other financing agreements relating to credit risk may be suspended in whole or in part.

The bank must convene a meeting of its relevant creditors to approve the restructuring plan. If creditors holding at least two-thirds in value of the bank's obligations subject to the restructuring vote in favour of the restructuring plan, the restructuring plan is approved. The bank then submits the approved restructuring plan to the FMSC to establish its conformity with the plan originally submitted to the FMSC. If the FMSC determines that the restructuring plan approved by the creditors does not conform with the plan originally submitted to the FMSC, the FMSC may request that corresponding changes be made to the restructuring plan approved by the creditors. In this case, the bank will have to amend the plan, convene a new creditors' meeting to approve the amended plan and submit such amended plan as approved by creditors to the FMSC.

The restructuring plan is then submitted to the Court for final approval. If the restructuring plan is approved by the Court, it becomes binding on all creditors with claims subject to the restructuring.

Completion of the bank's restructuring will be achieved when the restructuring plan has been carried out to the satisfaction of the Court and the FMSC. Upon completion of the restructuring, the relevant liabilities of the bank included in the restructuring plan are cancelled and any claims in relation to them are discharged and replaced by appropriate restructured claims. Completion of the restructuring is confirmed by a decision of the Court upon the FMSC's application. If after completion of the restructuring new bankruptcy proceedings are initiated against the bank, the creditors whose claims were included in the restructuring plan will have the right to claim only the amounts provided under the restructuring plan.

The restructuring process set out in the Restructuring Law is designed to be fair to the affected creditors and should ensure that a restructuring effected under it will be capable of international recognition in countries (such as the United Kingdom and the United States) which have adopted legislation based on the Model Insolvency Law. At the date of this Prospectus, the application of the Restructuring Law has been tested in practice five times, in the restructurings of Alliance Bank, Temirbank and Astana Finance as well as during the 2010 Restructuring and the 2012 Restructuring.

Good Bank/Bad Bank Reorganisations

The second principal feature of the Restructuring Law is the amendment to the existing legislative framework allowing for the segregation of the "good" assets from the liabilities of a distressed bank and the transfer of them to another bank (or several banks) or to a specialised stabilisation bank. The good bank/bad bank structure could be used in a number of different circumstances. For example:

- the process could be initiated by a bank itself if other efforts to restructure itself have failed or if it does not wish or cannot, for whatever reason, achieve a financial restructuring following the process described above;
- if a bank has already been placed in conservation, the reorganisation may be initiated by a temporary manager appointed by the FMSC; or
- if a bank's license has been revoked, the reorganisation may be initiated by a temporary manager appointed by the FMSC to manage the bank's assets pending the court-ordered compulsory liquidation taking effect.

Any transfer under these new procedures requires the FMSC's consent and the consent of depositors and creditors. Depositors and creditors are notified of the proposed transfer by an announcement published in Kazakhstan's mass media and any depositor or creditor may object to it by the timely filing of a written objection.

Stabilisation Banks

The Restructuring Law also makes provision for the establishment of stabilisation banks. These could be used as the "good" bank in the reorganisation of a bank. A stabilisation bank would be a special purpose company established by the FMSC on an *ad hoc* basis and would have a special status under the Banking Law and a limited scope of business compared to ordinary commercial banks. Due to its special status and purpose, a stabilisation bank would not be subject to normal capital adequacy and other prudential requirements. Its main role would be to hold "good" assets while the segregation of the "good" and "bad" assets of the distressed bank was in progress. The Restructuring Law does not require the consent of any of the bank's creditors to transfer the bank's assets to the stabilisation bank. Upon completion of the segregation process, the stabilisation bank would transfer the "good" assets and liabilities to another bank designated by the FMSC, subject to the consent of the depositors and other creditors of the stabilisation bank. The procedures for obtaining this consent would be similar to the procedures for obtaining the depositors' and creditors' consent to the initial transfer of "good" assets from the distressed bank.

The Restructuring Law provides that once the stabilisation bank passes on the assets to an acquiring bank, it may either be liquidated or be sold to an investor, provided the investor can procure a recapitalisation of the stabilisation bank and bring it into compliance with the requirements applicable to ordinary commercial banks. This is because, following a sale, the stabilisation bank would lose its special status and become subject to the general banking legislation applicable to an ordinary bank.

As at the date of this Prospectus, it is unclear whether a stabilisation bank can be used as a holding vehicle for "good" assets of several distressed banks.

The FMSC's Powers under the Banking Law

Under the Banking Law, the FMSC may apply a number of compulsory restrictive measures to banks in financial distress or in breach of prudential or other mandatory regulations. Articles 45, 46, 47 and 47-1 of the Banking Law allow the FMSC to apply, *inter alia*, the following compulsory measures to second tier banks (commercial banks) in Kazakhstan and their shareholders which are major participants, bank holding companies or organisations included in a bank conglomerate (for these purposes, a "bank conglomerate" is a group of companies consisting of a bank holding company and a bank, as well as subsidiaries of the bank holding company and/or subsidiaries of the bank and/or organisations in which the bank holding company and/or its subsidiaries have a substantial shareholding; however, Samruk-Kazyna, bank holding companies that are not resident in the Republic of Kazakhstan, the subsidiaries of such bank holding companies that are not resident in the Republic of Kazakhstan and other organisations that are not resident in the Republic of Kazakhstan in which such bank holding companies have a significant shareholding are specifically exempted from the definition of "bank conglomerate" under the Banking Law):

- issuing a warning and mandatory written instructions to a bank;
- entering into an agreement with a bank setting out measures to be taken by the bank to remedy any identified breaches;
- instituting the FMSC special regime in a bank and requiring the bank to develop an action plan to restore such bank's financial condition;
- suspending or revoking a bank's license for all or certain banking operations;
- mandatory purchase of a bank's shares;
- removing the management of a bank;
- forcing a bank to reorganise into a credit partnership;
- forcing a bank into conservation procedures;

- forcing a bank into mandatory liquidation; and
- forcing a bank into segregating such bank's "good" assets from its liabilities and to make a mandatory transfer of such assets and liabilities to another bank or a stabilisation bank, following the revocation of the bank's license or the bank being put into conservation, pursuant to the Restructuring Law.

Where a bank's shareholders include a major participant or a bank holding company, the FMSC may require such shareholders to decrease their direct or indirect ownership of the relevant shares in the bank to less than 10 per cent. of the bank's voting shares in the case of a major participant and less than 25 per cent. of the bank's voting shares in the case of a bank holding company shareholder. Such measures can be applied to a bank's shareholders when, for example, the bank's shareholders which are major participants or bank holding companies are in an unstable financial condition which may negatively affect the bank concerned.

Furthermore, the FMSC may put into conservation a bank holding company which is resident in Kazakhstan and which holds directly or indirectly more than 50 per cent. of the shares in a bank. The FMSC may put the bank holding company into conservation when, for example, the bank holding company has negative equity capital.

The FMSC Special Regime

Articles 45.3 and 45.4 of the Banking Law provides for "measures of early response" which the FMSC may apply to a bank or a bank holding company under certain circumstances. These are discretionary measures that the FMSC may take with respect to a bank or a bank conglomerate that is in financial distress. For example, if a bank's liquidity ratio is lower than usual, the FMSC may require such bank to develop and deliver to the FMSC for approval a plan of action in which the bank must undertake to improve its financial stability. If the FMSC does not approve the plan, it may apply certain early response measures including replacing the bank's or a bank holding company's management and restructuring the bank's (or bank conglomerate's) assets.

Reorganisation into a Credit Partnership

Under Article 47 of the Banking Law, the FMSC may require a bank to reorganise into a credit partnership if the bank's capital adequacy ratios fall to a level below 50 per cent. of the minimum requirements. Shareholders of a bank being reorganised receive participation interests in a credit partnership in proportion to their shares in the reorganised bank. A credit partnership is not allowed to carry out normal banking activities and is allowed to carry out only certain limited banking operations and services for its participants.

Mandatory Purchase of Shares

The Banking Law provides that the FMSC may, with the Government's consent, effect a mandatory purchase of all of a bank's shares from such bank's shareholders at a price determined by the FMSC in the event that the bank's own capital (i.e., shareholders' equity) is negative. According to the Banking Law, after such purchase the FMSC must sell the shares to a new investor which can procure an increase of the bank's regulatory capital and restore the bank's normal operations.

Conservation

Conservation is a compulsory measure which may be applied by the FMSC to a Kazakhstan second tier bank (i.e., not upon such bank's discretion) or a bank holding company, which is a resident of Kazakhstan and which holds directly or indirectly more than 50 per cent. of the shares in the bank, when, among other things, such bank or bank holding company is in breach of prudential norms, or has negative equity capital. When a bank or a bank holding company is put into conservation, the authority to manage the bank is transferred to a temporary manager appointed by the FMSC. The bank or the bank holding company put into conservation may carry out its operations in its regular manner but specific restrictions may be imposed by the FMSC (for example suspending contingent liabilities of the bank or the bank holding company).

Conservation does not involve an automatic stay. The bank's creditors have the right to bring court actions against the bank and seek enforcement of court judgements or arbitral awards during conservation. However, during the conservation, the FMSC (acting through a temporary administration which replaces the bank's management) may suspend the bank's obligations under deposit agreements or terminate or unilaterally amend the bank's contracts obliging the bank to invest funds. There have not yet been many examples of banks being put into conservation in the Kazakhstan banking sector.

Financial institutions that have gone through conservation include Nauryz Bank in 2004 (the successor to Kazagroprombank, which itself went through conservation in 2001) and JSC Valut Transit Bank. Both these institutions were unable to improve their financial condition during the conservation period. At present, these institutions are in the process of liquidation.

Bankruptcy Regime

Any creditor has the right to initiate insolvency proceedings against a Kazakhstan entity (including a bank) if the entity has failed to pay its debt within three months after the debt became due and payable, provided that the amount owed by the debtor is more than 150 times the monthly calculation index (approximately U.S.$1,731) (in relation to tax claims, including tax indebtedness of the debtor's branches and representative offices) and 1,000 times the monthly calculation index (approximately U.S.$11,540) (in relation to all other claims of creditors). The court will declare the entity bankrupt if the entity fails to prove its solvency.

However, in respect of banks, it is not the court but the FMSC which will determine whether the bank is insolvent. Thus, under the Banking Law, a court cannot declare a bank insolvent unless the FMSC consents. The FMSC will determine whether the bank is solvent on the basis of its own calculations, taking into account the applicable capital requirements and other factors.

If the FMSC decided that the bank was not insolvent, then the bankruptcy proceedings would be effectively terminated. In this case, the FMSC may decide to put the bank into conservation. However, if the FMSC decided that the bank was indeed insolvent and this decision was confirmed by the court, then the court would have a liquidator appointed by the FMSC and there would be a liquidation of the bank in accordance with the order of priority set out under the Banking Law. Article 74-2 of the Banking Law provides that administrative and legal expenses of bankruptcy are paid before any distributions to creditors of an insolvent bank. The proceeds of the bankruptcy estate of an insolvent bank should be distributed among its creditors in the following order:

- administrative and legal expenses incurred in course of the bankruptcy proceedings;
- payments for tort claims involving harm to life or health;
- payments due to employees as a result of their employment and related social security, obligatory alimony, pension payments and payments due under copyright agreements;
- claims of the organisation carrying out the obligatory guaranteeing of deposits (equal to the compensation paid or payable by such organisation);
- claims relating to bank deposits or settlement accounts of individuals, deposits comprising pension assets and deposits of life insurance companies;
- settlements with charitable and other similar organisations;
- claims of entities secured by pledge (to the extent of the value of the collateral);
- tax and other obligatory payments to the budget and repayment of borrowings to the budget; and

- settlements with other creditors in accordance with general legislation.

Accordingly, under current Kazakhstan bankruptcy law, in the event of a bankruptcy of the Bank, claims with respect to the repayment of the amounts outstanding under the Notes would be treated as claims of creditors as identified in the last item above.

DESCRIPTION OF SHARE CAPITAL AND THE CHARTER

Share Capital

The Bank's authorised share capital consists of 641,500,688,955 Shares and 100,000 preference shares. As at 31 December 2012, the Bank had 641,367,379,978 Shares issued, all of which were fully paid up, and zero preference shares issued. The charter capital of the Bank as at 31 December 2012 was KZT 1,366,771 million.

The holders of the Bank's Shares and preference shares can decide at a General Meeting of Shareholders to convert the preference shares into Shares.

All Shares are in registered form in a single share register controlled by the NBK, "The Integrated Securities Registrar", the address of which is at 141, Abylai khan Avenue, 050000, Almaty. Ownership of the Shares is evidenced by an extract from this share register.

Summary of the Charter

The Bank's current Charter, adopted on 14 February 2013 in connection with the 2012 Restructuring, provides that the Bank's principal objective is to facilitate the formation and further development of a market economy in the Republic of Kazakhstan, to conduct financial activities with the purpose of developing various sectors of the economy, to earn profit and use the profits in the interests of shareholders and to conduct and expand the scope of banking services in accordance with international standards and legislation of the Republic of Kazakhstan. The Bank's objects are set out in full in Article 4 of the Charter.

Subject to the provisions of the JSC Law and the Charter and without prejudice to any rights attached to any existing Shares or class of Shares, the Bank may issue Shares, preference shares and other securities convertible into Shares.

The General Meeting of Shareholders of the Bank has authority to determine the total number of authorised shares of the Bank, while the Board of Directors has the authority to decide to place (sell) such shares, to determine the selling price and other placement terms.

Composition of the Board of Directors

In accordance with the Charter, the number of members of The Board of Directors is determined by a General Meeting of Shareholders, so long as the Board is comprised of no less than three directors. In accordance with the Charter, no less than 30 per cent. of the members of the Board of Directors must be Independent Directors. For a description of the approval and replacement procedures for the directors, see "*Management and Corporate Governance — Board of Directors*".

Voting

The Charter provides that any amendments to the Charter or the Corporate Governance Code, any voluntary reorganisation (merger, consolidation, demerger, separation or transformation etc) of the Bank, any increase in the Bank's authorised share capital, any change to the class of unplaced shares and any change to the methodology by which the Bank determines the value of shares redeemed by the Bank on an unorganised market in accordance with the laws of the Republic of Kazakhstan must be approved by a Qualified Majority at a General Meeting of Shareholders.

Other matter may be approved by a simple majority of shares voting at the General Meeting of Shareholders unless otherwise stated by the JSC Law or the Charter.

Quorum for Shareholders and Board Meetings

The Charter of the Bank provides that the quorum for the General Meeting of Shareholders shall be one or more Shareholders together holding 50 per cent. or more of the voting Shares at the time of closing of registration of the participants of such General Meeting of Shareholders. Should any

General Meeting of Shareholders be adjourned due to lack of quorum, the quorum at the subsequent adjourned General Meeting of Shareholders shall be one or more Shareholders holding 40 per cent. or more of the voting Shares at the time registration of the participants at such adjourned meeting closes.

The quorum for a meeting of the Board of Directors shall be at least half of the total number the members of the Board of Directors. In the event that the Bank is recognised as a public company in accordance with the requirements of the laws of the Republic of Kazakhstan, at least half of the total number of Independent Directors must be present at a meeting of the Board of Directors.

Other Provisions

Board of Directors meetings will be held in accordance with the schedule of Board meetings established by the Board of Directors as well as in the event of their necessity. Board meetings shall be convened by the chairman of the Board of Directors or by the Management Board upon the request of any director, the Bank's internal auditor, the Bank's external auditor or any major Shareholder no later than ten calendar days from such request.

Voting Rights

Subject to any rights or restrictions attached to any class of Shares by or in accordance with the Charter and the JSC Law, every holder of Shares present in person or by proxy shall have one vote for each fully paid Share of which he is the holder. No holder of preference shares shall be entitled to vote except in limited circumstances.

No resolution of Shareholders in writing shall be effective without a quorum being present (which is persons holding 50 per cent. or more of the voting share capital of the Bank) or, for an adjourned meeting called in absence of the 50 per cent. quorum, persons holding 40 per cent. or more of the voting share capital of the Bank.

TAXATION

The following summary covers only certain taxation matters in Kazakhstan and does not cover taxation matters in any other jurisdiction.

The following summary of certain Kazakhstan taxation matters is based on the laws and practice in force as at the date of this Prospectus and is subject to any changes in the law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of Notes, and does not purport to deal with the tax consequences applicable to all categories of Noteholders, some of which may be subject to special rules. Save as otherwise indicated, this summary addresses only the position of Noteholders who do not have any connection with Kazakhstan other than a holding of Notes.

Each prospective purchaser is urged to consult its own tax adviser as to the particular tax consequences to such prospective purchaser relating to a holding of Notes, including the applicability and effect of tax laws or tax treaties in any relevant jurisdiction, and of pending or proposed changes in applicable tax laws as at the date of this Prospectus, and of any actual changes in applicable tax laws after such date, and to seek specialist Kazakhstan tax advice as necessary.

This summary discusses the Kazakhstan tax consequences of the acquisition, ownership and disposal of Notes. In general, Kazakhstan tax legislation with respect to the taxation of securities and financial instruments is not well developed, and in many cases the exact scope of Kazakhstan tax, compliance rules and enforcement mechanisms is unclear or open to different interpretations.

The only tax that may under certain circumstances apply in Kazakhstan to the above transactions is income tax. No other taxes or duties should be levied in Kazakhstan with respect to the above transactions. For all relevant purposes of this summary, except as noted below (*e.g.*, in relation to treaty relief in respect of dividends), legal entities and individuals are subject to similar income tax treatment.

Notes

Interest

Payments of interest on the Notes by the Bank to an individual who is a non-resident of Kazakhstan for tax purposes or to a legal entity that (i) is not established in accordance with the legislation of Kazakhstan, (ii) does not have its actual governing body (place of actual management) in Kazakhstan, (iii) does not maintain a permanent establishment in Kazakhstan and (iv) otherwise has no taxable presence in Kazakhstan (together, "**non-Kazakhstan holders**") should be subject to withholding tax at a rate of 15 per cent. Payments of interest on the Notes to non-Kazakhstan holders registered in certain countries with a favourable tax regime should be subject to withholding of Kazakhstan tax at a rate of 20 per cent. unless reduced by an applicable double taxation treaty.

The Conditions of the Notes provide that the Bank will gross up any payments due under the Notes to the extent such payments are subject to withholding tax. See Condition 9(a) (*Taxation*) of Schedule 1 (*Terms and Conditions of the Notes*) and "*Risk Factors — Risks Relating to the Notes — The Notes may be subject to withholding tax*".

Under Kazakhstan law presently in effect, the withholding tax on interest should not apply if the Notes are, as at the date of accrual of interest, listed on the official list of a Kazakhstan stock exchange.

Non-Kazakhstan holders who are resident in countries with which Kazakhstan has bilateral taxation treaties may be entitled to a reduced rate of withholding tax. In order to avail themselves of this relief, eligible holders must provide the Bank with a document (legalised or apostilled) confirming their tax residence in a treaty jurisdiction.

Gains

Gains realised by non-Kazakhstan holders derived from the disposal, sale, exchange or transfer of the Notes should be subject to withholding tax at a rate of 15 per cent. If the disposal of the Notes is made to a Kazakhstan holder and the transferor is registered in a country with a favourable tax regime, gains derived from such a disposal should be subject to withholding tax in Kazakhstan at the rate of 20 per cent. However, Kazakhstan tax legislation does not define procedures to collect withholding tax where payment is made by a non-resident without a taxable presence in Kazakhstan, and it is otherwise not clear if such non-resident may be treated as a tax agent for Kazakhstan tax purposes.

Any gains realised by non-Kazakhstan holders in relation to the Notes which are listed as of the date of sale on the official list of a Kazakhstan stock exchange or foreign stock exchange and sold through open trades on such stock exchanges should not be subject to withholding tax. Also, the withholding tax on the gains may be reduced under an applicable double taxation treaty. In order to avail themselves of this relief eligible holders must provide the purchaser with a document (legalised or apostilled) confirming their tax residence in a treaty jurisdiction.

Debt Cancellation

Recent amendments to the applicable tax legislation in Kazakhstan provide that debt cancelled due to the 2012 Restructuring will be exempt from taxation. The bill containing the proposed amendments was adopted by the Mazhilis (the lower chamber of the Parliament of the Republic of Kazakhstan) on 21 November 2012. Afterwards the bill was adopted by the Senate (the upper chamber of the Parliament of the Republic of Kazakhstan) and then signed into law by the President on 26 December 2012. The relevant amendments came into force on 26 December 2012 effective from 1 January 2012 until 1 January 2014 and provide that corporate income tax will not be assessed on the debt cancelled pursuant to the 2012 Restructuring.

ISSUANCE AND TRANSFER RESTRICTIONS

United States

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (i) to a person who is located outside the United States and is not a U.S. Person, in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act or (ii) in a transaction exempt from, or not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state or other jurisdiction of the United States. Any future sale, offer, pledge or transfer of the Notes will also be subject to (i) and (ii) above.

Transfer Restrictions

The Notes issued to persons in the United States are transferable in the United States only to QIBs in a transaction meeting the requirements of Rule 144A or pursuant to another available exemption from the registration requirements of the Securities Act or outside the United States under Regulation S. Because of the following restrictions, such persons are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of such Notes.

Each subsequent purchaser or transferee of the Notes in the United States or that is a U.S. Person will be deemed to have represented, agreed and acknowledged as follows:

(a) in respect of transfers pursuant to Rule 144A, the purchaser (a) is a QIB, (b) is acquiring the Notes for its own account or for the account of such a QIB,(c) such person is aware that the sale of the Notes to it is being made in reliance on Rule 144A and (d) if it is receiving such Notes for the account of one or more QIBs, it has sole investment discretion with respect to each such amount and it has full power to make (and does make) the acknowledgements, representations and agreements herein on behalf of each such account;

(ii) in respect of a transfer otherwise than pursuant to Rule 144A, the purchaser and the transferor shall have complied with such procedures (including delivery of legal opinions) as may be required by the Registrar in accordance with the Agency Agreement;

(iii) the Notes have not been and will not be registered under the Securities Act or any other securities laws and are being offered in transactions not involving any public offering in the United States and are restricted securities within the meaning of the Securities Act;

(iv) unless so registered, the Notes may not be reoffered, resold or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act or any other applicable securities laws, except in accordance with the restrictions set forth above;

(v) it understands that the Notes offered pursuant to an exemption from the Securities Act are represented by a Restricted Global Note. Before any interest in any Restricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in an Unrestricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws;

(vi) each Restricted Global Note and any Restricted Note Certificates issued in exchange for an interest in a Restricted Global Note will bear a legend to the following effect, unless the Bank determines otherwise in accordance with applicable law:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER

JURISDICTION OF THE UNITED STATES BY ACCEPTANCE OF THE SECURITY REPRESENTED HEREBY, EACH BENEFICIAL OWNER HEREOF REPRESENTS AND AGREES, FOR THE BENEFIT OF THE ISSUER THAT (A) IT IS EITHER (I) NOT A U.S. PERSON AND IS LOCATED OUTSIDE THE UNITED STATES AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT OR (II) AN ACCREDITED INVESTOR AS DEFINED IN RULE 501(a) OF REGULATION D UNDER THE SECURITIES ACT (AN "**ACCREDITED INVESTOR**") OR (III) A QUALIFIED INSTITUTIONAL BUYER AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**QIB**"). (B) THE SECURITY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (I) TO THE ISSUER, (II) OUTSIDE THE UNITED STATES TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN, AND IN ACCORDANCE WITH, REGULATION S, (III) WITHIN THE UNITED STATES IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QIB THAT IS PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ANOTHER QIB, OR (IV) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND (C) THE BENEFICIAL OWNER WILL, AND EACH SUBSEQUENT BENEFICIAL OWNER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS SECURITY (OR INTEREST HEREIN) FROM IT OF THE RESTRICTIONS REFERRED TO (A) AND (B) ABOVE. TRANSFERS IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID AB INITIO, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE.

THIS SECURITY AND ALL RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR RESALES AND OTHER TRANSFERS OF THIS SECURITY TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE RESALE OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY BY THE ACCEPTANCE OF THIS SECURITY THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

(vii) the Bank, the Registrar, the Trustee and the Principal Paying and Transfer Agent and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Each subsequent purchaser or transferee of the Notes in re-sales in reliance on Regulation S under the Securities Act during the distribution compliance period will be deemed to have represented, agreed and acknowledged as follows (terms used in this paragraph that are defined in Regulation S are used herein as so defined):

(b) it is, or at the time the Notes are purchased will be, the beneficial owner of such Notes and it is not a U.S. Person and it is located outside the United States (within the meaning of Regulation S);

(ii) it understands that such Notes have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell pledge or otherwise transfer such Notes, except (a) to a person whom it reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A or (b) to a person that is not a U.S. Person or acting for the account or benefit of a U.S. Person in an offshore transaction in accordance with Rule 903 or 904 of Regulation S; and, in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

(iii) it understands that the Notes are represented by an Unrestricted Global Note. Prior to the expiration of the distribution compliance period, before any interest in any Unrestricted Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in a Restricted Global Note, it will be required to provide the Registrar with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws; and

(iv) the Bank, the Registrar, the Trustee and the Principal Paying and Transfer Agent and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

This Prospectus is only addressed to and directed at persons in member states of the European Economic Area (the "**EEA**") who are "Qualified Investors" within the meaning of Article 2(1)(e) of the Prospectus Directive. The Notes are only available to Qualified Investors, unless in any instance the Bank otherwise agrees. This Prospectus and its contents should not be acted upon or relied upon in any member state of the EEA by persons who are not Qualified Investors. The expression "Prospectus Directive" means Directive 2003/71/EC (and amendments thereto, including Directive 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each relevant member state.

FORM OF THE NOTES AND PROVISIONS RELATING TO SUCH NOTES IN GLOBAL FORM

The following information relates to the form of the Notes and to such Notes when in global form.

(c) Form of the Notes

All Notes are in registered form, without interest coupons attached. Notes offered and sold outside the United States in reliance on Regulation S to persons who are not U.S. Persons are represented by interests in an Unrestricted Global Note, in definitive fully registered form, without interest coupons attached, which have been deposited with the Common Depositary, acting through its London branch, as common depositary for Euroclear and Clearstream, and registered in the name of its nominee, as nominee for such common depositary in respect of interests held through Euroclear and Clearstream.

Notes allocated to Eligible Investors are represented by interests in a Restricted Global Note, in fully registered form, without interest coupons attached, which have been deposited with the Common Depositary, acting through its London branch, as common depositary for Euroclear and Clearstream, and registered in the name of its nominee, as nominee for such common depositary in respect of interests held through Euroclear and Clearstream. Each Restricted Global Note (and any Note Certificates issued in exchange therefor) is subject to certain restrictions on transfer contained in a legend appearing on the face of such Note as set forth under paragraph (vi) in the section entitled "*Issuance and Transfer Restrictions*".

No application will be made for Notes to be cleared and settled through DTC.

Each Global Note has an ISIN number and a Common Code.

Ownership of interests in the Global Notes is limited to persons that have accounts with Euroclear and/or Clearstream, or persons that hold interests through such participants.

For the purposes of the Restricted Global Note and the Unrestricted Global Note, any reference in the Conditions of the Notes to "Note Certificate" or "Note Certificates" shall, except where the context otherwise requires, be construed so as to include the Restricted Global Note or, as the case may be, the Unrestricted Global Note and interests therein.

2. Notices

So long as any Note is represented by a Global Note and such Global Note is held on behalf of a clearing system, notices to the holder of such Note may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders except that so long as the Notes are listed on the Luxembourg Stock Exchange and the rules of such Exchange so require, notices shall also be published in a leading newspaper having general circulation in Luxembourg and on the website of the Luxembourg Stock Exchange.

3. Payments

Each payment in respect of a Global Note will be made to the person shown as the holder in the Register at the close of business (in the place of the relevant clearing system) on the business day before the due date for such payment.

4. Transfers between Global Notes

On or prior to the 40th day after the Issue Date, a beneficial interest in the Unrestricted Global Note may be transferred to a person who wishes to take delivery of such beneficial interest through the Restricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Agency Agreement) to the effect that such transfer is being made to a person whom the transferor reasonably believes is a QIB, in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. After such 40th day, such certification requirements will no longer apply to such transfers, but such transfers will continue to be subject to the transfer restrictions contained in the legend appearing on the face of the Restricted Global Note, as set out in "*Issuance and Transfer Restrictions*".

A beneficial interest in the Restricted Global Note may also be transferred to a person who wishes to take delivery of such beneficial interest through the Unrestricted Global Note only upon receipt by the Registrar of a written certification from the transferor (in the form provided in the Agency Agreement) to the effect that such transfer is being made in accordance with Regulation S under the Securities Act.

Any beneficial interest in either the Restricted Global Note or the Unrestricted Global Note that is transferred to a person who takes delivery in the form of a beneficial interest in the other Global Note will, upon transfer, cease to be a beneficial interest in such Global Note and become a beneficial interest in the other Global Note and, accordingly, will thereafter be subject to the transfer restrictions set out in the section entitled "*Issuance and Transfer Restrictions*" and other procedures applicable to a beneficial interest in such other Global Note for so long as such person retains such an interest.

5. Exchange of Interests in Global Notes for Note Certificates

The Restricted Global Note will become exchangeable, free of charge to the holder, in whole but not in part, for Restricted Note Certificates if (i) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so or (ii) an Event of Default (as defined and set out in Condition 11 (*Events of Default*) in the Conditions of the Notes) occurs. In such circumstances, such Restricted Note Certificates shall be registered in such names as Euroclear and Clearstream shall direct in writing, and the Bank will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (i) and (ii).

The Unrestricted Global Note will become exchangeable, free of charge to the holder, in whole but not in part, for Unrestricted Note Certificates if (i) Euroclear or Clearstream is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or does in fact do so or (ii) an Event of Default occurs. In such circumstances, such Unrestricted Note Certificates will be registered in such names as Euroclear and Clearstream shall direct in writing, and the Bank will procure that the Registrar notify the holders as soon as practicable after the occurrence of the events specified in (i) and (ii).

In the event that the Restricted Global Note is to be exchanged for Restricted Note Certificates or the Unrestricted Global Note is to be exchanged for Unrestricted Note Certificates, the relevant Global Note shall be exchanged in full for the relevant Note Certificates, and the Bank will, without charge to the holder or holders thereof, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatever nature that may be levied or imposed in connection with such exchange, cause sufficient Note Certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders.

On exchange, a person having an interest in a Global Note must provide the Registrar with (i) a written order containing instructions and such other information as the Bank and the Registrar may require to complete, execute and deliver such Note Certificates and (ii) in the case of the Restricted Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Note Certificates issued in exchange for a beneficial interest in the Restricted Global Note shall bear the legends applicable to transfers pursuant to Rule 144A, as set out in "*Issuance and Transfer Restrictions*". Restricted Note Certificates issued as described above will not be exchangeable for beneficial interests in an Unrestricted Global Note, and Unrestricted Note Certificates issued as described above will not be exchangeable for beneficial interests in the Restricted Global Note.

In addition to the requirements described under "— *Transfers between Global Notes*" above, the holder of a Note may transfer such Note only in accordance with the provisions of the Conditions of the Notes.

Upon the transfer, exchange or replacement of a Restricted Note Certificate bearing the legend referred to in "*Issuance and Transfer Restrictions*", or upon specific request for removal of the legend on a Restricted Note Certificate, the Bank will deliver only Restricted Note Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Bank and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Bank that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act.

The Registrar will not register the transfer of any Notes or exchange of interests in a Global Note for Note Certificates for a period of 15 days ending on the due date of any payment of principal or interest in respect of such Notes.

6. Euroclear and Clearstream Arrangements

Custodial and depositary links have been established between Euroclear and Clearstream to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading.

Euroclear and Clearstream

Euroclear and Clearstream each hold securities for participating organisations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book entry changes in accounts of such participants. Euroclear and Clearstream provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Euroclear and Clearstream have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Indirect access to Euroclear or Clearstream is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

Payments with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by the Principal Paying and Transfer Agent, to the cash accounts of Euroclear or Clearstream participants in accordance with the relevant system's rules and procedures.

General

So long as Euroclear, Clearstream or the nominee of their common depositary is the registered holder of a Global Note, Euroclear, Clearstream or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Agency Agreement, the Trust Deed and the Notes. Payments of principal, interest and additional amounts, if any, in respect of Global Notes will be made to Euroclear, Clearstream or such nominee, as the case may be, as the registered holder thereof. None of the Bank, the Trustee, the Principal Paying and Transfer Agent or any of the Agents or any affiliate of any of the above or any person by whom any of the above is controlled for the purposes of the Securities Act will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in the Global Notes or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Distributions of principal and interest with respect to book-entry interests in the Notes held through Euroclear or Clearstream will be credited, to the extent received by Euroclear or Clearstream from the

Principal Paying and Transfer Agent, to the cash accounts of Euroclear or Clearstream customers in accordance with the relevant system's rules and procedures.

The laws of some states of the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer interests in a Global Note to such persons will be limited. Because Euroclear and Clearstream can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Note to pledge such interest to persons or entities that do not participate in the relevant clearing system, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

The holdings of book-entry interests in the Notes in Euroclear and Clearstream are reflected in the book-entry accounts of each such institution. As necessary, the Registrar will adjust the amounts of Notes on the Register for the accounts of the nominee of the Common Depositary to reflect the amounts of Notes held through Euroclear and Clearstream. Beneficial ownership in Notes is held through financial institutions as direct and indirect participants in Euroclear and Clearstream.

Interests in the Unrestricted Global Note and the Restricted Global Note are in uncertificated book-entry form.

Although the foregoing sets out the procedures of Euroclear and Clearstream in order to facilitate the transfers of interests in the Notes among participants of Clearstream and Euroclear, none of Euroclear or Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Bank, the Trustee, the Principal Paying and Transfer Agent or any of the Agents or any affiliate of any of the above, or any person by whom any of the above is controlled for the purposes of the Securities Act, will have any responsibility for the performance by Euroclear and Clearstream or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations or for the sufficiency for any purpose of the arrangements described above.

Trading between Euroclear and/or Clearstream Account Holders

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream to purchasers of book-entry interests in the Notes through Euroclear or Clearstream are conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream and will be settled using the procedures applicable to conventional eurobonds.

7. Prescription

Claims against the Bank in respect of principal and interest on a Note while such Note is represented by a Global Note will become void unless it is presented for payment within a period of ten years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in the Conditions of the Notes).

8. Meetings

The holder of a Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of holders of Notes and, at any such meeting, as having one vote in respect of a principal amount to be determined in respect of Notes for which the Global Note may be exchanged.

9. Purchase and Cancellation; Prepayments

Cancellation of any Note required by the Conditions of the Notes to be cancelled following its purchase and any prepayment will be effected by a reduction in the principal amount of the relevant Global Note as provided in the Trust Deed.

10. Trustee's Powers

In considering the interests of holders of Notes while a Global Note is held on behalf of a clearing system, the Trustee may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its account holders with entitlements to such Global Note and may consider such interests as if such account holders were the holder of the relevant Global Note.

11. Put Option

The put option on Change of Control contained in Condition 8(b) (*Redemption at the Option of the Noteholders*) in the Conditions of the Notes may be exercised by the holder of the relevant Global Note giving notice to the Principal Paying and Transfer Agent of the principal amount of such Notes in respect of which the option is exercised and presenting the Global Note for endorsement of exercise within the time limits specified in such Condition and as otherwise provided in the Agency Agreement.

ADDITIONAL INFORMATION

No Significant Change

Except as described under "*Management's Discussion and Analysis of Results of Operations and Financial Condition — Recent Developments*", there has been no significant change in the financial or trading position of the Bank since 31 December 2012.

Auditors

Ernst & Young LLP, independent auditors (acting as an auditor under licence No. 0000003, given on 15 July 2005 by the Ministry of Finance of the Republic of Kazakhstan), Esentai Tower, 77/7, Al Farabi Avenue, Almaty, 050060 Republic of Kazakhstan, have audited the Annual Financial Statements and their audit reports are included on pages F-4 and F-77 of this Prospectus, respectively.

Documents Available

Copies of the following documents are available free of charge to any person during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Prospectus for so long as any of the Notes are listed on the official list of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF market, at the registered office of the Bank and on the Bank's website at www.bta.kz/en/investor as well as at the registered office of The Bank of New York Mellon (Luxembourg) S.A., the Bank's listing agent:

- the Charter;
- the audited consolidated financial statements of the Bank as at and for the years ended 31 December 2012 and 2011;
- all audited consolidated financial statements of the Bank for years ending subsequent to 31 December 2012 and all reviewed interim consolidated financial statements of the Bank for six-month periods ending 30 June subsequent to 30 June 2012;
- this Prospectus;
- the Trust Deed; and
- the Agency Agreement.

Information regarding the Notes

The Notes have been accepted for clearance through Euroclear and Clearstream with a Common Code of 086747812 (Reg S) and 086757389 (Rule 144A). The International Securities Identification Number for the Notes is XS0867478124 (Reg S) and XS0867573890 (Rule 144A).

The Notes bear interest at 5.50 per cent. on their outstanding principal amount and therefore, at the time of issue, the yield of the Notes was U.S.$5,500 per annum per U.S.$100,000 in principal amount of the Notes held.

Material Contracts

The Bank is not a party to any material contract that might affect the Bank's obligations under the Notes.

Resolutions

The Board of Directors authorised the issuance of the Notes on 21 November 2012.

Financial Notices

Financial notices concerning the Bank (such as dividend notices, rights issues, capital increases, etc.) as well as notices for general meetings will be published on the Luxembourg Stock Exchange website at www.bourse.lu.

Listing Agent

The Bank of New York Mellon (Luxembourg) S.A. is acting as intermediary between the Luxembourg Stock Exchange and persons connected with the listing of the Notes.

SCHEDULE 1 — TERMS AND CONDITIONS OF THE NOTES

The following is the text of the terms and conditions of the Notes which, subject to amendment, and except for any text in italics, will be endorsed on each Note Certificate pertaining to the Notes and are attached and (subject to the provisions thereof) apply to the relevant Global Note:

The U.S.$750,000,000 5.50 per cent. notes due 2022 (the "**Notes**", which expression includes any further notes issued pursuant to Condition 16 (*Further Issues*) and forming a single series therewith) of BTA Bank (the "**Bank**") are (a) constituted by, and subject to, and have the benefit of a trust deed dated 21 December 2012 (as amended or supplemented from time to time, the "**Trust Deed**") between the Bank and BNY Mellon Corporate Trustee Services Limited, as trustee (the "**Trustee**", which expression includes all persons for the time being appointed as trustee for the holders of the Notes ("**Noteholders**") under the Trust Deed), and (b) the subject of an agency agreement dated 21 December 2012 (as amended or supplemented from time to time, the "**Agency Agreement**") between the Bank, the Trustee, The Bank of New York Mellon, as principal paying and transfer agent (the "**Principal Paying and Transfer Agent**"; which expression includes any successor or additional paying and transfer agents appointed from time to time in connection with the Notes), and The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**", which expression shall include any successor registrar appointed from time to time in connection with the Notes).

Certain provisions of these Conditions are summaries of the Trust Deed and the Agency Agreement and subject to their detailed provisions. The Noteholders are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the Specified Offices of the Principal Paying and Transfer Agent. Copies are also available for inspection during normal business hours at the registered office for the time being of the Trustee. References herein to the "**Agents**" are to the Registrar and the Paying and Transfer Agents and any reference to an "**Agent**" is to any one of them.

Terms defined in the Trust Deed shall, unless otherwise defined herein or the context requires otherwise, bear the same meanings herein.

1. **Status**

The obligations under the Notes are unconditional, direct, unsubordinated and, subject as provided in Condition 5(a) (*Negative Pledge*), unsecured obligations of the Bank and will at all times rank at least *pari passu* amongst themselves and *pari passu* in right of payment with all other present and future (except as provided therein) unsubordinated obligations of the Bank, save only for such obligations as may be preferred by mandatory provisions of applicable law.

2. **Form, denomination and title**

(a) ***Form and denomination***

The Notes are in registered form, without interest coupons attached, and shall be serially numbered. Notes shall be issued in denominations of U.S.$1 and integral multiples of U.S.$1 in excess thereof (each denomination an "**authorised denomination**").

(b) **Title**

Title to the Notes will pass by transfer and registration as described in Conditions 3 (*Registration*) and 4 (*Transfers*). The holder (as defined below) of any Notes shall (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon (other than a duly executed transfer thereof in the form endorsed thereon) or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such holder.

3. **Registration**

The Bank shall procure that the Registrar will maintain a register (the "**Register**") at the Specified Office of the Registrar in respect of the Notes in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Noteholder in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

4. **Transfers**

(a) Subject to Conditions 4(d) and 4(e), a Note may be transferred in whole or in part upon surrender of the relevant Note Certificate, with the endorsed form of transfer (the "**Transfer Form**") duly completed, at the Specified Office of an Agent, together with such evidence as the Registrar or (as the case may be) such Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; *provided*, *however*, *that* a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a holder are being transferred) the principal amount of the balance of Notes not transferred are authorised denominations. Transfer Forms are available from any Agent and the Bank upon the request of any holder.

(b) Within five business days of the surrender of a Note Certificate in accordance with Condition 4(a), the Registrar will register the transfer in question and deliver a new Note Certificate of alike principal amount to the Notes transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 4(b), "**business day**" means a day other than a Saturday or a Sunday on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Agent has its Specified Office.

(c) The transfer of a Note will be effected without charge by the Registrar or any Agent but against such indemnity as the Registrar or (as the case may be) such Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

(d) Noteholders may not require transfers to be registered (i) during the period of 15 calendar days ending on the due date for any payment of principal or interest in respect of the Notes (ii) after Notes have been called for redemption in whole or in part, or (iii) during the period of seven days ending (and including) any Record Date.

(e) All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of the Notes scheduled to the Agency Agreement, a copy of which will be made available as specified in the preamble to these Conditions. The regulations may be changed by the Bank with the prior written approval of the Trustee and the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

5. Covenants

(a) *Negative pledge*

The Bank shall not, and shall not permit any of its Material Subsidiaries to, create or permit to subsist any Security (other than Permitted Security) upon the whole or any part of its present or future undertaking, assets or revenues (including uncalled capital) to secure any Financial Indebtedness or guarantee of Financial Indebtedness without (A) at the same time or prior thereto securing the Notes equally and rateably therewith or (B) providing such other security for the Notes as may be approved by Extraordinary Resolutions (as defined in the Trust Deed) of holders of the Notes or as the Trustee in its absolute discretion shall deem to be not materially less beneficial to holders of the Notes.

(b) *Limitations on payment of dividends*

So long as any Note remains outstanding, the Bank will not declare, make or pay any dividend or other distribution (or interest on any unpaid dividend or other distribution) or repay or distribute any reserve constituting part of total equity, in cash or otherwise, or make any other distributions (whether by way of redemption, retirement, acquisition or otherwise) in respect of the Bank's share capital (or any class thereof) or pay any management, advisory or other fee to or to the order of any of the shareholders of the Bank, and the Bank shall not permit its Subsidiaries to make any payment having the effect of such a payment in respect of the Bank's share capital or the effect of such a fee or charge paid to Shareholders of the Bank:

(i) at any time when there exists an Event of Default (as defined in Condition 11 (*Events of Default*)); or

(ii) at any time when no such Event of Default exists, in an amount which exceeds, or will exceed, the aggregate amount that the Bank, or persons acting on its behalf, has applied (or, with respect to any declaration, will apply before the actual payment of such dividend or other distribution and in any event within 30 days of such declaration), to redeem Notes in accordance with Condition 8I (*Redemption and purchase*).

The foregoing limitation shall not apply to (i) the payment of any dividends in respect of any shares of the Bank through the issuance of additional shares or (ii) any acquisition of share capital for which the Bank does not pay monetary consideration (including, for the avoidance of doubt acquisitions pursuant to foreclosures or court orders) or (iii) any acquisition of share capital from a person who owns at the relevant time less than 2.5 per cent. of the relevant class of the Bank's share capital, *provided that* the aggregate amount of any such consideration paid from the Issue Date for such acquisitions shall not exceed U.S.$10,000,000 or (iv) any management, advisory or other fee or charge which is paid by the Bank or any of its Subsidiaries to any shareholder of the Bank for services provided on arm's length terms and, in relation to any guarantee fee paid by the Bank or any of its Subsidiaries to any of the Bank's Shareholders does not exceed 0.125 per cent. per annum of the principal amount guaranteed.

(c) *Restriction on repayment of SK Loan*

So long as any Note remains outstanding, the Bank shall not (and it shall not permit any of its Subsidiaries on its behalf to) repay, redeem or otherwise retire for value any principal of the SK Loan prior to the originally stated maturity thereof.

(d) ***Capital adequacy***

The Bank shall not permit its Tier 1 capital ratio calculated in accordance with the recommendations of the Basel Committee on Banking Supervision to fall below 10.0 per cent. (such recommendations as provided in the Basel Committee's original paper entitled "Basel II: International Convergence of Capital Measurement and Capital Standards: a Revised Framework" published in June 2004, as amended) with such calculation to be made by reference to the most recent audited annual or reviewed half yearly consolidated financial statements of the Bank prepared in accordance with IFRS and to other financial data derived from the Bank's accounting records in alignment with IFRS principles.

(e) ***Disposals***

The Bank shall not (and the Bank shall ensure that no member of the Group will) enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset or group of assets other than (i) to another member of the Group, (ii) on arm's length terms in its ordinary course of business, (iii) made on normal commercial terms and at Fair Market Value, (iv) of any surplus or obsolete or worn out assets not required for the efficient operation of the Group's business, (v) for the purpose of securitisation of or other asset-backed financing relating to those assets, (vi) for another asset which, in the reasonable opinion of the Bank, is comparable or superior as to type, value and quality or (vii) in a single transaction with an aggregate Fair Market Value of less than U.S.$5,000,000 or a series of related transactions with an aggregate Fair Market Value of less than U.S.$15,000,000; *provided that* in the case of assets with a Fair Market Value in excess of U.S.$25,000,000, any such transaction other than as set forth in (i) above, shall require the approval of the Board of Directors of the Bank or of the authorised body of the relevant Subsidiary (excluding any directors or members of the authorised body who are interested in the transaction) and where the consideration involved exceeds U.S.$100,000,000, any such transaction shall require a valuation and/or fairness opinion from a reputable third party, as reasonably determined by the Board of Directors of the Bank.

(f) ***Merger or consolidation***

The Bank shall not enter into any corporate reorganisation (including by way of amalgamation, demerger, merger, consolidation or corporate reconstruction) or convey, transfer, sell or lease or otherwise dispose of all or substantially all of its assets or business (determined on a consolidated basis, and in a single transaction or series of related transactions and whether directly or indirectly) to any Person unless (and subject always to the provisions in Condition 8(b)(*Redemption at the option of the Noteholders*) and Condition 5(d)(*Disposals*), if applicable):

(i) the entity (if other than the Bank) formed by or resulting from any such transaction (or to whom the assets or undertakings are transferred or sold):

(A) shall assume the performance and observance of all of the obligations and conditions under the Notes to be performed or observed by the Bank and a trust deed or other written form of undertaking is given by such entity to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by the terms of the Trust Deed, the Agency Agreement and the Notes with any consequential or other amendments, which the Trustee may deem appropriate as, fully as if such entity had been named in the Trust Deed, the Agency Agreement and the Notes and shall have caused to be delivered to the Trustee an opinion of independent counsel to the effect that any and all documents entered into by such entity and the Trustee are valid, binding and enforceable;

(B) shall have obtained all governmental and regulatory approvals and consents necessary for its assumption of the obligations and liabilities as principal debtor under the Trust Deed and the Agency Agreement and in respect of the Notes;

(C) if such entity is incorporated, domiciled or resident in a territory other than the Republic of Kazakhstan, undertakings or covenants are given in terms corresponding to the provisions of Condition 9 (Taxation), with the references to Republic of Kazakhstan replaced with references to the place of incorporation of such entity; and

(D) shall indemnify each Noteholder for any income, gain or loss for tax purposes recognised by such Noteholder as a result of the foregoing,

(ii) in any case, at the relevant time and immediately thereafter there shall not have occurred and be continuing any Event of Default or Potential Event of Default in relation to either the Bank, or such other entity, as the case may be.

(g) ***Listing***

The Bank will use its reasonable endeavours to procure the admission of the Notes to trading on KASE and on the Luxembourg Stock Exchange and to maintain the listing of such notes on such exchanges, but if it is unable to do so having used such endeavours or if the maintenance of such listings is agreed by the Trustee to be unduly onerous and the Trustee is satisfied that the interests of the Holders of the Notes would not be materially prejudiced thereby, the Bank shall use its reasonable endeavours to procure and maintain the listing on another stock exchange or market agreed with the Trustee.

(h) ***Recognition proceedings***

(i) The Bank shall, having issued an application in the High Court of Justice of England and Wales for a permanent stay of actions or proceedings or executions against the assets of the Bank in relation to claims based on or arising out of or in connection with the Designated Financial Indebtedness (as defined in the Information Memorandum) being restructured, such stay to continue notwithstanding the termination of the restructuring proceedings then pending with respect to the Bank in Kazakhstan, use its reasonable endeavours to pursue such application. If such application is refused, the Bank shall seek such rehearing or review or pursue such appeals as the Bank reasonably determines is or are appropriate based upon the advice of its counsel.

(ii) The Bank shall, having filed a motion with the United States Bankruptcy Court for the Southern District of New York for an order permanently enjoining creditors whose claims are being restructured pursuant to the Restructuring Plan (as defined in the Information Memorandum) from commencing or continuing any action, employing any process, or performing any act, to collect, recover or offset (except as provided in the Restructuring Plan) the Designated Financial Indebtedness against the Bank or the property of the Bank within the territorial jurisdiction of the United States, use its reasonable endeavours to pursue such motion. If such motion is denied, the Bank shall seek such rehearing or review or pursue such appeals as the Bank reasonably determines is or are appropriate based upon the advice of its counsel.

(iii) The Bank shall, no later than five Business Days after the Court's (as defined in the Information Memorandum) decision confirming that the Restructuring Plan has been carried out and the Restructuring (as defined in the Information Memorandum) is complete, file applications in the courts of Russia and the Ukraine requesting recognition of such decision of the Court under the laws of those jurisdictions and shall use its reasonable endeavours to pursue such applications. If one or both of such applications are refused, the Bank shall seek such rehearing or review or pursue such appeals as the Bank reasonably determines is or are appropriate based upon the advice of its counsel.

(i) ***Authorisations***

The Bank will promptly (and shall procure that each member of the Group shall promptly) obtain, comply with and do all that is necessary to maintain in full force and effect (and upon request supply certified copies to the Trustee of) any Authorisation required under any law or regulation of a Relevant Jurisdiction to enable it to (i) perform its obligations under the Trust Deed, Notes or Agency Agreement; (ii) ensure the legality, validity, enforceability or admissibility in evidence of any of the Trust Deed, Notes or Agency Agreement.

(j) ***Financial statements***

The Bank will send to the Trustee, in English:

(i) at the time of issue and in any event within 150 days of the end of each Financial Year audited annual consolidated financial statements prepared in accordance with IFRS (including comparatives figures for the prior year) and an auditors' report thereon; and

(ii) at the time of issue and in any event within 120 days after the end of each half year semi-annual consolidated financial statements prepared in accordance with IFRS and an auditors' review report thereon.

And will send to the Trustee with each set of its consolidated financial statements within 10 Business Days or, at any other time within 30 Business Days (or in each case such longer period as the Trustee shall determine) of any request by the Trustee, compliance certificates signed by any one member of the Management Board confirming that, as at a date not more than five Business Days prior to the date of the relevant compliance certificate no Event of Default or Potential Event of Default or other breach of the Trust Deed has occurred, or is continuing, since the date of the last such certificate (or if no such certificate has previously been given, since the date of the Trust Deed), or giving details of any such instances of non-compliance and (if any Event of Default or Potential Event of Default or other breach of this Trust Deed has occurred, or is continuing) what action the Bank is taking or proposes to take with respect thereto;

6. Interest

(a) ***Interest Accrual***

The Notes shall bear interest on their outstanding principal amount from 21 December 2012 at the rate of 5.50 per cent. per annum (the "**Rate of Interest**"), payable in arrear on 30 June and 31 December in each year (each, an "**Interest Payment Date**", and with the first Interest Payment Date falling on 30 June 2013), subject as provided in Condition 7 (Payments).

The period from (and including) 21 December 2012, to (but excluding) 30 June 2013 (the "**First Interest Period**"), each subsequent period beginning on (and including) any Interest Payment Date and ending on (but excluding) the next Interest Payment Date and the period from (and including) 30 June 2022 to (but excluding) 21 December 2022 (the "**Last Interest Period**") is herein called an "**Interest Period**".

(b) ***Cessation of interest***

Each Note will cease to bear interest from the due date for final redemption unless payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Notes up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying and Transfer Agent or the Trustee has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

(c) ***Calculation of interest for an Interest Period***

The amount of interest payable in respect of each Note for any Interest Period (other the First Interest Period and the Last Interest Period) shall be calculated by applying the Rate of Interest to the principal amount of such Note, dividing the product by two and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). In the case of the First Interest Period and the Last Interest Period, the amount of interest payable shall be calculated as set out in Condition 6(d) (*Calculation of interest for any other period*).

(d) ***Calculation of interest for any other period***

For the First Interest Period, the Last Interest Period and for any period other than an Interest Period, interest will be rounded as aforesaid, calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed, from (and including) the first day of the period to (but excluding) the last day of the period.

The determination of the amount of interest payable under Condition 6I (Calculation of interest for an Interest Period) by the Principal Paying and Transfer Agent shall, in the absence of manifest error, be binding on all parties.

7. **Payments**

(a) ***Principal***

Payments of principal in respect of the Notes will be made to the Persons shown in the Register at the close of business on the relevant Record Date (as defined below) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or of any Agent.

(b) ***Interest***

Payments of interest due on an Interest Payment Date will be made to the Persons shown in the Register at the close of business on the Record Date for such Interest Payment Date, subject to (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of the Registrar or any Agent. Payments of all amounts other than as provided in Condition 7(a) (*Principal*) and this Condition 7(b) will be made as provided in these Conditions.

(c) ***Record Date***

Each payment in respect of a Note will be made to the Person shown as the holder in the Register at the close of business (in the place of the Registrar's specified office) on the business day before the due date for such payment (the "**Record Date**").

(d) ***Payments***

Each payment in respect of the Notes pursuant to Conditions 7(a) (*Principal*) and 7(b) (*Interest*) will be made by transfer to a United States Dollar account maintained by the payee with a bank in New York City.

(e) ***Payments subject to fiscal laws***

All payments in respect of the Notes are subject in all cases to any applicable or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 9 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

(f) ***Payment on a business day***

If the due date for payment of any amount in respect of any Note is not a business day, the holder thereof shall not be entitled to payment of the amount due until the next succeeding business day. A holder of a Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from the due date for a payment not being a business day. In this Condition 7(f), "**business day**" means any day on which banks are open for business (including dealings in foreign currencies) in New York City and, in the case of surrender (or, in the case of partial payment only, endorsement) of a Note Certificate, in the place in which the Note Certificate is surrendered (or, as the case may be, endorsed).

(g) ***Agents***

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Bank and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders. The Bank reserves the right (with prior written approval of the Trustee) at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying and transfer agent or registrar and additional or successor agent or agents; *provided*, *however*, *that* the Bank shall at all times maintain a principal paying and transfer agent with a specified office in a European member state, that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to, such Directive, and a registrar. Notice of any change in any of the Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 14 (*Notices*).

8. **Redemption and purchase**

(a) ***Scheduled redemption***

Unless previously redeemed or purchased and cancelled as provided below, subject as provided in Condition 7 (*Payments*), the Notes will be redeemed on 21 December 2022. The outstanding principal amount of each Note shall be reduced by any repayment of principal in accordance with these Conditions, with effect from the actual payment date.

(b) ***Redemption at the option of the Noteholders***

Unless the Noteholders have previously by an Extraordinary Resolution (as defined in the Trust Deed) disapplied this Condition 8(b) in relation to the applicable Change of Control, following the occurrence of a Change of Control (as defined below), the Bank shall promptly, and in any event within five Business Days thereafter, give notice (the "**Change of Control Notice**") of such Change of Control to the Noteholders (with a copy to the Trustee) in accordance with Condition 14 (*Notices*), which notice shall specify the date (which shall not be less than 30 days nor more than 60 days after the Change of Control Notice (the "**Put Settlement Date**")), on which the Bank shall, at the option of the holder of any Note, redeem such Note at its outstanding principal amount, together with interest accrued and unpaid to the Put Settlement Date. In order to exercise the option contained in this Condition 8(b), the holder of a Note must, not less than 15 days before the Put Settlement Date, deposit with any Paying Agent the relevant Note Certificate and a duly completed put option notice (a "**Put Option Notice**") in the form obtainable from any Paying Agent. No Note Certificate, once deposited with a duly completed Put Option Notice in accordance with this Condition 8(b), may be withdrawn; *provided*, *however*, *that* if, prior to the Put Settlement Date, any such Note becomes immediately due and payable or payment of the redemption monies is improperly withheld or refused, such Note Certificate shall, without prejudice to the exercise of the Put Option, be returned to the holder by uninsured first class mail (airmail if overseas) at such address as may have been given by such Noteholder in the relevant Put Option Notice. The Trustee shall not be responsible for monitoring whether or not any Change of Control has occurred or may occur and shall be entitled to assume (and shall not incur liability for doing so) unless it receives written notice to the contrary, that no Change of Control has occurred. In the event that a Change of Control occurs but no Change of Control Notice is given by the Bank, the Bank shall be deemed to have given a Change of Control Notice specifying a Put Settlement Date on the date which is 60 days after the occurrence of the Change of Control, unless such day is not a Business Day, in which event the Put Settlement Date shall be the immediately following Business Day thereafter.

(c) ***Redemption at the option of the Bank***

The Notes may be redeemed at the option of the Bank in whole or, in part, at any time, on giving not less than 30 days' (or in the event of a redemption in connection with a dividend under Condition 5(b), 20 days') nor more than 60 days' notice to the Noteholders and the Trustee in accordance with Condition 14 (*Notices*) (which notice shall be irrevocable), in such nominal amount as is specified in the notice at the principal amount thereof, together with interest accrued but unpaid on the relevant principal amount to, but excluding, the date fixed for redemption. Upon the expiry of any such notice as is referred to in this Condition 8(c), the Bank shall be bound to redeem in whole or in part, as the case may be, the Notes in accordance with this Condition 8(c).

(d) ***Purchase***

The Bank may at any time purchase or procure others to purchase for its account the Notes in the open market or otherwise and at any price. Notes so purchased may be held or resold (*provided that* such resale is in compliance with all applicable laws) or surrendered for cancellation at the option of the Bank, in compliance with Condition 8(e) (*Cancellation of Notes*). Any Notes so purchased, while held by or on behalf of the Bank or any member of the Group, shall not entitle the holder to vote at any meeting of Noteholders and shall not be deemed to be outstanding for the purposes of calculating the quorum at such meetings.

(e) ***Cancellation of Notes***

All Notes which are redeemed in full or surrendered for cancellation pursuant to this Condition 8 (*Redemption and purchase*) shall be cancelled and may not be reissued or resold.

9. **Taxation**

(a) ***Taxation***

All payments of principal and interest in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Kazakhstan or any other jurisdiction from or through which payment is made, or in any case, any political subdivision or any authority thereof or therein having power to tax (each, a "**Taxing Jurisdiction**"), unless such withholding or deduction is required by law. In that event, the Bank shall pay such additional amounts as will result in the receipt by the Noteholders of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Note:

(i) presented for payment by or on behalf of a holder who is liable for such taxes, duties, assessments or governmental charges in respect of such Note by reason of the existence of any present or former connection between such holder (or between a fiduciary, settlor, beneficiary, member or shareholder of such holder, if such holder is an estate, a trust, a partnership or a corporation) and the relevant Taxing Jurisdiction, including, without limitation, such holder (or such fiduciary, settlor, beneficiary, member or shareholder) being or having been a citizen or resident thereof or being or having been engaged in a trade or business or present therein or having or having had a permanent establishment therein other than the mere holding of such Note; or

(ii) presented (in the case of a payment of principal or interest on redemption) for payment more than 30 days after the Relevant Date except to the extent that the relevant holder would have been entitled to such additional amounts if it had presented such Note on the last day of such period of 30 days; or

(iii) to a holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of the Note; or

(iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced to conform to such Directive.

In the event that the foregoing obligation to pay additional amounts is for any reason unenforceable against the Bank, the Bank shall pay to any holder of a Note (subject to the exclusions set out above) which has received a payment subject to deduction or withholding as aforesaid, upon written request of such holder (subject to the exclusions set out above), and *provided that* reasonable supporting documentation is provided, an amount equal to the amount withheld or deducted, so that the net amount received by such holder after such payment would not be less than the net amount the holder would have received had such deduction or withholding not taken place. Any payment made pursuant to this paragraph shall be considered an additional amount.

If, at any time, the Bank is required by law to make any deduction or withholding from any sum payable by it hereunder (or if thereafter there is any change in the rates at which or the manner in which such deductions or withholdings are calculated), the Bank shall promptly notify the Trustee in writing, and shall deliver to the Trustee, within 30 days after it has made such payment to the applicable authority, a written certificate to the effect that it has made such payment to such authority of all amounts so required to be deducted or withheld in respect of each Note.

(b) ***Relevant Date***

As used in these Conditions, "**Relevant Date**" in respect of any Note means the date on which payment in respect of such Note first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which notice is duly given to the Noteholders that such payment will be made, *provided that* payment is in fact made.

(c) ***Additional amounts***

Any reference in these Conditions to principal or interest shall be deemed to include partial payments of principal as well as any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 9 (*Taxation*) or any undertaking given in addition to or in substitution of this Condition 9 (*Taxation*) pursuant to the Trust Deed.

(d) ***Taxing jurisdiction***

If the Bank becomes subject at any time to any taxing jurisdiction other than the Republic of Kazakhstan, references in this Condition 9 (*Taxation*) to the Republic of Kazakhstan shall be construed as references to the Republic of Kazakhstan and/or such other jurisdiction.

(e) ***FATCA***

Notwithstanding anything to the contrary in this Condition 9, neither the Bank, nor any paying agent or any other person shall be required to pay any Additional Amounts with respect to any United States withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder ("**FATCA**"), the laws of a Relevant Taxing Jurisdiction implementing FATCA, or any agreement between the Bank and the United States or any authority thereof entered into for FATCA purposes.

10. **Prescription**

Claims for principal and interest on redemption shall become void unless the relevant Note Certificates are surrendered for payment within ten years and claims for interest due other than on redemption shall become void unless made within five years of the appropriate Relevant Date.

11. **Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of not less than one fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution (subject in each case to being indemnified or provided with security or pre-funded to its satisfaction) shall, give notice to the Bank that the Notes are and they shall become due and repayable at their principal amount together with accrued interest if any of the following events (each, an "**Event of Default**") occurs and is continuing:

(a) ***Non payment***

the Bank fails to pay any amount of principal or interest in respect of the Notes when the same becomes due and payable and such default continues for a period of ten Business Days; or

(b) ***Breach of other obligations***

the Bank is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the Notes or the Trust Deed (other than a default or breach specifically dealt with elsewhere in this Condition 11 (*Events of Default*)) or Samruk-Kazyna is in default in the performance, or is otherwise in breach, of any covenant, obligation, undertaking or other agreement under the SK Loan Schedule and, where such default or breach is, in the opinion of the Trustee, capable of remedy, such default or breach is not (in the opinion of the Trustee) remedied within 30 calendar days after notice thereof has been given to the Bank, by the Trustee, requiring the same to be remedied; or

(c) ***Cross default***

any Financial Indebtedness of any member of the Group is declared to be or otherwise becomes (or becomes capable of being declared) due and payable prior to the due date for the payment thereof by reason of default of the Bank or the relevant Subsidiary (as the case may be), or is not paid when due or within any originally applicable grace period, *provided that* the aggregate amount of such Financial Indebtedness referred to above exceeds U.S.$35,000,000 (or its equivalent in any other currency or currencies); or

(d) ***Judgment default***

any final judgment, ruling or decree, in each case not capable of further appeal, for the payment of an aggregate amount of not less than U.S.$35,000,000 (or its equivalent in any other currency or currencies) is rendered or granted against and is binding on any member of the Group or any part of its assets and is neither paid when due nor within any applicable grace period provided; or

(e) ***Insolvency***

any Person shall have instituted a proceeding or entered a decree or order for the appointment of a receiver, administrator, liquidator, trustee, assignee in bankruptcy, conservator or similar officer in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities or similar proceedings or arrangements involving the Bank or any Material Subsidiary or all or substantially all of their respective properties and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of 60 days; or (b) the Bank or any Material Subsidiary shall, (i) institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be adjudicated a bankrupt, or be placed into conservation under applicable banking legislation; (ii) shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it, (iii) file a petition or answer or consent seeking reorganisation under any such law or consent to the filing of any such petition, (iv) consent to the appointment of a receiver, administrator or liquidator, trustee, assignee in bankruptcy, or conservator or similar officer in bankruptcy or liquidation of the Bank or any Material Subsidiary, as the case may be, or in respect of its property or substantially all thereof, (v) make a general assignment for the benefit of its creditors, (vi) otherwise be unable or admit its inability to pay its debts generally as they become due, or (vii) commence proceedings with a view to the general adjustment of its Financial Indebtedness and, in any case as is specified in this Condition 11(e) in relation to a Material Subsidiary, the event is (in the opinion of the Trustee) materially prejudicial to the interests of the Noteholders; or

(f) ***Compulsory acquisition or disposition***

the authority or ability of the Bank to conduct its business is substantially or wholly limited or curtailed by any seizure, expropriation, nationalisation, intervention, restriction, vesting, divesting, compulsory acquisition or disposition or other action by or on behalf of any governmental, regulatory or other authority in relation to a material portion of the assets of the Group taken as a whole; or

(g) ***Cessation of business***

the Bank suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business or its Banking Licence is revoked; or

(h) ***Invalidity or unenforceability***

the validity of the Notes, the Trust Deed or the Agency Agreement is contested by the Bank (or its respective obligations thereunder are denied by the Bank), the validity of the SK Loan Schedule is contested by SK or it is or becomes unlawful for the Bank or SK to perform or comply with all or any of their respective obligations thereunder or all or any of the obligations of the Bank or SK provided therein shall be or become unenforceable or invalid.

12. Replacement of Notes

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying and Transfer Agent and the Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Bank may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

13. Meetings of Noteholders; modification and waiver

(a) ***Meetings of Noteholders***

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matters relating to the Notes, including the modification of any provision of these Conditions or the Trust Deed. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Trustee or the Bank, or by the Trustee upon the request in writing of Noteholders holding not less than one fifth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more persons holding or representing a clear majority of the aggregate principal amount of the Notes for the time being outstanding, or, at any adjourned meeting, two or more persons being or representing Noteholders whatever the principal amount of the Notes for the time being outstanding so held or represented; *provided*, *however*, *that* certain proposals (including any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than three quarters or at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum (a "**special quorum resolution**"). Any Extraordinary Resolution passed at any such meeting shall be binding on all Noteholders, whether or not present.

(b) ***Written resolution***

A resolution in writing will take effect as if it were an Extraordinary Resolution if it is signed (i) by or on behalf of all of Noteholders who for the time being are entitled to receive notice of a meeting of the Noteholders under the Trust Deed or (ii) if such Noteholders have been given at least 21 clear days' notice of such resolution, by or on behalf of persons holding three quarters of the aggregate principal amount of the outstanding Notes. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

(c) ***Modification without Noteholders' consent***

The Trustee may, without the consent of the Noteholders, agree (i) to any modification of the Notes (including these Conditions) or the Trust Deed (other than in respect of a matter requiring a special quorum resolution) which, in the opinion of the Trustee, will not be materially prejudicial to the interests of the Noteholders and (ii) to any modification of the Notes (including these Conditions) or the Trust Deed which is (in its opinion) of a formal, minor or technical nature or to correct a manifest error or to reflect any redemption or purchase by the Issuer and cancellation of Notes in whole or in part. In addition, the Trustee may, without the consent of the Noteholders, authorise or waive any proposed breach or breach of the Notes or the Trust Deed (other than a proposed breach or breach relating to the subject of a matter requiring a special quorum resolution) if, in the opinion of the Trustee, the interests of the Noteholders will not be materially prejudiced thereby. Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, shall be promptly notified to the Noteholders in accordance with Condition 14 (*Notices*).

14. Notices

(a) ***To the Noteholders***

Notices to Noteholders will be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day (not being a Saturday or a Sunday) after the date of mailing. In addition, so long as the Notes are listed on an Approved Stock Exchange (as defined in the Trust Deed) and the relevant Stock Exchange so requires, notices to the Noteholders shall be published in a leading newspaper having general circulation in the jurisdiction of the Approved Stock Exchange. Any such notice shall be deemed to have been given on the date of first publication.

(b) ***To the Bank***

Notices to the Bank will be deemed to be validly given if delivered to the Bank at 97, Zholdasbekov str., md Samal-2, Almaty, 050051, Kazakhstan and clearly marked on their exterior "Investor Relations and Capital Markets Department" (or at such other addresses and for such other attentions as may have been notified to the Noteholders in accordance with Condition 14(a)) and will be deemed to have been validly given at the opening of business on the next day on which the Bank's principal offices, as applicable, are open for business.

(c) ***To the Trustee and Agents***

Notices to the Trustee or any Agent will be deemed to have been validly given if delivered to the registered office, for the time being, of the Trustee or the Specified Office, for the time being, of such Agent, as the case may be, and will be validly given on the next day on which such office is open for business.

15. **Trustee**

(a) ***Indemnification***

Under the Trust Deed, the Trustee is entitled to be indemnified and relieved from responsibility in certain circumstances and to be paid its costs and expenses in priority to the claims of the Noteholders. In addition, the Trustee is entitled to enter into business transactions with the Bank and any entity relating to the Bank without accounting for any profit.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Notes or for the performance by the Bank of its obligations under or in respect of the Notes or the Trust Deed, as applicable.

(b) ***Exercise of power and discretion***

In connection with the exercise of any of its powers, trusts, authorities or discretions (including but not limited to those referred to in these Conditions and the Trust Deed), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or taxing jurisdiction. The Trustee shall not be entitled to require, and no Noteholder shall be entitled to claim, from the Bank (in the case of a Noteholder), the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

(c) ***Enforcement; reliance***

The Trustee may at any time, at its discretion and without notice take such steps or actions or institute such proceedings as it thinks fit to enforce its rights under the Trust Deed in respect of the Notes, but it shall not be bound to do so unless:

(i) it has been so requested in writing by the holders of at least one fifth in principal amount of the outstanding Notes or has been so directed by an Extraordinary Resolution; and

(ii) it has been indemnified or provided with security or pre funded to its satisfaction.

The Trust Deed provides that the Trustee may, at any time, or, in making any determination under these Conditions or the Trust Deed, act on the opinion or advice of, or information obtained from, any expert, auditor, lawyer or professional entity, without further enquiry or evidence. In particular, the Trust Deed provides that the Trustee may rely on certificates or reports from auditors whether or not such certificate or report or any engagement letter or other document entered into by the Bank and the auditors contains any limit on liability (monetary or otherwise) of the auditors and provides further that nothing shall require the Trustee to enter into or to agree to be bound by the terms of any engagement letter or other document entered into by the Bank or any such auditor. If such evidence is relied upon, the Trustee's determination shall be conclusive and binding on all parties, and the Trustee will not be responsible for any loss, liability, cost, claim, action, demand, expense or inconvenience which may result from it so acting.

Until the Trustee has actual knowledge or express notice to the contrary, the Trustee may assume that no Event of Default or event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 11 (Events of Default) become an Event of Default has occurred.

The Trust Deed provides that the Bank is required to deliver to the Trustee, pursuant to, and in the circumstances detailed in, the Trust Deed, a certificate signed by one member of the Management Board (as defined in the Trust Deed) that there has not been and is not continuing any Event of Default, an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 11 (Events of Default) become an Event of Default, or other breach of the Trust Deed. The Trustee shall be entitled to rely without liability on such certificates. The Trustee shall not be responsible for monitoring any of the covenants and obligations of the Bank set out in these Conditions or the Trust Deed and shall be entitled to rely upon the information provided pursuant to these Conditions and the Trust Deed and to assume, unless it receives actual notice to the contrary, that the Bank is complying with all covenants and obligations imposed upon it, respectively, herein and therein.

(d) ***Failure to act***

No Noteholder may proceed directly against the Bank unless the Trustee, having become bound to do so, fails to do so within a reasonable time and such failure is continuing.

(e) ***Retirement and removal***

Any Trustee may retire at any time on giving at least two months' written notice to the Bank without giving any reason or being responsible for any costs occasioned by such retirement and the Noteholders may by Extraordinary Resolution remove any Trustee, *provided that* the retirement or removal of a sole trust corporation will not be effective until a trust corporation is appointed as successor Trustee. If a sole trust corporation gives notice of retirement or an Extraordinary Resolution is passed for its removal, it will use all reasonable endeavours to procure that another trust corporation be appointed as Trustee. In the event of any change of the Trustee, two separate notices shall be published in two leading newspapers one of which will have general circulation in the jurisdiction of the Approved Stock Exchange.

(f) ***Substitution***

The Trust Deed contains provisions to the effect that the Trustee may (without the consent of the Noteholders) agree on such terms as it may specify to the substitution of the Bank's successor in business in place of the Bank as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed, subject to all relevant conditions of the Trust Deed having been complied with (including an unconditional guarantee by the Bank of the obligations assumed by the substitute). Not later than 14 days after compliance with the aforementioned requirements, notice thereof shall be given by the Bank to the Noteholders in accordance with Condition 14 (*Notices*).

16. Further issues

The Bank may from time to time, without the consent of the Noteholders and in accordance with the Trust Deed, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest).

17. Currency indemnity

If any sum due from the Bank in respect of the Notes under the Trust Deed or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions, the Trust Deed or such order or judgment into another currency (the "**second currency**") for the purpose of making or filing a claim or proof against the Bank, obtaining an order or judgment in any court or other tribunal or enforcing any order or judgment given or made in respect of the Notes or in respect thereof under the Trust Deed, the Bank shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Bank and delivered to the Bank or to the Specified Office of the Principal Agent or the Agent having its Specified Office in London, against any loss suffered as a result of any discrepancy between the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof. This indemnity constitutes a separate and independent obligation of the Bank and shall give rise to a separate and independent cause of action.

18. Contracts (Rights of Third Parties) Act 1999

No Person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999, but this does not affect the right or remedy of any Person which exists or is available apart from such Act.

19. Governing law; arbitration and jurisdiction

(a) *Governing law*

The Trust Deed, the Notes, the Agency Agreement and any non-contractual obligations arising out of or in connection therewith are governed by, and shall be construed in accordance with, English law.

(b) *Arbitration*

The Bank agrees that any claim, dispute or difference of whatever nature arising under, out of or in connection with the Notes or the Trust Deed (including a claim, dispute or difference regarding its existence, termination or validity or any non contractual obligations arising out of or in connection with the Trust Deed) (a "**Dispute**"), shall be referred to and finally settled by arbitration in accordance with the rules of the London Court of International Arbitration ("**LCIA**") (the "**Rules**") as at present in force and as modified by this Condition, which Rules shall be deemed incorporated into this Condition. The number of arbitrators shall be three, one of whom shall be nominated by the Bank, one by the Trustee and the third of whom, who shall act as Chairman, shall be nominated by the two party nominated arbitrators, *provided that* if the third arbitrator has not been nominated within 30 days of the nomination of the second party nominated arbitrator, such third arbitrator shall be appointed by the LCIA. The parties may nominate and the LCIA may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The seat of arbitration shall be London, England and the language of arbitration shall be English. Sections 45 and 69 of the Arbitration Act 1996 shall not apply.

(c) ***Trustee's option***

At any time before the Trustee has nominated an arbitrator to resolve any Dispute(s) pursuant to Condition 19(b) (*Arbitration*), the Trustee, at its sole option, may elect by notice in writing to the Bank that such Dispute(s) shall instead be heard by the courts of England, as more particularly described in Condition 19(d) (*Jurisdiction*). Following any such election, no arbitral tribunal shall have jurisdiction in respect of such Dispute(s).

(d) ***Jurisdiction***

In the event that the Trustee serves a written notice of election in respect of any Dispute(s) pursuant to Condition 19I (*Trustee's Option*), the Bank agrees for the benefit of the Trustee and the Noteholders that the courts of England shall have jurisdiction to hear and determine any such Dispute(s) and, for such purposes, irrevocably submits to the jurisdiction of such courts. Subject to Condition 19(b) (*Arbitration*), nothing in this Condition shall (or shall be construed so as to) limit the right of the Trustee to bring proceedings ("**Proceedings**") for the determination of any Dispute(s) in any other court of competent jurisdiction, nor shall the bringing of such Proceedings in any one or more jurisdictions preclude the bringing of Proceedings by the Trustee in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

(e) ***Appropriate forum***

The Bank has irrevocably waived any objection which it might now or hereafter have to the courts of England being nominated as the forum to hear and determine any Proceedings and agrees not to claim in any Proceedings that any such court is not a convenient or appropriate forum.

(f) ***Agent for service of process***

The Bank has agreed that the process by which any Proceedings in England are begun may be served on it by being delivered to Law Debenture Corporate Services Limited, Fifth Floor, 100 Wood Street, London EC2V 7EX or, if different, its registered office for the time being. If for any reason the Bank does not have such an agent in England, it will promptly appoint a substitute process agent and notify in writing the Trustee of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(g) ***Consent to enforcement, etc.***

The Bank has consented generally in respect of any Disputes (or Proceedings in accordance with Condition 19(d) (*Jurisdiction*)) to the giving of any relief or the issue of any process in connection with such Disputes or Proceedings, including (without limitation) the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be given in such Proceedings or in connection with such Disputes.

(h) ***Waiver of immunity***

To the extent that the Bank may in any jurisdiction claim for itself or its respective assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Bank, or its assets or revenues, the Bank has agreed, in connection with any Disputes or Proceedings, not to claim and have irrevocably waived such immunity to the full extent permitted by the laws of such jurisdiction.

20. **Definitions**

For the purposes of these Conditions:

"**acting in concert**" means a group of persons who, pursuant to an agreement or understanding (whether formal or informal), actively cooperate, through the direct or indirect acquisition by any member or members of such group of shares in the Bank or of any of the assets of any member or members of the group, to obtain or consolidate control of the Bank;

"**Affiliate**" of a person means a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, that person;

"**Approved Stock Exchange**" means a recognised stock exchange established in any member state of the European Economic Area;

"**Authorisation**" means an authorisation, consent, approval, resolution, licence, permit, exemption, filing, notarisation or registration (including the Bank's licence and/or permits to carry out banking operations and other operations permitted by applicable legislation.

"**Business Day**" means a day other than a Saturday or Sunday on which commercial banks are open for business (including dealings in foreign currencies) in London, New York City and Almaty;

"**Change of Control**" means:

(a) Samruk-Kazyna (or a Permitted Transferee) ceases to control the Bank (other than where it ceases to control the Bank (a) by transfer of control to a Permitted Transferee or (b) in connection with a Secondary Public Offering), where "control" of the Bank means:

  (i) the direct or indirect holding beneficially of more than 50 per cent. of the issued share capital of the Bank (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital); or

  (ii) the direct or indirect power (whether by ownership of shares, proxy, contract, agency or otherwise) to cast, or control the casting of, more than 50 per cent. of the maximum number of votes that might be cast at a general meeting of the Bank, or

(b) any person or group of persons acting in concert (other than where (a) such person or persons are Permitted Transferees or (b) in connection with a Secondary Public Offering) gains control of the Bank where "control" means the power (whether by ownership of shares, proxy, contract, agency or otherwise) to:

  (i) appoint or remove all, or the majority, of the directors or other equivalent officers of the Bank; or

  (ii) give directions with respect to the operating and/or financial policies of the Bank with which the directors or other equivalent officers of the Bank are obliged to comply,

provided that any agreement whereby management of the Bank is transferred to a third party (the "**manager**") that does not, in conjunction with any acquisition of shares in the Bank by such manager or its Affiliates (whether or not occurring at the same time), cause the government of the Republic of Kazakhstan to cease to own (directly or indirectly) more than 50 per cent. of the issued share capital of the Bank (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital), will not constitute a "Change of Control" if (a) the Trustee has been provided with an opinion in form and substance satisfactory to them of independent legal advisers of recognised standing to the effect that the management agreement, in conjunction with any acquisition of the issued share capital of the Bank (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital), does not cause the government of the Republic of Kazakhstan (directly or indirectly) to cease to "control" the Bank or to have majority economic risk and/or benefit in the Bank and continues to allow the government of the Republic of Kazakhstan (directly or indirectly) to retain the sole right to exercise its rights as majority shareholder (including in relation to the appointment of directors) and (b) the "manager" is a Permitted Transferee;

"**Development Organisation**" means any of Asian Development Bank, European Bank for Reconstruction and Development, International Bank for Reconstruction and Development, International Finance Corporation, KfW Bankengruppe, Swedish Export Credits Guarantee Board – EKN, Nederlandse Financierings Maatschappij voor Ontwikkelingslanden N.V. or Deutsche Investitions und Entwicklungsgesellschaft GmbH or any other development finance institution established or controlled by one or more states and any other person which is a, or is controlled by any, Kazakhstan governmental body acting on behalf of, or funded in relation to, the relevant Financial Indebtedness by one or more of the foregoing development finance institutions;

"**Fair Market Value**" means, with respect to any asset or property, the price which could be negotiated in an arm's-length transaction, for cash, between a willing seller and a willing and able buyer, neither of whom is under undue pressure or compulsion to complete the transaction and, in the case of assets with a Fair Market Value in excess of U.S.$5,000,000, being determined on the basis of principles established by the Board of Directors of the Bank, which shall include, where the consideration involved exceeds U.S.$100,000,000, obtaining a valuation and/or fairness opinion from a reputable third party, as determined by the Board of Directors of the Bank;

"**Financial Indebtedness**" means any obligation (whether incurred as principal or surety), whether present or future, actual or contingent, for or in respect of:

(a) moneys borrowed and debit balances at banks or other financial institutions;

(b) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);

(c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of Finance Leases;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis and meet any requirement for de-recognition under IFRS);

(f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account);

(g) any amount raised by the issue of redeemable shares which are redeemable (other than at the option of the issuer) before the final redemption or repayment date under the relevant Notes or are otherwise classified as borrowings under the IFRS);

(h) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets or services and payment is due more than 90 days after the date of supply;

(i) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under IFRS; and

(j) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (j) above;

"**Finance Leases**" means any lease or hire purchase contracts which would, in accordance with IFRS, be treated as a finance or capital lease;

"**Group**" means the Bank and each of its Subsidiaries from time to time;

"**holder**" means the person in whose name a Note is registered in the Register (as defined in Condition 3) (or, in the case of joint holders, the first named thereof) and "**holders**" shall be construed accordingly;

"**IFRS**" means International Financial Reporting Standards in effect from time to time;

"**Information Memorandum**" means the information memorandum published by the Bank and dated on 8 November 2012 (as may be supplemented from time to time prior to the Issue Date);

"**KASE**" means the Kazakhstan Stock Exchange;

"**Material Subsidiary**" means at any relevant time a Subsidiary of the Bank:

(a) whose total assets or gross revenues (for the Bank and any Subsidiary carrying on a banking business, "gross revenues" shall mean interest income plus fee and commission income) (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or consolidated gross revenues) attributable to the Bank represent not less than five per cent. of the total consolidated assets or gross revenues of the Bank, as calculated by reference to the then latest audited accounts (or, if none, its then most recent management accounts or consolidated accounts, as the case may be) of such Subsidiary and the then latest audited consolidated accounts of the Group, in each case prepared in accordance with IFRS; or

(b) to which is transferred all or substantially all of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Material Subsidiary;

"**Permitted Security**" means:

(a) any security arising by operation of law and in the ordinary course of trading and not as a result of any default or omission by any member of the Group;

(b) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;

(c) any Security arising under any retention of title, hire purchase or conditional sale arrangement or arrangements having similar effect in respect of goods supplied to a member of the Group in the ordinary course of trading and on the supplier's standard or usual terms and not arising as a result of any default or omission by any member of the Group;

(d) any Security granted pursuant to the RCTFF Agreement;

(e) any Security arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market (and not for the purpose of raising credit or funds for the operation of any member of the Group other than on a short-term basis as part of its liquidity management activities), in connection with (i) contracts entered into simultaneously for sales and purchases at market prices of precious metals or securities, (ii) the establishment of margin deposits and similar securities in connection with interest rate and foreign currency hedging operations and trading in securities or (iii) the foreign exchange dealings or other proprietary trading activities including, without limitation, Repos, of any member of the Group;

(f) granted in favour of the Bank by any Material Subsidiary to secure Financial Indebtedness or other obligations owed by such Material Subsidiary to the Bank;

(g) arising in the ordinary course of the Bank's or a Material Subsidiary's trading activities and which is necessary in order to enable the Bank or such Material Subsidiary to comply with any mandatory or customary requirement imposed on it by law or by a banking or other regulatory authority in connection with the Bank's or such Material Subsidiary's business;

(h) on property acquired (or deemed to be acquired) under a Finance Lease, or claims arising from the use or loss of or damage to such property, *provided that* any such encumbrance secures only rentals and other amounts payable under such lease;

(i) granted by the Bank in favour of a Development Organisation to secure Financial Indebtedness owed by the Bank to such Development Organisation pursuant to any loan agreement or other credit facility entered into between the Bank and such Development Organisation, *provided that* the amount of Financial Indebtedness so secured pursuant to this paragraph (ix) shall not exceed in aggregate an amount in any currency or currencies equivalent to ten per cent. of the Bank's Net Assets calculated by reference to the most recent financial statements of the Bank prepared in accordance with IFRS;

(j) arising out of the refinancing, extension, renewal or refunding of any Financial Indebtedness secured by Security permitted by any of the above exceptions, *provided that* the Financial Indebtedness thereafter secured by such Security does not exceed the amount of the original Financial Indebtedness and such Security is not extended to cover any property not previously subject to such Security;

(k) not included in any of the above exceptions, in aggregate securing Financial Indebtedness with an aggregate principal amount at any time not exceeding U.S.$50,000,000 (or its equivalent in other currencies) at that time; or

(l) any other Security to which the Trustee (acting on the instructions of an Extraordinary Resolution) has given its prior written consent;

"**Permitted Transferee**" means a person which is a bank or other financial institution which has:

(a) in the case of a bank or other financial institution the ultimate parent company of which is incorporated outside or the majority of the consolidated assets of which are outside Kazakhstan (i) an ultimate parent company with a minimum consolidated net worth of U.S.$500,000,000 calculated pursuant to IFRS as at the date of its last audited published financial statements and (ii) either prior to any public announcement of an intended transfer of control of the Bank or at any time subsequent to such announcement and up to and including the actual transfer of control of the Bank, a minimum rating of at least BB- or the equivalent from any Rating Agency; or

(b) in the case of any other bank or other financial institution (i) an ultimate holding company with a minimum net worth of U.S.$325,000,000 calculated pursuant to IFRS as at the date of its last audited published financial statements and (ii) either prior to any public announcement of an intended transfer of control of the Bank or at any time subsequent to such announcement and up to and including the actual transfer of control of the Bank, a credit rating from a Rating Agency which is no lower than the rating of the Bank by such Rating Agency;

and in either event is not the subject of sanctions administered by the United States Treasury Department's Office of Foreign Assets Control or imposed by or required to be imposed by the European Union (or any Member State thereof) or the United Nations;

"**Person**" means any individual, company (including a business trust), corporation, firm, partnership, joint venture, association, organisation, trust (including any beneficiary thereof), state or agency of a state or other entity, whether or not having a separate legal personality;

"Rating Agency" means Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("**S&P**"), Moody's Investors Service Limited ("**Moody's**"), or Fitch Ratings Limited ("**Fitch**"), or any of their affiliates or successors (with respect to a rating referred to within the definition of "*Permitted Transferee*") or any other rating agency substituted for any of them or added by the Bank with the prior written approval of the Trustee.

"**RCTFF Agreement**" means the agreement dated 25 August 2010 between the Bank, The Royal Bank of Scotland N.V., Singapore Branch, The Royal Bank of Scotland N.V., Singapore Branch as security agent and the lenders named therein setting out the terms of the revolving committed trade finance facility extended to the Bank by certain lenders and to be used by the Bank for funding trade finance transactions, as may be amended or supplemented from time to time;

"**Redemption Date**" means the date on which any Note is to be redeemed either in whole or part;

"**Relevant Jurisdiction**" means, in relation to a member of the Group

(a) its jurisdiction of incorporation; and

(b) any jurisdiction where it conducts its business;

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities borrowing agreement or any agreement relating to securities which is similar in effect to any of the foregoing and, for purposes of this definition, the term "securities" means any capital stock, share, debenture or other debt or equity instrument, or other derivative, whether issued by any private or public company, any government or agency or instrumentality thereof or any supranational, international or multilateral organisation;

"**Restructuring**" means the proposed overall restructuring and/or cancellation of certain of the debts and other financial obligations of the Bank pursuant to, *inter alia*, the Restructuring Plan;

"**Restructuring Plan**" means the plan to restructure certain Financial Indebtedness of the Bank in the form set out in the Information Memorandum on 8 November 2012;

"**Samruk-Kazyna**" means joint-stock company Sovereign Wealth Fund "Samruk-Kazyna";

"**Security**" means any mortgage, charge, pledge, lien, security interest or other encumbrance securing any obligation of any Person or any other agreement or arrangement having a similar effect;

"**Secondary Public Offering**" means any sale or public offering of any equity security (including any preference shares) in the Bank or receipts or similar securities representing such equity securities by way of flotation, public placing, listing or other public offering on any recognised international exchange;

"**Specified Office**" has the meaning given to it in the Agency Agreement;

"**SK Loan**" means the U.S.$1,592,000,000 4 per cent. loan due 2024 to be made by Samruk-Kazyna to the Bank on or about the date hereof, to be denominated in Tenge;

"**SK Loan Agreement**" means the agreement entered into between the Bank and Samruk-Kazyna setting out the terms of the SK Loan dated on or before the Issue Date;

"**SK Loan Schedule**" means the schedule to the SK Loan, under which Samruk-Kazyna has agreed that the obligations of the Bank to it under the SK Loan Agreement will be subordinated in certain respects to the Notes and the facility provided pursuant to the RCTFF Agreement;

"**Subsidiary**" means:

(a) an entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership (and "control" for this purpose means the power to direct the management and policies of the entity whether through the ownership of voting capital, by contract or otherwise); or

(b) an entity whose financial statements are, in accordance with applicable law and IFRS, consolidated with those of another person,

and for these purposes, when determining whether an entity is a "Subsidiary" of another, the registration of any shares in such "Subsidiary" in the name of any nominee or any other person holding security over such shares shall be ignored so that such entity is deemed to be the Subsidiary of the person who created that security or on whose behalf the nominee holds the relevant shares (as the case may be);

"**Termination Date**" means the earlier of the date upon which (i) the Bank no longer has any obligations in respect of any of the Notes or (ii) the Notes receive a rating of at least BBB- or the equivalent from two or more of Standard & Poor's, Moody's Investor Service and Fitch Ratings on a post-termination basis; and

"**Treasury Transactions**" means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price.

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Note: the Financial Statements for the year ended 31 December 2012 contained in this Prospectus are subject to the approval of the Bank's shareholders. As at the date of this Prospectus, such approval has not yet been obtained.

BTA Bank JSC and subsidiaries

Consolidated Financial Statements

For the year ended 31 December 2012
together with Independent Auditors report

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of JSC BTA Bank

We have audited the accompanying consolidated financial statements of JSC BTA Bank (the "Bank") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2012, and the consolidated income statement, consolidated statements of comprehensive income, of changes in equity and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated 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 consolidated 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 the Group as at 31 December 2012, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Dmitry Weinstein
Audit Partner

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

15 March 2013

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2012

(Millions of Tenge)

	Notes	*2012*	*2011*
Assets			
Cash and cash equivalents	6	**50,375**	56,120
Obligatory reserves		**92**	55
Financial assets at fair value through profit or loss	7	**67,986**	51,060
Amounts due from credit institutions	8	**25,984**	30,570
Derivative financial assets	9	**1,759**	1,653
Assets held for sale		**–**	23,556
Investment securities:			
- available-for-sale	10	**40,044**	26,723
- held-to-maturity	10	**–**	5,569
Loans to customers	11	**644,683**	651,797
Bonds of SWF Samruk-Kazyna JSC	12	**107,103**	144,080
Bonds of SWF Samruk-Kazyna JSC pledged under repurchase agreements	12	**545,768**	392,625
Investments in associates	13	**26,098**	27,491
Property and equipment		**8,903**	7,727
Goodwill		**853**	752
Current corporate income tax assets	15	**3,574**	4,322
Deferred corporate income tax assets	15	**224**	1,044
Other assets	20	**87,076**	67,917
Total assets		**1,610,522**	1,493,061
Liabilities			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	16	**496,496**	431,055
Loan from SWF Samruk-Kazyna JSC	35	**105,748**	-
Amounts due to credit institutions	17	**64,798**	93,528
Derivative financial liabilities	9	**8,450**	4,541
Amounts due to customers	18	**535,884**	753,730
Debt securities issued	19	**74,126**	696,232
Provisions	14	**2,949**	5,877
Deferred corporate income tax liabilities	15	**75**	953
Other liabilities	20	**53,420**	41,953
Total liabilities		**1,341,946**	2,027,869
Equity			
Issued capital: common shares	21	**1,366,771**	1,187,023
Additional paid-in capital	21	**117,295**	(130,029)
Treasury shares		**(8,517)**	(8,244)
Available-for-sale investment securities revaluation reserve		**1,649**	1,144
Foreign currency translation reserve		**(2,501)**	(2,702)
Revaluation reserve for property and equipment		**1,909**	–
Other provisions relating to assets held for sale	3	**–**	(3,685)
Accumulated loss		**(1,209,315)**	(1,579,626)
Equity attributable to:			
Shareholders of the parent		**267,291**	(536,119)
Non-controlling interest		**1,285**	1,311
Total equity		**268,576**	(534,808)
Total liabilities and equity		**1,610,522**	1,493,061

Signed and authorized for release on behalf of the Management Board of the Bank

Ye.Zh. Balapanov — Chairman of the Management Board

A.N. Beisenbayev — First deputy chairman of the Management Board

A.B. Maxutova — Chief Accountant

15 March 2013

«БТА Банкі» АҚ
АО «БТА Банк»

The accompanying notes on pages 8 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

(Millions of Tenge)

	Notes	*2012*	*2011*
Interest income			
Loans to customers		**96,800**	117,279
Bonds of SWF Samruk-Kazyna JSC		**32,095**	31,542
Investment securities		**2,836**	2,652
Amounts due from credit institutions		**2,168**	2,012
		133,899	153,485
Financial assets at fair value through profit or loss		**2,308**	3,766
		136,207	157,251
Interest expense			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan		**(29,180)**	(27,858)
Loan from SWF Samruk-Kazyna JSC		**(454)**	–
Amounts due to credit institutions		**(5,267)**	(11,185)
Amounts due to customers		**(49,641)**	(56,740)
Debt securities issued		**(60,014)**	(69,734)
		(144,556)	(165,517)
Net interest expense before impairment		**(8,349)**	(8,266)
Charge of impairment of interest earning assets	8, 11	**(10,637)**	(129,739)
Net interest expense		**(18,986)**	(138,005)
Net fee and commission income	23	**8,030**	2,034
Income from purchase of own debt securities issued		**10,460**	453
Net trading gain/(loss)	24	**5,060**	(8,509)
Net gain/(loss) from foreign currencies:			
- dealing		**5,741**	(495)
- translation differences		**(19,131)**	(11,920)
Net income from insurance operations		**452**	3,038
Share in (loss)/income of associates	3, 13	**(1,677)**	7,039
Income from change in the cost of recovery units		**–**	10,455
Gain from disposal of subsidiaries		**–**	2,619
Other income		**4,302**	3,865
Non-interest income		**13,237**	8,579
Personnel expenses	26	**(19,226)**	(20,134)
Other operating expenses	26	**(32,452)**	(38,429)
Depreciation and amortization		**(2,716)**	(2,898)
Taxes other than income tax		**(5,333)**	(5,100)
Impairment charge on investments	25	**(626)**	(45,036)
Other impairment and provisions	14	**2,689**	(4,919)
Expenses on recognition of recovery units at reference amount	19	**(633,103)**	–
Obligatory insurance of individuals' deposits		**(4,022)**	(4,462)
Other expenses		**(2,864)**	(7,700)
Non-interest expense		**(697,653)**	(128,678)
Restructuring gain	35	**1,073,982**	–
Profit/(loss) before corporate income tax benefit/(expense)		**370,580**	(258,104)
Corporate income tax expense	15	**(280)**	(159,906)
Net profit/(loss) after corporate income tax benefit/(expense)		**370,300**	(418,010)
Attributable to:			
Shareholders of the parent		**370,185**	(417,766)
Non-controlling interest		**115**	(244)
Net profit/(loss)		**370,300**	(418,010)
Basic and diluted profit/(loss) per share (in tenge)	27	**7.13**	(9.53)

The accompanying notes on pages 8 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2012

(Millions of Tenge)

	Notes	*2012*	*2011*
Net profit/(loss)		**370,300**	(418,010)
Other comprehensive income/(loss)			
Fair value change of available-for-sale investment securities		**250**	(208)
Reclassification of available-for-sale investment securities revaluation reserve on disposal of previously revalued assets, in income statement		**(312)**	(189)
Impairment of available-for-sale investment securities reclassified to income statement	10	**524**	1,394
Share of changes in other provisions relating to assets held for sale	3	**3,685**	(2,798)
Change in the fair value of property and equipment		**2,492**	–
Foreign exchange revaluation		**201**	(2,069)
Income tax relating to components of other comprehensive income		**(457)**	–
Other comprehensive income/(loss) for the year		**6,383**	(3,870)
Total comprehensive income/(loss) for the year		**376,683**	(421,880)
Attributable to:			
- Equity holders of the parent		**376,611**	(421,645)
- Non-controlling interest		**72**	(235)
		376,683	(421,880)

The accompanying notes on pages 8 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2012

(Millions of Tenge)

	Issued capital-common shares	*Additional paid-in capital*	*Treasury shares*	*Available-for-sale investment securities revaluation reserve*	*Foreign currency translation reserve*	*Other provisions relating to assets held for sale*	*Accumulated deficit*	*Total*	*Non-controlling interest*	*Total equity deficit*
1 January 2011	1,187,023	(130,029)	(8,260)	(713)	(651)	–	(1,156,236)	(108,866)	4,353	(104,513)
Net loss for the year	–	–	–	–	–	–	(417,766)	(417,766)	(244)	(418,010)
Other comprehensive loss for the year	–	–	–	(1,828)	(2,051)	–	–	(3,879)	9	(3,870)
Total comprehensive loss for the year	–	–	–	(1,828)	(2,051)	–	(417,766)	(421,645)	(235)	(421,880)
Reclassification of accumulated loss recognized directly in equity relating to assets held for sale (Note 3)	–	–	–	3,685	–	(3,685)	–	–	–	–
Sale of treasury shares	–	–	16	–	–	–	–	16	–	16
Adjustment for hyperinflation	–	–	–	–	–	–	(1,847)	(1,847)	–	(1,847)
Purchase of non-controlling interest	–	–	–	–	–	–	(3,777)	(3,777)	(2,807)	(6,584)
31 December 2011	1,187,023	(130,029)	(8,244)	1,144	(2,702)	(3,685)	(1,579,626)	(536,119)	1,311	(534,808)

The accompanying notes on pages 8 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

For the year ended 31 December 2012

(Millions of Tenge)

	Issued capital-common shares	*Additional paid-in capital*	*Treasury shares*	*Available-for-sale investment securities revaluation reserve*	*Foreign currency translation reserve*	*Revaluation reserve for property and equipment*	*Other provisions relating to assets held for sale*	*Accumulated deficit*	*Total*	*Non-controlling interest*	*Total equity deficit*
1 January 2012	**1,187,023**	**(130,029)**	**(8,244)**	**1,144**	**(2,702)**	**–**	**(3,685)**	**(1,579,626)**	**(536,119)**	**1,311**	**(534,808)**
Net income for the year	–	–	–	–	–	–	–	370,185	370,185	115	370,300
Other comprehensive (loss)/income for the year	–	–	–	505	201	2,035	3,685	–	6,426	(43)	6,383
Total comprehensive income for the year	–	–	–	505	201	2,035	3,685	370,185	376,611	72	376,683
Issuance of ordinary shares (Note 21)	179,748	–	–	–	–	–	–	–	179,748	–	179,748
Additional paid-in capital (Note 21)	–	247,324	–	–	–	–	–	–	247,324	–	247,324
Repurchase of treasury shares	–	–	(274)	–	–	–	–	–	(274)	–	(274)
Sale of treasury shares	–	–	1	–	–	–	–	–	1	–	1
Purchase of non-controlling interest	–	–	–	–	–	–	–	–	–	(98)	(98)
Amortisation of revaluation reserve for property and equipment	–	–	–	–	–	(126)	–	126	–	–	–
31 December 2012	**1,366,771**	**117,295**	**(8,517)**	**1,649**	**(2,501)**	**1,909**	**–**	**(1,209,315)**	**267,291**	**1,285**	**268,576**

The accompanying notes on pages 8 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2012

(Millions of Tenge)

	Notes	*2012*	*2011*
Cash flows from operating activities			
Interest received		**84,161**	98,569
Interest paid		**(85,984)**	(118,552)
Income from dealing in foreign currencies		**5,652**	890
Income received/(expenses paid) from trading with securities		**1,651**	(352)
Fees and commissions received		**21,301**	18,033
Fees and commissions paid		**(7,871)**	(16,010)
Cash paid for insurance operations		**(9,500)**	(3,455)
Cash received from insurance operations		**17,063**	9,871
Cash paid to employees		**(17,498)**	(18,485)
Cash paid for obligatory deposits insurance		**(4,061)**	(4,286)
Operating expenses paid		**(35,488)**	(35,632)
Net cash used in operating activities before changes in operating assets and liabilities		**(30,574)**	(69,409)
Net increase/decrease in cash from operating assets and liabilities			
Net increase in obligatory reserves		**(37)**	(15)
Net decrease in financial assets at fair value through profit or loss		**4,549**	19,508
Net decrease/(increase) in amounts due from credit institutions		**7,192**	(4,602)
Net decrease in loans to customers		**20,302**	42,519
Net increase in other assets		**(4,058)**	(3,498)
Net increase/(decrease) in due to the Government and the National Bank of the Republic of Kazakhstan		**63,871**	(20,018)
Net change in derivative financial instruments		**(3,924)**	1,672
Net decrease in amounts due to credit institutions		**(26,222)**	(60,162)
Net (decrease)/ increase in amounts due to customers		**(41,419)**	70,016
Net increase/(decrease) in other liabilities		**2,398**	(4,919)
Net cash flows from/(used in) operating activities before income tax		**(7,922)**	(28,908)
Income tax paid		**(312)**	(782)
Net cash flows from/(used in) operating activities		**(8,234)**	(29,690)
Cash flows from investing activities			
Purchase of investment securities available-for-sale		**(19,069)**	(11,853)
Disposal of available-for-sale investment securities		**13,595**	9,546
Purchase of held-to-maturity investment securities		**(1,685)**	(738)
Redemption of held-to-maturity investment securities		**1,193**	2,559
Acquisition of subsidiaries net of cash received		**874**	105
Proceeds from the sale of an asset held for sale	3	**17,880**	–
Dividends received from associates		**–**	358
Purchase of property and equipment		**(1,938)**	(2,317)
Proceeds from disposal of property and equipment		**949**	1,017
Net cash from/(used in) investing activities		**11,799**	(1,323)

The accompanying notes on pages 8 to 69 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

For the year ended 31 December 2012

(Millions of Tenge)

	Notes	*2012*	*2011*
Cash flows from financing activities			
Proceeds from bonds issued		**2,246**	330
Redemption of debt securities issued		**(251,746)**	(7,641)
Net increase in loan from SWF Samruk-Kazyna JSC		**239,771**	–
Purchase of non-controlling interest		**–**	(6,584)
Proceeds from sale of treasury shares		**1**	16
Net cash used in financing activities		**(9,728)**	(13,879)
Effect of exchange rate changes on cash and cash equivalents		**418**	222
Net decrease in cash and cash equivalents		**(5,745)**	(44,670)
Cash and cash equivalents, beginning	6	**56,120**	100,790
Cash and cash equivalents at the end of the period	6	**50,375**	56,120
Non-cash transactions			
Collateral obtained for repayment of loans to customers		**17,616**	9,802
Business combination		**1,368**	404
Corporate income tax offset		**276**	1,564
Purchase of treasury shares		**274**	–
Deconsolidation of subsidiary		**–**	4,563

The accompanying notes on pages 8 to 69 are an integral part of these consolidated financial statements.

(Millions of Tenge)

1. Principal activities

JSC BTA Bank and its subsidiaries (the "Group") provide retail and corporate banking services, insurance services, leasing and other financial services in Kazakhstan, Belorussia, and the Russian Federation. The parent company of the Group is BTA Bank (the "Bank"), a joint –stock company. The Bank is incorporated and domiciled in the Republic of Kazakhstan. Note 3 lists the Bank's subsidiaries and associates.

The location of the Bank is: 050051, Republic of Kazakhstan, Almaty, Samal-2 Zholdasbekov Str., 97.

The Bank accepts deposits from the public and extends credits, transfers payments within Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers in accordance with license No. 242 issued on 4 March, 2008 by the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organizations. In addition, the Group is authorized to accept funds of the pension fund depositors. The Group has a primary listing in the Kazakhstan Stock Exchange ("KASE"). Certain of the Group's securities are listed on the Luxemburg Stock Exchange with a secondary listing on the KASE. Its head office is located in Almaty, Kazakhstan. As of 31 December 2012 the Bank had 22 regional branches and 204 cash settlement units (as at 31 December 2011, the Bank had 22 regional branches and 220 cash settlement units), located throughout Kazakhstan and representative offices in Shanghai, China; Moscow, Russia; Dubai, United Arab Emirates; London, Great Britain.

Sovereign Wealth Fund "Samruk-Kazyna" JSC is the ultimate parent (the "Parent" – or the "Controlling shareholder") of the Group. Ultimate shareholder of the Group is the Government of the Republic of Kazakhstan.

Below is the list of major shareholders of the Bank as at:

	31 December 2012, %	*31 December 2011, %*
Shareholders		
Common shares		
Sovereign Wealth Fund "Samruk-Kazyna" JSC	**97.28**	81.48
Other	**2.72**	18.52
	100.00	100.00

2. Going concern

Due to the deterioration of the financial position of the Bank in 2011, relative limited liquidity and the negative financial result, in January 2012 the Bank defaulted on a coupon payment on senior bonds, special debt instruments with discount and subordinated bonds. On 23 April 2012 the Bank announced that it was stopping all payments on Recovery notes. On 28 April 2012 the Bank received a notification of early redemption of the Recovery notes; as a result the total notional amount of USD 5,107 million, which is equal to KZT 755,325 million (after deduction of bonds repurchased by the Group), has become immediately payable.

On 30 March 2012 the Bank signed a Deed of Amendment and Restatement amending the RCTFF based on which the payment due on 30 March was deferred until 30 June 2012. However on 30 June 2012 this payment was not made by the Bank.

On 3 April 2012 the Bank formally appointed a steering committee of creditors to coordinate discussions with respect to proposed restructuring of the Bank's debt.

Restructuring Plan of liabilities of the Bank was approved on 3 December 2012 at the General Meeting of Shareholders of the Bank by a majority of 99.4%. On 5 December 2012 Restructuring Plan was approved by creditors with the claims in the amount of 93.8% of all claims. Creditors, who held instruments issued by the Bank as part of the restructuring in 2010, and the Parent participated in the voting.

Restructuring Plan of financial indebtedness of the Bank in the amount of USD 11,2 billion, which equals to KZT 1,685,045 million, was completed on 24 December 2012.

As part of the restructuring designated financial indebtedness of the Bank subject to restructuring was cancelled. In exchange the creditors received USD 1,618 million,which equals to KZT 243,487 million, in cash and USD 750 million of New Notes, which equals to KZT 112,868 million, with semi-annual coupon of 5.5% per annum and maturity of full amount in 2022. The Bank has also signed Second and Third Supplemental Deed of Amendment and Restatement to RCTFF with outstanding liability of the Bank as at date of restructuring amounting to USD 348 million, which equals to KZT 52,322 million.

Furthermore, the Bank allocated 597,286,607,949 common shares in form of shares and GDR as a result of conversion into equity capital of deposits of Parent in the amount of USD 1,189 million, which equals to KZT 176,376 million, and subordinated debt of the Bank in the amount of USD 19 million, which equals to KZT 2,810 million. In addition, the Bank has obtained a loan from Parent in the amount of KZT 239,771 million, subordinated to New Notes and RCTFF.

2. Going concern (continued)

On 28 December 2012 the Specialized Financial court of Almaty declared the completion of the Bank's financial debt restructuring in the amount of USD 11.2 billion, which equals to KZT 1,685,045 million. The decision came into force on 6 February 2013. This judgement was based on execution by the Bank of a complex of measures provided by the Bank's restructuring plan.

Restructuring has led to a significant decrease in the amount of external funding. Complex instruments issued earlier (Recovery notes and OID notes) were cancelled, the terms of issue of New Notes are more simple, at the same time the coupon rate on notes was reduced. The terms of the New Notes of the Bank do not include certain acceleration events, including claims on debts written off during restructuring, which was previously envisaged under the Recovery notes. There has been a simplification of covenants on the new instruments, and elimination of the more complicated corporate governance procedures.

These consolidated financial statements of the Group were prepared based on the going concern principle. Accordingly, these consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary if the Group is unable to continue as a going concern.

3. Basis of preparation

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter - "IFRS").

General

These financial statements are presented in millions of Kazakh tenge ("KZT" or "tenge"), except per share amounts and unless otherwise indicated. The KZT is utilized as the shareholders, the managers and the regulators measure the Group's performance in KZT. In addition, the KZT, being the national currency of the Republic of Kazakhstan, is the currency that reflects the economic substance of the underlying events and circumstances relevant to the Group. Significant foreign currency positions are maintained as they are necessary to meet customers' requirements, manage foreign currency risks and achieve a proper assets and liabilities structure of the Group. Transactions in other currencies are treated as transactions in foreign currencies.

The consolidated financial statements are prepared under the historical cost convention except as described in significant accounting policies. For example, financial assets at fair value through profit or loss, securities available-for-sale, derivative financial instruments and buildings have been measured at fair value.

(Millions of Tenge)

3. Basis of preparation (continued)

The consolidated financial statements include financial statements of the following subsidiaries:

Subsidiary	*Share of ownership, %* 31 December 2012	*Share of ownership, %* 31 December 2011	*Country*	*Date of incorporation*	*Industry*	*Date of acquisition*
JSC Subsidiary of JSC BTA Bank BTA Securities	**100.00%**	100.00%	Kazakhstan	17/10/1997	Securities trading and asset management	13/12/1997
JSC Subsidiary Company of JSC BTA Bank BTA Ipoteka	**100.00%**	100.00%	Kazakhstan	20/11/2000	Consumer mortgage lending	20/11/2000
JSC Subsidiary Life Insurance Company of BTA Bank BTA Life	**100.00%**	100.00%	Kazakhstan	22/07/1999	Life insurance	30/03/2001
TuranAlem Finance B.V.	**100.00%**	100.00%	Netherlands	22/05/2001	Capital markets	22/05/2001
LLC Subsidiary of JSC BTA Bank TuranAlem Finance	**100.00%**	100.00%	Russia	22/06/2004	Capital markets	28/09/2004
JSC Subsidiary of JSC BTA Bank Insurance Company London-Almaty	**100.00%**	99.53%	Kazakhstan	20/11/1997	General insurance	05/08/2004
"BTA Finance Luxembourg SA affiliated company of JSC BTA Bank"	**100.00%**	86.11%	Luxemburg	05/01/2006	Capital markets	06/03/2006
JSC Subsidiary Company of BTA Bank BTA Insurance	**99.45%**	98.68%	Kazakhstan	08/09/1998	General insurance	21/12/2006
TemirCapital B.V.	**100.00%**	100.00%	Netherlands	29/05/2001	Capital markets	29/12/2006
BTA Bank CJSC	**99.71%**	99.71%	Belorussia	25/04/2002	Bank activities	30/10/2008
JSC Accumulative Pension Fund Ular- Umit	**92.38%**	92.38%	Kazakhstan	23/01/1998	Pension fund	13/01/2010
LLP Titan Inkassatsiya	**100.00%**	100.00%	Kazakhstan	22/08/2002	Encashment	05/01/2010
JSC Pension Asset Management Company Zhetysu	**100.00%**	100.00%	Kazakhstan	05/03/1998	Pension assets investment management	14/01/2010
Subsidiary of JSC BTA Bank BTA Alemcard LLP	**100.00%**	100.00%	Kazakhstan	28/06/2002	Processing centre	03/10/2011
Joint-Stock Investment Real Estate Fund "Alan Real Estate Investment Trust" JSC	**100.00%**	–	Kazakhstan	17/06/2008	Real estate investments	29/12/2012
Risk Investments Closed Unit Fund "Sigma"	**100.00%**	–	Kazakhstan	22/08/2008	Mutual investment fund	29/12/2012
Risk Investments Closed Unit Fund "Fokstrot"	**100.00%**	–	Kazakhstan	22/08/2008	Mutual investment fund	29/12/2012
Interval Unit Investment Fund "Bonusnyi"	**100.00%**	–	Kazakhstan	31/01/2007	Mutual investment fund	29/12/2012
Risk Investments Closed Unit Fund "Vektor"	**100.00%**	–	Kazakhstan	21/06/2005	Mutual investment fund	29/12/2012
Risk Investments Closed Unit Fund "Gamma"	**100.00%**	–	Kazakhstan	22/08/2008	Mutual investment fund	29/12/2012
Risk Investments Closed Unit Fund "Delta"	**100.00%**	–	Kazakhstan	22/08/2008	Mutual investment fund	29/12/2012
Risk Investments Closed Unit Fund "Sputnik"	**100.00%**	–	Kazakhstan	09/09/2005	Mutual investment fund	29/12/2012
Risk Investments Closed Unit Fund "BTA Strategicheskiy"	**100.00%**	–	Kazakhstan	09/09/2005	Mutual investment fund	29/12/2012
Interval Unit Investment Fund "Fond Obligatsiy"	**100.00%**	–	Kazakhstan	31/01/2007	Mutual investment fund	29/12/2012
Risk Investments Closed Unit Fund "Fortuna"	**100.00%**	–	Kazakhstan	31/01/2007	Mutual investment fund	29/12/2012
Risk Investments Closed Unit Fund "Omega"	**100.00%**	–	Kazakhstan	22/08/2008	Mutual investment fund	29/12/2012
Interval Unit Investment Fund "Indeksnyi"	**98.02%**	–	Kazakhstan	09/09/2005	Mutual investment fund	29/12/2012
Risk Investments Closed Unit Fund "Novye proekty"	**58.27%**	–	Kazakhstan	21/06/2005	Mutual investment fund	29/12/2012
Risk Investments Closed Unit Fund "BTA Investitsionnyi"	**34.59%**	–	Kazakhstan	11/02/2005	Mutual investment fund	29/12/2012
First Kazakh Securitization Company	**–**	–	Netherlands	08/12/2005	Securitization of financial assets	–
Second Kazakh Securitization Company	**–**	–	Netherlands	25/09/2007	Securitization of financial assets	–

(Millions of Tenge)

3. Basis of preparation (continued)

In September 2012 the share of the Bank's participation in the charter capital of BTA Finance Luxembourg S.A. affiliated company of JSC BTA Bank increased by 13,89% and amounted to 100% due to the free transfer of shares amounting to 4,000 shares from The Bank of New York Depositary (Nominees) Limited based on the agreement on transfer of shares.

In December 2012, the Bank repossesed 100% share in the charter capital of Joint-Stock Investment Real Estate Fund "Alan Real Estate Investment Trust" JSC (AREIT) to return debt of troubled borrowers. The fair value of net assets of AREIT at the date of transfer of assets ownership rights to the Bank amounted to KZT 620 million. As a result of business combination the Group recognized goodwill in the amount of KZT 101 million.

In December 2012, the Bank repossessed shares of RICUF Sigma, RICUF Fokstrot, IUIF Bonusnyi, RICUF Vektor, RICUF Gamma, RICUF Delta, RICUF Sputnik, RICUF BTA Strategicheskiy, IUIF Fond Obligatsiy, RICUF Fortuna, RICUF Omega, IUIF Indeksnyi, RICUF Novye proekty and RICUF BTA Investitsionnyi. Despite of the fact that investment unit funds are not legal entities, the Group decided to consolidate them because they are treated as business in accordance with IFRS 3 *Business Combinations*. The fair value of net assets of the above investment unit funds at the date of transfer of shares ownership rights to the Bank amounted to KZT 2,151 million. As a result of business combination the Group recognized a gain from profitable purchase in the amount of KZT 50 million.

As at 31 December 2012 the Bank owned 34.59% of the total amount of shares of RICUF BTA Investitsionnyi. The Group made a decision to consolidate RICUF BTA Investitsionnyi because the remaining shares as at 31 December 2012 were arrested and must have been transferred to the ownership of the Bank after the settlement of proceedings. On 9 January 2013 the remaining 65.41% of the total number of shares were transferred to the Bank.

As at 31 December 2012 the share of the Group in the capital of JSC Subsidiary of JSC BTA Bank Insurance Company London-Almaty amounted to 100% as a result of consolidation of investment unit funds.

In December 2012, the Bank foreclosed 11.676 common shares of JSC Subsidiary Company of BTA Bank BTA Insurance, (hereinafter - "BTA Insurance"), as a result the Bank's share in the capital of BTA Insurance increased by 0.77% and as at 31 December 2012 amounted to 99.45%.

Although the Group did not own any shares in First Kazakh Securitisation Company and Second Kazakh Securitisation Company as at 31 December 2012 and 2011 and for the years then ended, they are treated, in accordance with SIC-12 *Consolidation – Special Purpose Entities*, as subsidiaries, because at those dates the Group controlled and benefited directly from operations of these entities.

Associates accounted for under equity method

The following associates are accounted for under the equity method and included into investments in associates:

31 December 2012 *Associate*	*Percentage of ownership*	*Country*	*Activity*	*Share in net (loss)/ income*	*Total assets*	*Total liabilities*	*Equity*
BTA Bank PJSC	**49.99%**	**Ukraine**	**Bank**	**(1,431)**	**73,331**	**45,846**	**27,485**
BTA Bank JSC	**49.00%**	**Georgia**	**Bank**	**(242)**	**11,246**	**8,844**	**2,402**
BTA Bank CJSC	**48.93%**	**Armenia**	**Bank**	**56**	**4,910**	**2,800**	**2,110**
JSCB BTA Kazan OJSC	**47.33%**	**Russia**	**Bank**	**(160)**	**102,402**	**91,852**	**10,550**
SK Leasing JSC	**45.00%**	**Kazakhstan**	**Leasing**	**70**	**2,078**	**333**	**1,745**
Temir Leasing JSC	**47.16%**	**Kazakhstan**	**Leasing**	**26**	**3,723**	**1,717**	**2,006**
Oranta NJSIC	**35.17%**	**Ukraine**	**Insurance**	**4**	**21,992**	**6,426**	**15,566**
AMT Bank LLC	**22.26%**	**Russia**	**Bank**	*****	*****	*****	*****
Total				**(1,677)**	**219,682**	**157,818**	**61,864**

(Millions of Tenge)

3. Basis of preparation (continued)

Associates accounted for under equity method (continued)

31 December 2011 Associate	*Percentage of ownership*	*Country*	*Activity*	*Share in net (loss)/ income*	*Total assets*	*Total liabilities*	*Equity*
BTA Bank PJSC	49.99%	Ukraine	Bank	488	73,568	45,095	28,473
BTA Bank JSC	49.00%	Georgia	Bank	29	10,450	7,626	2,824
BTA Bank CJSC	48.93%	Armenia	Bank	49	3,618	1,518	2,100
JSCB BTA Kazan OJSC	47.33%	Russia	Bank	69	86,523	76,236	10,287
SK Leasing JSC	45.00%	Kazakhstan	Leasing	34	2,111	436	1,675
Temir Leasing JSC	35.52%	Kazakhstan	Leasing	6	4,042	2,106	1,936
Oranta NJSIC	35.17%	Ukraine	Insurance	649	20,876	5,882	14,994
Sekerbank	33.98%	Turkey	Bank	5,715	1,109,011	997,537	111,474
AMT Bank LLC	22.26%	Russia	Bank	*	*	*	*
Total				7,039	1,310,199	1,136,436	173,763

* On 21 July 2011, the Russian Central Bank revoked the license to perform banking operations from AMT Bank OJSC. As at 31 December 2012 and 2011, there was no reliable financial reporting of AMT Bank OJSC.

In March 2012 the portion of Sekerbank shares in the amount of 222,148,406 shares was sold to the Parent for KZT 17,880 million in accordance with the agreement of purchase and sale signed between the Parent and Subsidiary of BTA Bank JSC BTA Securities JSC (hereinafter, BTA Securities). As a result of the partial sale of Sekerbank shares in March 2012 and reclassification of the remaining share in the equity of Sekerbank, the accumulated loss recognized in the statement of other comprehensive income and charged to investments in Sekerbank in the amount of KZT 3,685 million was reclassified from other comprehensive income relating to assets held for sale to the income statement. As a result of this transaction as at 31 December 2012, the share of the Group in the capital of Sekerbank decreased from 33.98% to 11.76%.

In September 2012, the Group's share in JSC Temirleasing (hereinafter, "Temirleasing") charter capital increased from 35.52% to 45.14% as a result of foreclosure of common shares of Temirleasing in the amount of 150,000 shares as partial customer debt service payment to the Bank. In December 2012, as part of business combination of mutual investment funds, the Group's share in the charter capital of Temirleasing increased by 2.02% and amounted to 47.16% as at 31 December 2012.

4. Summary of significant accounting policies

Changes in accounting policies

In 2012 the Group has implemented the following revised IFRS standards and new Interpretations. The principal effects of these changes are as follows:

Amendment to IFRS 7 Financial Instruments: Disclosures

The amendment was issued in October 2010 and became effective for financial years beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred to enable the users of the Group's consolidated financial statements to evaluate the risks associated with those assets. The amendment affected disclosures only and did not have any impact on the Group's financial position or performance.

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

- Amendment to IAS 12 *Income tax – Deferred Taxes – Recovery of underlying assets*
- Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*

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 and unrealised gains on these transactions, as well as balances are eliminated in full. Unrealised losses are also eliminated unless when a respective operation gives evidence of the impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(Millions of Tenge)

4. Summary of significant accounting policies (continued)

Acquisition of subsidiaries

Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree that currently entitles their holders to a proportionate share of the entity's net assets, in the event of liquidation, either at the fair value or at the proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interest are measured at fair value at the date of acquisition. Acquisition costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations under common control transactions

Business combinations under common control transactions are accounted for using the pooling of interests method. A business combination under common control transaction considers the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The only adjustments that are made are to harmonise accounting policies;
- No 'new' goodwill is recognised as a result of the combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity;
- The consolidated income statement reflects the results of the combining entities prospectively from the date of combination.

(Millions of Tenge)

4. Summary of significant accounting policies (continued)

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. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in statement of income, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Financial assets

Initial recognition of financial instruments

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, or 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 trade date i.e. the date that the Group commits to purchase the asset. 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.

'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 income statement when the inputs become observable, or when the instrument is derecognised.

Financial assets at fair value through profit or loss

Securities are classified as financial assets at fair value through profit or loss if they are acquired for the purpose of selling in the near term. Derivatives are also classified as financial assets at fair value through profit or loss unless they are designated as effective hedging instruments. Income and expenses on financial assets at fair value through profit or loss are recognised in the consolidated income statement.

Financial assets can be classified as at fair value through profit or loss upon initial recognition if it increases the importance of the information provided, since such classification eliminates or significantly reduces inconsistency of evaluation or recognition, which otherwise would arise from revaluation of assets or liabilities or from recognition of profits or losses on them on a different basis.

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.

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4. Summary of significant accounting policies (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Income and expense are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial assets available-for-sale

Available-for-sale financial investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for sale financial investments 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 and 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.

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Group has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available-for-sale or held-to-maturity categories only in rare circumstances.

If, as a result of change in the Group's intention or ability, classification of investments as held-to-maturity is no longer appropriate, the Group reclassifies them to the category of available-for-sale and remeasures at fair value. The difference between carrying amount and fair value is recognised in other comprehensive income up the time of investment disposal or derecognition. After such reclassification the Group does not classify any financial assets as held-to-maturity during the period of reclassification and two subsequent financial years.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category if the Group has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the National Bank of the Republic of Kazakhstan (the “NBRK”) – excluding obligatory reserves, and amounts due from other financial institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

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4. Summary of significant accounting policies (continued)

Obligatory reserves

Obligatory reserves represent mandatory reserve deposits and cash which are not available to finance the Bank's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated cash flow statements.

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 consolidated 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 this case the purchase and sale are recorded within net income from trading operations 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, including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are primarily held for trading and are initially measured in accordance with financial instruments recognition policy and subsequently measured 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 (unrealised gain) when fair value is positive and as liabilities (unrealised loss) when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of income within net income/(expense) from trading operations or net income/(expense) from foreign currencies dealing, depending on the nature of the instrument.

Derivative instruments embedded in other financial instruments are treated as a separate derivative and recorded at fair value if their risks and economic characteristics are not closely related to the host contracts and the host contracts are not carried at fair value through 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 income statement.

Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of specific assets and the arrangement conveys a right to use the asset.

I. Finance – Group as lessor

The Group presents leased assets as loans equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

II. 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 operating lease are recognized as expenses on a straight-line basis over the lease term and included in other operating expenses.

III. Operating – Group as lessor

The Group presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term within other income. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset and are recognized as expense over the lease term

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4. Summary of significant accounting policies (continued)

Taxation

The current income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan and other tax authorities, and of the jurisdictions in which the Group has offices, branches or subsidiaries.

Deferred tax assets and liabilities are calculated in respect of 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 laws that have been enacted or substantively enacted at the reporting date. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Kazakhstan also has various operating taxes that are assessed on the Group's activities. These taxes are recorded as taxes other than income tax.

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.

Allowances for impairment of financial assets

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the consolidated statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

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4. Summary of significant accounting policies (continued)

Allowances for impairment of financial assets (continued)

Amounts due from credit institutions and loans to customers (continued)

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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 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 amortized 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 income statement, the impairment loss is reversed through the consolidated income statement.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. The accounting treatment of such restructuring is as follows:

- If the currency of the loan has been changed the old loan is derecognised and the new loan is recognised;
- If the loan restructuring is not caused by the financial difficulties of the borrower the Group uses the same approach as for financial liabilities described below.
- If the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Group recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case loan is not impaired after restructuring the Group recalculates the effective interest rate.

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

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4. Summary of significant accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised 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; 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 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. This provision does not apply in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, 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.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

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 statement of income.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to special purposes entities which issue securities to investors. The transferred assets may qualify for derecognition in full or in part. Interests in the securitised financial assets may be retained by the Group and are primary classified as loans and receivables. Gains or losses on securitisations are based on the carrying amount of the financial assets derecognised and the retained interest, based on their relative fair values at the date of the transfer.

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of: the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement. The premium received is recognised in the consolidated income statement on a straight-line basis over the life of the guarantee.

Property and equipment

Property and equipment, except for buildings, 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.

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4. Summary of significant accounting policies (continued)

Property and equipment (continued)

Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. After revaluation of items of property and equipment of *Buildings* class, accumulated depreciation as at the revaluation date is remeasured in proportion to the gross change in the carrying amount of the asset in such a way that the carrying amount of the asset after revaluation is equal to its revalued cost. If the carrying amount of the asset increases as a result of revaluation, such increase is recorded directly in equity in the revaluation reserve for property and equipment. However this increase in recognized in the income statement to the extent it reverses the revaluation loss on the same asset previously recognized in the income statement. If the asset's carrying amount is reduced as a result of revaluation, the cost reduction is recognized in the income statement. However, such revaluation loss is recognized through other comprehensive income for property and equipment subject to availability of the credit balance of the property and equipment revaluation reserve.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Amendments to the accounting policies have been introduced in September 2012 and the carrying amount of buildings was adjusted to the fair value for more reliable and significant estimate of the Bank's financial indicators.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The carrying amounts of property and equipment are reviewed if events or change in circumstances indicate that the carrying amount may not be recovered and where carrying values exceed their estimated recoverable amounts, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in other operating expenses.

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.

	2012	***2011***
	Years	
Buildings	**10-100**	40
Furniture and fixtures	**3-20**	4-10
Computers	**2,5-10**	4
Office equipment	**2,5-10**	8
Land	**–**	–
Construction in process	**–**	–

Depreciation on assets under construction is charged only when the assets are available for use and transferred into relevant property and equipment categories.

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

Expenses related to repairs and renewals are recorded in the consolidated income statement and included in other operating expenses unless they qualify for capitalization.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the consolidated statement of income.

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4. Summary of significant accounting policies (continued)

Goodwill

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. Goodwill on an acquisition of a subsidiary is included in goodwill. Goodwill on an acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes;
- is not larger than the operating segment as defined in IFRS 8 *Operating Segments*.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset (or disposal group). An active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Amounts due to Government and central banks, credit institutions and customers

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to Government and central banks, credit institutions and to customers and initially recognised at the fair value of the consideration received less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated statements of income over the period of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of income.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

(Millions of Tenge)

4. Summary of significant accounting policies (continued)

Retirement and other employee benefit obligations

The Group does not have any pension arrangements separate from the State pension system of Kazakhstan, which requires current withholdings by the employer calculated as a percentage from current gross salary payments; such expense is charged in the period the related salaries are earned and included in salaries and benefits in consolidated statements of income. The Group has contributed social tax to the budget of the Republic of Kazakhstan for its employees. In addition, the Group has no post-retirement benefits or significant other compensated benefits requiring accrual.

Equity

Shares outstanding

Ordinary shares with dividends, which can be declared at the discretion of the Bank, 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.

Treasury shares

Where the Bank or its subsidiaries purchase the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared 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 for issue.

Contingent liabilities and contingent assets

Contingent liabilities are not recorded in the consolidated financial statements, but should be disclosed. Contingent liabilities are not recorded and not disclosed in those cases when the possibility of any outflow of economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Asset management activities

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in these consolidated financial statements.

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the 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 instruments classified as available-for-sale investments, 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.

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4. Summary of significant accounting policies (continued)

Recognition of income and expenses (continued)

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loans.

Commission income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Net insurance income/(loss)

Net insurance income/(loss) includes net written insurance premiums and commissions earned on ceded insurance reduced by the net change in the unearned premium reserve, claims paid, the provision of insurance losses and loss adjustment expenses, and policy acquisition cost.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract, premiums are recorded as written and are earned on a prorata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within other liabilities in the consolidated statement of financial position.

Losses and loss adjustments are charged to the consolidated statement of income as incurred through the reassessment of the reserve for losses and loss adjustment expenses.

Commissions earned on ceded reinsurance contracts are recognised in income as incurred.

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are deferred, recorded in the consolidated statement of financial position within other assets, and are amortized over the period in which the related written premiums are earned.

Reserve for insurance losses and loss adjustment expenses

The reserve for insurance losses and loss adjustment expenses are included in the consolidated statement of financial position within other liabilities and is based on the estimated amount payable on claims reported prior to the reporting date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting period.

Due to the absence of prior experience, the reserve for incurred but not reported claims ("IBNR") was established as being equal to the expected loss ratio for each line of business times the value of coverage, less the losses actually reported.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. The resulting adjustments are reflected in income for the current period.

Reinsurance

The Group cedes insurance risk in the normal course of business. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from legal risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross unless a right of offset exists and is included in the consolidated statement of financial position within other assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are transferred by the Group to the reinsurer.

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4. Summary of significant accounting policies (continued)

Foreign currency translation

The consolidated financial statements are presented in Kazakh tenge, which is the Bank's functional and Bank reporting 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 KASE and reported by the NBK 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. The market exchange rates at 31 December 2012 and 2011, were KZT 150.74 and KZT 148.4 to USD 1, respectively.

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into tenge at the rate of exchange ruling at the reporting date and, their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in other comprehensive income relating to that particular entity is recognised in the consolidated income statement. Goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Segment reporting

The Group's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Small and medium business and Investing activity.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

IFRS 9 Financial Instruments (first phase)

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 *Mandatory Effective Date of IFRS 9 and Transition Disclosures*, issued in December 2011, moved the mandatory effective date to 1 January 2015. In the course of subsequent stages IASB will review hedging accounting and impairment of financial assets. The Group will quantify the effect of the adoption of the first phase of IFRS 9 in conjunction with the other phases, when issued, to present a comprehensive picture.

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. The standard will not have any impact on the financial position or performance of the Group.

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4. Summary of significant accounting policies (continued)

Future changes in accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 12 Disclosure of Interests in Other Entities

The standard is effective for annual periods beginning on or after 1 January 2013. 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 Group will have to disclose more information on consolidated and non-consolidated structured companies, where it participates or which are funded by the Group. However, the standard will not have any impact on the financial position or performance of the Group.

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 is effective for annual periods beginning on or after 1 January 2013.

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 is effective for annual periods beginning on or after 1 January 2013.

IAS 19 Employee Benefits (Amendment)

The amendment becomes effective for annual periods beginning on or after 01 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 and loss statement, 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 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, net loss or income on financial assets available-for-sale) would be presented separately from items that will never be reclassified (for example, revaluation of buildings). The amendment affects presentation only and has there no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

Amendments to IFRS 7 Disclosures – Offsetting Financial assets and Financial Liabilities

These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments:* presentation: The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreements, irrespective of whether they are set off in accordance with IAS 32. The amendments will not have any impact on the financial position or performance of the Group. The amendments are effective for annual periods beginning on or after 1 January 2013.

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4. Summary of significant accounting policies (continued)

Future changes in accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

Amendments to IAS 32 Disclosures – Offsetting Financial assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". It will be necessary to assess the impact to the Group by reviewing settlement procedures and legal documentation to ensure that offsetting is still possible in cases where it has been achieved in the past. In certain cases, offsetting may no longer be achieved. In other cases, contracts may have to be renegotiated. The requirement that the right of set-off be available for all counterparties to the netting agreement may prove to be a challenge for contracts where only one party has the right to offset in the event of default. The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While many settlement systems are expected to meet the new criteria, some may not. As the impact of the adoption depends on the Group's examination of the operational procedures applied by the central clearing houses and settlement systems it deals with to determine if they meet the new criteria, it is not practical to quantify the effects. The amendments are effective for annual periods beginning on or after 1 January 2014.

Amendments to IFRS 1 – Government loans

These amendments require firs-time adopters to apply the requirements of IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*, prospectively to government loans existing at the date of transition to IFRS. The amendment will have no impact on the financial statements of the Group.

Improvement to IFRSs

The amendments are effective for annual periods beginning on or after 1 January 2013. They will not have an impact on the Group:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards*: This improvement clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS.
- IAS 1 *Presentation of Financial Statements*. This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.
- IAS 16 *Property Plant and Equipment*: This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
- IAS 32 *Financial Instruments*: presentation: This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 *Income Taxes*.
- IAS 34 *Interim Financial Reporting*: The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

5. Significant accounting judgements and estimates

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Special purpose entities

Although the Group did not own any direct shares in the capital of First Kazakh Securitization Company and Second Kazakh Securitization Company for the purposes of these consolidated financial statements, they were treated as subsidiaries, in accordance with SIC-12 *Consolidation – Special Purpose Entities*, since the Group controlled and benefited directly from these entities' operations.

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5. Significant accounting judgements and estimates (continued)

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. The most significant estimates with regard to these financial statements relate to the allowances for impairment of assets, provisions for insurance claims and other provisions, income tax, fair values of securities. These estimates are based on information available as at the date of the consolidated financial statements. Actual results, therefore, could differ from these estimates.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated 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.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess impairment. The Group uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses its experienced judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

In previous years, a number of significant borrowers, primarily registered outside Kazakhstan, stopped serving loans and did not allow the Bank to monitor collateral or failed to provide information about their financial performance. Collateral for some loans became unavailable due to cancellation of encumbrances by borrowers and futher resale to a third parties or pledge as collateral to other banks. While the Bank continues its efforts to recover the above loans, the Bank's Management considers the loans where a borrower fails to service debt, monitoring of the borrowers has not been possible and there is neither properly registered collateral nor other necessary legal documentation, to be fully impaired and has created an allowance in 2009,2010,2011 for the full carrying amount of such loans. For these borrowers claims are continued to be pursued in courts.

Allowance for impairment of loans and receivables in the consolidated financial statements has been determined on the basis of existing economic conditions. The Group cannot predict future changes in the Republic of Kazakhstan in respect of the above conditions, and the impact these changes will have on the adequacy of the allowance for impairment of loans and receivables.

Taxation

Currently, Kazakhstan has a single tax code that regulates the basic tax questions. Applicable taxes include value added tax, corporate income tax, social, and other taxes. Often the executive orders on the application of regulations are unclear or don't exist, and a few precedents took place. Often, differing opinions regarding legal interpretation exist both between agencies and within one agency, thus creating uncertainties and areas of conflict. These facts create tax risks in Kazakhstan, than for example, in countries with more developed tax systems.

Management believes that the Group follows the regulations of the tax legislation of the Republic of Kazakhstan, which govern its activities. However, the risk remains that relevant authorities could take differing positions with regard to interpretive issues

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5. Significant accounting judgements and estimates (continued)

Fair value of financial instruments (continued)

Claims liability arising from insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the reporting claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claim estimates are reassessed for adequacy and changes are made to the provision. General insurance claims provisions are not discounted for the time value of money.

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2012	***2011***
Cash on hand	**38,129**	43,073
Current accounts with other financial institutions	**8,610**	6,025
Amounts due from the NBRK	**2,392**	2,846
Reverse repurchase agreements with contractual maturity of 90 days or less	**856**	2,217
Time deposits with contractual maturity of 90 days or less	**246**	–
Loans with contractual maturity of 90 days or less	**142**	1,421
Current accounts with national banks	**–**	538
Cash and cash equivalents	**50,375**	56,120

The Group has entered into reverse repurchase agreements with Kazakhstan financial institutions on the KASE. The subject of these agreements was mainly treasury bills of the Ministry of Finance of the Republic of Kazakhstan and corporate securities of Kazakhstani emitters. Fair value of collateral as at 31 December 2012 was KZT 949 million (as at 31 December 2011 – KZT 2,371 million).

As at 31 December 2012 the ten largest balances with banks accounted for 14.69% of total cash and cash equivalents (as at 31 December 2011 – 12.21%). Under Kazakh legislation, the Bank is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Bank. Such reserves must be held by the Bank in physical cash in the national currency or cash on correspondent accounts in the NBRK in the national currency. As at 31 December 2012 minimum reserve requirements were established at 2.5% and 0% on domestic short-term and long-term liabilities respectively and 6% and 2.5% on foreign short-term and long-term liabilities respectively (as at 31 December 2011 – 2.5% on internal and 4.5% on other liabilities).

As at 31 December 2012, minimum reserve requirements amounted to 0 in connection with the fact that for the second tier banks for which the debt restructuring is in process NBRK established minimum reserve requirements in the amount of 0% both for internal and external liabilities. These standards are effective for the second-tier banks in the process of restructuring until the court decision to discontinue restructuring takes effect.

As at 31 December 2011 the Bank was in compliance with the minimum reserve requirements for the second-tier banks in the total amount KZT 45,290 million.

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7. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include:

	2012	*2011*
Debt securities:		
Corporate bonds	**17,369**	21,206
Bonds of Kazakhstan non-financial institutions	**4,177**	4,366
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**1,801**	2,536
Bonds of Kazakhstan financial institutions	**1,250**	2,645
Bonds of Kazakhstan state bodies	**975**	511
Treasury bills of the Ministry of Finance of the Russian Federation	**276**	144
	25,848	31,408
Equity securities	**42,121**	19,649
Shares	**17**	3
Financial assets at fair value through profit or loss	**67,986**	51,060
Subject to repurchase agreements	**1,161**	1,182

The Groups' counterparties under repurchase agreements had no rights to sell or repledge securities held as collateral under these agreements as at 31 December 2012 and 2011.

As at 31 December 2012, the share in Sekerbank's equity was recorded in the amount of 11.76% within financial assets measured at fair value through profit or loss due to the fact that as at 31 December 2012 terms of classification of Sekerbank's shares as assets held for sale were no longer met. Sekerbank's shares were classified as financial assets at fair value through profit or loss as it increases the importance of the information provided, since it eliminates inconsistency of evaluation, which otherwise would arise at evaluation of these assets and liabilities under forward (Note 9).The fair value of investments in Sekerbank (11,76% share in the capital of Sekerbank) amounted to KZT 17,853 million as at 31 December 2012. At 31 December 2011 investments in Sekerbank (33,98% share in the capital of Sekerbank) in the amount of KZT 23,556 million were recorded as assets held for sale.

8. Amounts due from financial institutions

As at 31 December 2012 amounts due from financial institutions comprise:

	2012	*2011*
Loans	**62,520**	62,304
Deposits	**27,955**	31,579
Amounts due from financial institutions, gross	**90,475**	93,883
Less – allowance for impairment	**(64,491)**	(63,313)
Amounts due from financial institutions	**25,984**	30,570

As at 31 December 2012 amounts due from the ten largest financial institutions comprised 80,24% of total amounts due from financial institutions (as at 31 December 2011 – 78.13%).

As at 31 December 2012, cash restricted in use due from the financial institutions amounted to KZT 1,142 million (as at 31 December 2011 – KZT 6,457 million).

The movements in allowance for impairment of amounts due from financial institutions were as follows:

	2012	*2011*
As at 1 January	**63,313**	64,416
Impairment charge	**(1,916)**	806
Write-offs	**–**	(448)
Recoveries of amounts previously written off	**–**	44
Revaluation	**3,094**	(1,505)
As at 31 December	**64,491**	63,313

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9. Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets and liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as at 31 December 2012 and 2011 and are indicative of neither the market risk nor the credit risk.

	2012			*2011*		
	Notional principal	*Fair value*		*Notional principal*	*Fair value*	
		Assets	*Liabilities*		*Assets*	*Liabilities*
Foreign exchange contracts						
Currency swaps – foreign	**4,772**	**1,759**	**(6)**	3,450	1,653	(1)
Forwards and futures – domestic	**9,409**	**–**	**(8,444)**	44,000	–	(4,540)
Total derivative assets/(liabilities)		**1,759**	**(8,450)**		1,653	(4,541)

Swaps

Swaps are contractual agreements between two parties to exchange movements in foreign currency rates.

Forwards and futures

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

In 2012 the Group signed an agreement with the Parent for sale of the remaining shares of Sekerbank at the cost recorded at a certain date. As at 31 December 2012 the difference between the fair value of these shares and cost of sale, according to the terms of agreement was recognized as a forward liability in the amount of KZT 8,444 million.

10. Investment securities

As at 31 December 2012 available-for-sale investment securities comprise:

	2012	*2011*
Corporate bonds	**18,552**	13,142
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**11,229**	10,639
Bonds of Kazakhstan state bodies	**2,257**	376
Bonds of international financial institutions	**1,409**	371
Bonds of Kazakhstan financial institutions	**1,262**	294
Bonds of Kazakhstan non-financial institutions	**963**	1,169
Treasury bills of the Ministry of Finance of the Russian Federation	**827**	–
Government bonds of non OECD countries	**392**	–
	36,891	25,991
Equity securities	**3,153**	732
Available-for-sale investment securities	**40,044**	26,723

During 2012 the Group recognized an impairment loss on available-for-sale investment securities in the amount of KZT 524 million (2011 – KZT 1,394 million) (Note 25).

In August 2012 the Group reclassified all securities held to maturity into the portfolio of securities available-for-sale due to the fact that the Group does not intend to hold certain securities in the portfolio of securities held to maturity. The carrying amount of securities held to maturity amounted to KZT 6,080 million at the date of reclassification and their fair value – for the same date amounted to KZT 6,166 million. The difference between the carrying amount and the fair value of securities as at the date of reclassification was recognised in other comprehensive income.

As at 31 December 2011 the treasury notes of the Ministry of Finance of the Republic of Kazakhstan available for sale with the fair value of KZT 1,297 million were restricted in use.

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10. Investment securities (continued)

Held-to-maturity investment securities comprise:

	2012	*2011*
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	–	2,386
Corporate bonds	–	1,648
Bonds of Kazakhstan financial institutions	–	1,007
Bonds of Kazakhstan state bodies	–	528
Held-to-maturity investment securities	–	5,569

As at 31 December 2011 the treasury bills of the Ministry of Finance of the Republic of Kazakhstan held to maturity with the carrying amount of KZT 489 million were restricted in use.

11. Loans to customers

Loans to customers comprised the following at December 31:

	2012	*2011*
Corporate lending	**2,062,854**	2,043,846
Individuals lending	**242,114**	234,168
Small and medium business lending	**162,655**	168,488
Loans to customers, gross	**2,467,623**	2,446,502
Less – allowance for impairment	**(1,822,940)**	(1,794,705)
Loans to customers	**644,683**	651,797

Loans have been extended to the following types of customers:

	2012	*2011*
Private companies	**2,224,531**	2,209,805
Individuals	**242,114**	234,168
Governmental entities	**967**	2,508
Other	**11**	21
Loans to customers, gross	**2,467,623**	2,446,502

Allowance for impairment of loans to customers

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

	2012			
	Corporate lending	***Small and medium business lending***	***Individuals lending***	***Total***
At 1 January 2012	**1,722,804**	**46,122**	**25,779**	**1,794,705**
Impairment charge	**10,162**	**(5,802)**	**8,193**	**12,553**
Amounts written off	**(9,757)**	**(248)**	**(723)**	**(10,728)**
Recoveries	**5,526**	**251**	**652**	**6,429**
Revaluation	**19,597**	**72**	**312**	**19,981**
At 31 December 2012	**1,748,332**	**40,395**	**34,213**	**1,822,940**
Individual impairment	**1,744,184**	**30,867**	**28,417**	**1,803,468**
Collective impairment	**4,148**	**9,528**	**5,796**	**19,472**
	1,748,332	**40,395**	**34,213**	**1,822,940**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**2,012,359**	**53,618**	**69,138**	**2,135,115**

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11. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

	2011			
	Corporate lending	Small and medium business lending	Individuals lending	Total
At 1 January 2011	1,927,932	24,447	16,045	1,968,424
Impairment charge	112,192	12,115	4,626	128,933
Amounts written off	(339,402)	(1,343)	(1,467)	(342,212)
Recoveries	4,957	10,831	6,381	22,169
Revaluation	17,125	72	194	17,391
At 31 December 2011	1,722,804	46,122	25,779	1,794,705
Individual impairment	1,718,847	34,432	18,664	1,771,943
Collective impairment	3,957	11,690	7,115	22,762
	1,722,804	46,122	25,779	1,794,705
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	1,996,217	50,756	59,061	2,106,034

Individually impaired loans

During 2012, the quality of the Bank's loan portfolio was affected by continued result of the following circumstances:

- Significant increase of timing of claims within Kazakhstan and beyond has affected the extension of expected periods of recovery by the Bank of problem debts and realization of pledged property.
- Ongoing unfavourable real estate market conditions have increased the periods of sales of pledged property in Kazakhstan and CIS.

In 2012, the Bank has continued its efforts related to the recovery of the bad debts in all business areas. Recoveries of bad debts were made in cash or by foreclosure on collateral.

Certain changes in the credit process, including reorganization of the Credit Committees of the Bank with different authority limits, have been implemented to centralize and enhance the quality of credit decisions taken. Changes were made in the Bank's Credit Policy and the Regulations on the Credit Committees.

Interest income accrued on loans, for which individual impairment allowances have been recognized, as at 31 December 2012, comprised KZT 330,440 million (as at 31 December 2011 – KZT 288,709 million). As at 31 December 2012 impairment allowance in respect of these balances in amount of KZT 248,915 million were recognized (as at 31 December 2011 – KZT 221,809 million).

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables;
- For retail lending, mortgages over residential properties, charges over transport, cash and cash equivalents and guarantees of third parties.

The Group also obtains guarantees from parent companies for loans to their subsidiaries and property and risk insurance agreements.

(Millions of Tenge)

11. Loans to customers (continued)

Collateral and other credit enhancements (continued)

The Group assesses the market value of collateral. received as security for the obligations of the borrower when granting a loan, in the process of monitoring collateral, and is working to take additional collateral in the event of its insufficiency, including changes in the market value.

The Group took possession of collateral with an estimated value of KZT 48,348 million as at 31 December 2012 (as at 31 December 2011 – KZT 31,696 million). It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claims on loans to customers. In general, the Group does not occupy repossessed properties for business use.

Concentration of loans to customers

As at 31 December 2012 the Group had a concentration of loans represented by KZT 464,272 million due from the ten largest borrowers that comprised 18.8% of the total gross loan portfolio (31 December 2011 – KZT 459,110 million, 18.8%). Allowances amounting to KZT 421,042 million were recognised against these loans as at 31 December 2012 (as at 31 December 2011 – KZT 421,329 million).

As at 31 December 2012 the Group had loans to customers in the amount of KZT 413,514 million (at 31 December 2011 – KZT 451,177 million), with interest and principal repayable at maturity. Allowances amounting to KZT 357,636 million were recognised against these loans as at 31 December 2012 (as at 31 December 2011 – KZT 352,989 million).

Loans are made to the following sectors:

	2012	*%*	*2011*	*%*
Real estate investments	**437,895**	**17.7%**	434,863	17.8%
Housing construction	**383,467**	**15.5%**	437,604	17.9%
Oil & gas	**330,805**	**13.4%**	330,323	13.5%
Individuals	**242,114**	**9.8%**	234,168	9.6%
Wholesale trading	**236,376**	**9.6%**	241,697	9.9%
Construction of roads and industrial buildings	**232,717**	**9.4%**	186,486	7.6%
Agriculture	**169,181**	**6.9%**	153,597	6.3%
Chemical industry	**65,068**	**2.6%**	65,635	2.7%
Energy	**55,900**	**2.3%**	55,494	2.3%
Transport	**43,740**	**1.8%**	42,315	1.7%
Telecommunication	**41,474**	**1.7%**	40,443	1.6%
Food industry	**39,048**	**1.6%**	40,201	1.6%
Metallurgical industry	**32,052**	**1.3%**	28,636	1.2%
Retail trading	**31,173**	**1.3%**	31,749	1.3%
Mining industry	**22,037**	**0.9%**	21,734	0.9%
Other	**104,576**	**4.2%**	101,557	4.1%
	2,467,623	**100.0%**	2,446,502	100.0%

Loans to individuals are presented as follows:

	2012	*2011*
Mortgage loans	**124,938**	132,071
Consumer loans	**117,176**	102,097
	242,114	234,168

12. Bonds of SWF Samruk-Kazyna JSC

As at 31 December 2010 the balance of bonds of SWF Samruk-Kazyna JSC represents non-trading debt securities purchased by the Bank during 2009 at their nominal value of KZT 645,000 million. These debt securities were initially recorded at their fair value of KZT 496,595 million. The difference between the nominal value of these debt securities and their fair value in the amount of KZT 148,405 million was recorded as additional paid-in capital in the Group's consolidated statement of changes in equity.

On 11 August 2010 the Parent significantly modified the terms of these debt securities through prolongation of maturity from the period between 6 and 15 years to 15 years. In accordance with IAS 39, the Bank derecognized previously issued debt securities of the Parent with the carrying value of KZT 511,909 million and recognized new bonds at fair value of KZT 521,652 million. The difference of KZT 9,743 million was recognized in the Group's consolidated statement of changes in equity as additional paid-in-capital.

(Millions of Tenge)

12. Bonds of SWF Samruk-Kazyna JSC (continued)

On 19 December 2012 the Parent significantly modified the terms of these securities through increase of the interest rates from 4% per annum to 6% per annum. As a result, the Bank derecognized previously issued securities of the Parent with the carrying value of KZT 541,747 million and recognized new securities at fair value of KZT 651,617 million. The difference of KZT 109,870 million was recognized in the Group's consolidated statement of changes in equity as additional paid-in-capital (Note 21).

As at 31 December 2012 the carrying amount of these debt securities was KZT 652,871 million (as at 31 December 2011 – KZT 536,705 million).

13. Investments in associates

Movement in investments in associates was:

	2012	*2011*
Investments in associates at 1 January	**27,491**	90,326
Share in net (loss)/profit of associates	**(1,677)**	7,039
Purchase cost	**350**	60
Business combination	**36**	–
Impairment charge	**(102)**	(43,222)
Reclassification of investments in associates in assets held for sale	**–**	(23,556)
Dividends received	**–**	(358)
Share of reserve for revaluation of available-for-sale investment securities	**–**	(2,798)
Investments in associates at 31 December	**26,098**	27,491

The following table illustrates summarised financial information as at 31 December of the associates:

Aggregate assets and liabilities of associates	*2012*	*2011*
Total assets	**219,682**	1,310,199
Total liabilities	**(157,818)**	(1,136,436)
Net assets	**61,864**	173,763

Aggregate profit of associates	*2012*	*2011*
Net (loss)/profit	**(3,355)**	18,200

14. Other impairment and provisions

The movements in allowances for other losses and provisions were as follows:

	Other assets	*Guarantees and letters of credit*	*Other estimated liabilities*	*Total*
At 31 December 2010	5,156	223	969	6,348
Impairment charge	196	5,665	(942)	4,919
Write-offs	(1,291)	(53)	–	(1,344)
Recoveries of amounts previously written off	84	–	–	84
Foreign currency revaluation	–	15	–	15
At 31 December 2011	4,145	5,850	27	10,022
Impairment charge / (recovery of impairment)	**273**	**(2,962)**	**–**	**(2,689)**
Foreign currency revaluation	**–**	**34**	**–**	**34**
At 31 December 2012	**4,418**	**2,922**	**27**	**7,367**

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

15. Taxation

The corporate income tax expense comprises:

	2012	*2011*
Current corporate income tax expenses	**512**	262
Adjustment of current corporate income tax of the previous year	**283**	–
Deferred corporate income tax (income)/expenses	**(515)**	159,644
Corporate income tax expenses	**280**	159,906

(Millions of Tenge)

15. Taxation (continued)

Income of the Bank and its subsidiaries except for TuranAlem Finance B.V. (hereinafter, TAF B.V.), TemirCapital B.V. (hereinafter, TC B.V.), Subsidiary of BTA Bank JSC TuranAlemFinance LLC (hereinafter – TAF), BTA Bank CJSC (Belorussia), BTA Finance Luxembourg S.A. affiliated company of JSC BTA Bank, the First Kazakhstan Securitization Company, the Second Kazakhstan Securitization Company are taxed in Kazakhstan. TAF B.V., TC B.V., First Kazakh Securitization Company and Second Kazakh Securitization Company are subject to taxation in the Netherlands. TAF income are taxed in the Russian Federation, BTA Finance Luxembourg S.A. affiliated company of JSC BTA Bank – in Luxembourg, BTA Bank CJSC (Belorussia) CJSC – in Belorussia.

The tax rate for the Bank and its subsidiaries except for insurance companies and subsidiaries indicated above on income other than non-taxable income from state and other qualified securities was 20% in 2012 and 2011.

As at 31 December 2012 and 2011, the Group had current corporate income tax assets in the amount of KZT 3,574 million and KZT 4,322 million, respectively.

A reconciliation between income tax expense in the consolidated financial statements and income before taxes multiplied by the statutory tax rate for the year ended 31 December is as follows:

	2012	*2011*
Accounting profit /(loss) before taxes	**370,580**	(258,104)
Statutory corporate income tax rate	**20%**	20%
Theoretical corporate income tax expense/(benefit) at the statutory rate	**74,116**	(51,621)
Non-deductible charged impairment / (Non-taxable income from reversal of provisions)	**11,496**	(1,776)
Non-deductible expenses on recognition of recovery bonds at base amount	**126,621**	–
Non-taxable income from change in the cost of recovery bonds	**–**	(2,091)
Non taxable income on state securities and securities officially listed at KASE	**(776)**	(1,540)
Non deductable loss / (Non taxable share in income) of associates	**335**	(1,408)
Non taxable income from disposal of subsidiaries	**–**	(524)
Non taxable gain from restructuring	**(214,796)**	–
Income of subsidiaries taxed at different rates	**–**	(451)
Change in unrecognised deferred tax assets	**1,232**	206,124
Non-deductible loss from impairment of investments	**125**	9,007
Non-deductible interest expense	**2**	2,561
Non-deductible business expenses	**1,654**	242
Other non-temporary differences	**271**	1,383
Corporate income tax expense	**280**	159,906

Deferred corporate income tax assets and liabilities, and their movement for respective years comprised the following at 31 December:

	2010	*Origination and reversal of temporary differences in the income statement*	*2011*	*Origination and reversal of temporary differences in the income statement*	*Origination and reversal of temporary differences in equity*	*2012*
Tax effect of deductible temporary differences:						
Allowance for loan impairment	49,915	48,406	98,321	**(98,321)**	**–**	**–**
Tax losses carry-forward	278,249	(30,502)	247,747	**96,794**	**–**	**344,541**
Fair value measurement of securities	1,718	(823)	895	**(615)**	**–**	**280**
Interest written off	36,230	5,807	42,037	**(6,764)**	**–**	**35,273**
Property and equipment	532	(399)	133	**324**	**(457)**	**–**
Penalties and fines inflicted by the court	–	32,856	32,856	**11,875**	**–**	**44,731**
Other	13,330	(8,094)	5,236	**(2,424)**	**–**	**2,812**
Gross deferred corporate income tax assets	379,974	47,251	427,225	**869**	**(457)**	**427,637**
Unrecognised deferred corporate income tax assets	(220,057)	(206,124)	(426,181)	**(1,232)**	**–**	**(427,413)**
Deferred corporate income tax assets	159,917	(158,873)	1,044	**(363)**	**(457)**	**224**
Tax effect of taxable temporary differences:						
Property and equipment	–	–	–	**–**	**–**	**–**
Other	(182)	(771)	(953)	**878**	**–**	**(75)**
Deferred corporate income tax liabilities	(182)	(771)	(953)	**878**	**–**	**(75)**

(Millions of Tenge)

15. Taxation (continued)

In accordance with IAS 12 a deferred tax asset was recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available in future against which the deductible temporary difference can be utilized. As at 31 December 2012 and 2011 deferred corporate income tax assets in the amount of KZT 224 million and KZT 1.044 million respectively represent assets of subsidiaries of the Bank. The deferred corporate income tax liabilities as at 31 December 2012 in the amount of KZT 75 million represent liabilities of subsidiaries of the Bank (as at 31 December 2011 – KZT 953 million liabilities of the Bank).

16. Amounts due to the Government and the National Bank of the Republic of Kazakhstan

Amounts due to the Government and the NBRK comprise the following:

	2012	*2011*
Loans from the NBK	**496,437**	430,928
Amounts due to the Government	**59**	127
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	**496,496**	431,055

Loans from NBRK represent repurchase agreements under pledge of debt securities of the Parent and loans from NBRK collateralized by the debt securities of the Parent. As at 31 December 2012 the fair value of debt securities representing collateral under repurchase agreements and loans from NBRK was KZT 546,633 million (as at 31 December 2011 – KZT 424,638 million).

17. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2012	*2011*
RCTFF	**34,722**	49,700
Loans from Kazakhstan banks and financial institutions	**24,988**	34,330
Loans from non OECD banks and financial institutions	**4,433**	6,520
Loro accounts	**329**	628
Interest-bearing placements from Kazakhstan banks	**326**	2,331
Interest-bearing placements from non OECD banks	**–**	19
Amounts due to credit institutions	**64,798**	93,528
Subject to repurchase agreements	**1,000**	1,000

As at 31 December 2012 the fair value of securities pledged under repurchase agreements amounted to KZT 1,161 million (as at 31 December 2011 – KZT 1,182 million) (Note 7).

In accordance with the Trust Deed dated 21 December 2012 and RCTFF Agreement dated 25 August 2010 together with amendments and additions, the Bank shall maintain a capital adequacy ratio of 1 level not less than 10.0%, calculated in accordance with the recommendations of the Basel Committee on Banking Supervision. As at 31 December 2012 the Bank was in compliance with these restricting financial conditions and capital adequacy ratios established by the Committee for the control and supervision of financial market and financial organizations of the National Bank of Kazakhstan (hereinafter - "Committee") for the second tier banks.

On 24 December 2012 the Bank completed the process of restructuring of its financial liabilities. As part of restructuring the Bank signed Third Supplemental Deed of Amendment and Restatement to RCTFF (Note 2, 35).

In December 2012 the Bank repaid two tranches on RCTFF totalling USD 79,800 thousand,which equals to KZT 11,992 million in accordance with the new repayment schedule indicated in the Second Supplemental Deed of Amendment and Restatement to RCTFF. This allows the Bank to utilize the settled amounts through the issue of new trade finance instruments.

18. Amounts due to customers

Amounts due to customers are following:

	2012	*2011*
Time deposits	**397,557**	593,474
Current accounts	**130,520**	151,334
Guarantees and restricted deposits	**7,807**	8,922
Amounts due to customers	**535,884**	753,730

(Millions of Tenge)

18. Amounts due to customers (continued)

Guarantee and restricted deposits represent customer's collateral under letters of credit and guarantees issued by the Bank on behalf of clients.

As at 31 December 2012 the Bank's ten largest customers accounted for approximately 27.86% of the total amounts due to customers (as at 31 December 2011 – 46.11%).

The amounts due to customers included balances in customer current accounts and time deposits and were analysed as follows at 31 December:

	2012	*2011*
Time deposits		
Commercial entities	**19,481**	13,209
Individuals	**251,470**	266,945
Governmental entities	**126,465**	312,787
Non-commercial entities	**141**	533
Current accounts		
Commercial entities	**73,462**	93,449
Individuals	**44,018**	38,517
Governmental entities	**11,395**	11,862
Non-commercial entities	**1,645**	7,506
Guarantees and other restricted deposits		
Commercial entities	**4,748**	5,391
Individuals	**2,970**	3,412
Governmental entities	**86**	118
Non-commercial entities	**3**	1
Amounts due to customers	**535,884**	753,730

At 31 December 2012, included in time deposits are deposits of individuals in the amount of KZT 251,470 million (as at 31 December 2011 – KZT 266,945 million). In accordance with the Civil Code of the Republic of Kazakhstan, the Group is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

An analysis of customer accounts by economic sector is as follows:

	2012	*%*	*2011*	*%*
Individuals	**298,285**	**55.7%**	308,874	41.0%
Amounts due to SWF Samruk-Kazyna JSC	**126,097**	**23.5%**	296,507	39.3%
Construction	**19,815**	**3.7%**	28,226	3.8%
Wholesale trading	**15,346**	**2.9%**	21,760	2.9%
State administration bodies	**8,867**	**1.7%**	7,053	0.9%
Production of machinery and equipment	**8,603**	**1.6%**	5,383	0.7%
Retail trading	**6,643**	**1.2%**	5,603	0.7%
Oil and gas production	**5,793**	**1.1%**	7,208	1.0%
Research and development	**3,000**	**0.6%**	4,011	0.5%
Agriculture	**2,908**	**0.5%**	4,332	0.6%
Textile and leather industry	**2,626**	**0.5%**	1,631	0.2%
Transportation	**2,588**	**0.5%**	2,951	0.4%
Food industry	**2,550**	**0.5%**	889	0.1%
Education	**2,353**	**0.4%**	9,931	1.3%
Power industry	**1,993**	**0.4%**	980	0.1%
Non-commercial entities	**1,843**	**0.3%**	8,040	1.1%
Communications	**1,773**	**0.3%**	1,769	0.2%
Chemical processing	**1,582**	**0.3%**	2,032	0.3%
Mining industry	**1,077**	**0.2%**	2,066	0.3%
Non-credit financial institutions	**1,068**	**0.2%**	9,442	1.3%
Metallurgy	**616**	**0.1%**	1,131	0.2%
Entertainment	**419**	**0.1%**	807	0.1%
Hotel and hospitality	**253**	**0.0%**	317	0.0%
Other	**19,786**	**3.7%**	22,787	3.0%
	535,884	**100.0%**	753,730	100.0%

(Millions of Tenge)

19. Debt securities issued

Debt securities issued consisted of the following:

	2012	*2011*
New bonds in US dollars	**113,245**	–
KZT bonds with floating rate	**20,528**	23,188
USD bonds with fixed rate	**1,376**	–
Belorussian rouble bonds with floating rate	**2**	–
USD senior notes	**–**	325,634
Recovery units	**–**	121,331
EUR discount notes	**–**	84,469
USD subordinated notes	**–**	76,353
USD discount notes	**–**	57,646
KZT subordinated notes with fixed rate	**–**	36,930
KZT senior notes	**–**	35,009
EUR subordinated notes	**–**	5,596
USD bonds with floating rate	**–**	2,894
Certificate of deposit	**–**	1
	135,151	769,051
USD treasury bonds held by the Group	**–**	(207)
KZT treasury bonds held by the Group	**(11,969)**	(9,498)
	123,182	759,346
Plus unamortised premium	**–**	17,977
Less unamortised discount	**(49,056)**	(81,091)
Debt securities issued	**74,126**	696,232

As at 23 April 2012 the Bank announced the suspension of all payments in respect of Recovery units, the Reference amount of which totals to USD 5,221,494,216, which equals to KZT 772,207 million. As at 28 April 2012 the Bank received notice of early redemption of the Recovery units from BNY Mellon Corporate Trustee Services Limited, as trustee for Recovery units holders. As a result in 2012 the Bank recognized expenses on recognition of recovery units at reference amount in amount of KZT 633,103 million in the consolidated income statement.

On 24 December 2012 the Bank completed the process of restructuring of its financial liabilities. Within the framework of restructuring, the Bank canceled all its previously issued bonds and in substitution issued new financial liabilities (Note 2, 35).

In accordance with the Trust Deed dated 21 December 2012, the Bank shall maintain a capital adequacy ratio of 1 level not less than 10.0%, calculated in accordance with the recommendations of the Basel Committee on Banking Supervision. As at 31 December 2012 the Bank was in compliance with these restricting financial conditions and capital adequacy ratios established by the Committee for the second tier banks.

20. Other assets and other liabilities

Other assets as at 31 December 2012 and 2011 included following:

	2012	*2011*
Inventories	**48,892**	32,245
Prepayment	**23,718**	26,571
Receivables	**5,940**	4,180
Reinsurance assets	**5,149**	1,523
Commission receivable	**2,898**	3,188
Intangible assets	**1,190**	1,044
Other assets	**3,707**	3,311
Less: allowance for impairment	**(4,418)**	(4,145)
Total Other assets	**87,076**	67,917

(Millions of Tenge)

20. Other assets and other liabilities (continued)

Other liabilities as at 31 December 2012 and 2011 included following:

	2012	*2011*
Reserves for insurance losses	**21,914**	13,716
Payables	**15,536**	13,126
Accrued expenses for administrative activities	**6,419**	4,408
Liabilities for taxes and other obligatory payments to the budget	**5,074**	5,367
Obligation of mandatory contributions to Kazakhstan Deposit Insurance Fund	**1,095**	1,052
Other liabilities	**3,382**	4,284
Total Other liabilities	**53,420**	41,953

21. Equity

As at 31 December 2012 and 2011 share capital comprises:

	Common shares			*Non-redeemable convertible preferred shares*	
	Number of authorized shares	*Number of shares outstanding*	*Placement value in KZT million*	*Number of authorized shares*	*Number of shares outstanding*
At 31 December 2010	55,258,029,745	44,209,411,924	1,187,023	100,000	–
At 31 December 2011	55,258,029,745	44,209,411,924	1,187,023	100,000	–
Change in share capital	**586,242,659,210**	**597,157,968,054**	**179,748**	**–**	**–**
At 31 December 2012	**641,500,688,955**	**641,367,379,978**	**1,366,771**	**100,000**	**–**

As at 31 December 2012 and 2011 convertible preferred shares (hereinafter – "CPS") were not issued.

Dividends on CPS

As at 31 December 2012 and 2011, no CPS was outstanding. Accordingly, no CPS dividends were declared or paid during 2012 and 2011.

Available-for-sale investment securities revaluation reserve

This reserve includes fair value changes on available-for-sale investment securities.

Foreign currency translation reserve

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

Revaluation reserve for property and equipment

This reserve includes changes in the fair value of property and equipment.

Additional paid-in capital

Movements in additional paid-in capital were presented as follows:

	2012	*2011*
As at 1 January	**(130,029)**	(130,029)
Recognition of SWF Samruk-Kazyna JSC bonds at fair value (Note 12)	**109,870**	–
Recognition of loan from SWF Samruk-Kazyna JSC at fair value (Note 35)	**134,478**	–
Write-off of commission on guarantee of SWF Samruk-Kazyna JSC due to change in the terms of guarantee (Note 35)	**2,976**	–
As at 31 December	**117,295**	(130,029)

21. Equity (continued)

Treasury shares

Movements in treasury stock were presented as follows:

	Number of shares	*Amount (KZT million)*
At 31 December 2010	462,748,594	8,260
Distribution of treasury shares to creditors in accordance with the restructuring plan	(106,174,766)	–
Sale of treasury shares	(5,866,394)	(16)
Purchase of treasury shares as partial repayment of the client's debt	368,954	–
At 31 December 2011	351,076,388	8,244
Transfers of creditors' shares to accounts opened by them – write off of repurchased shares	**(10,321,748)**	**–**
Purchase of treasury shares as partial repayment of the client's debt	**134,124,577**	**270**
Acquisition of treasury shares as a result of restructuring	**3,485,505**	**1**
Business combination	**1,689,906**	**3**
Sale of treasury shares	**(3,118,045)**	**(1)**
At 31 December 2012	**476,936,583**	**8,517**

22. Commitments and contingencies

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 Kazakhstani economy is largely dependent upon these reforms, and change in political situation of a state and developments and the effectiveness of economic, tax and monetary measures, adoption of law and regulations undertaken by the government.

The global financial system and the global economy continues to face serious challenges, economic slowdown in the Eurozone is projected in the short term, crisis will remain in a debt and budgetary areas of developed countries, there are signs of a slowdown in economic growth in China. These problems can lead to slower growth or recession of the economy of Kazakhstan.

The management of the Group believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances. However, deterioration in the areas described above could have negative effect on the Group's operating results and financial position. In case of further deterioration in the areas described above the negative effect on the Group's operating results and financial position is not currently determinable.

Legal actions and claims

The Group is subject to various legal proceedings related to business operations.

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. No provision has been made in these consolidated financial statements for any of the contingent liabilities mentioned below.

BTA Bank (Kyrgyzstan)

In 2009, the Bank was subject to a raiding action and, as a result, was assessed by the court to pay GBP 30,418,143. As part of enforcement of this decision, shares of CJSC "BTA Bank" (Kyrgyzstan), owned by the Bank were seized, which led to loss of control over CJSC "BTA Bank" (Kyrgyzstan).

In order to return the shares ownership, the Bank filed a claim to recognize the sale of shares as invalid, which should lead to re-registration of 71% interest in CJSC "BTA Bank" (Kyrgyzstan) in the Bank's favour.

Claims in Turkey

In accordance with a decision of the Commercial Court of Istanbul dated 7 February 2012 at the request of Türkiye Vakiflar Bankasi T.A.O., provisional arrest was imposed on 101,726,214 shares of Şekerbank TAŞ. owned by the Bank's subsidiary, BTA Securities, together with the prohibition to transfer these shares to third parties. There has been no examination of the case on the merits by the court. The issue of lifting the arrest of shares held by a subsidiary BTA Securities, will be considered as part of court proceedings, scheduled 17 - 24 April 2013.

As of the date of these consolidated financial statements unfavourable outcome of the case is not expected.

(Millions of Tenge)

22. Commitments and contingencies (continued)

Commitments and contingencies

As of 31 December 2012 and 2011, the Group's commitments and contingencies comprised the following:

	2012	*2011*
Undrawn loan commitments	**72,606**	115,236
Guarantees	**36,188**	24,995
Commercial letters of credit	**124**	2,188
	108,918	142,419
Operating lease commitments		
Not later than 1 year	**1,068**	1,913
Later than 1 year but not later than 5 years	**1,714**	1,998
Over 5 years	**439**	801
	3,221	4,712
Less: cash collateral (Note 18)	**(7,807)**	(8,922)
Less: provisions (Note 14)	**(2,922)**	(5,850)
Commitments and contingencies	**101,410**	132,359

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

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in the Bank, government's and international prime financial organisations' securities, and other assets.

Asset management activities

The Group provides asset management services for third parties which involve the Group making allocation and purchase and sales decisions in relation to securities. Those securities that are held in a fiduciary capacity are not included in these consolidated financial statements. As at 31 December 2012 securities held in fiduciary capacity were KZT 407,945 million (as at 31 December 2011 – KZT 396,735 million).

As at 31 December 2012 there was clients' cash on the Group accounts, which was received for the purpose of trading with securities in the amount of KZT 2,207 million (as at 31 December 2011 – KZT 13,217 million).

Facilities received from customers for securities dealings represent customers' non-interest bearing cash placements with restriction in use under contractual terms. The Group could use these facilities for trading transactions with securities on behalf of customers only if appropriate customers' instructions are available.

As at 31 December 2012 the Group held cash from the Parent for fiduciary management in the amount of KZT 69 million (as at 31 December 2011 – KZT 6,971 million).

23. Fees and commissions

Net fee and commission income for the year ended 31 December was made from the following sources:

	2012	*2011*
Settlement and cash operations	**8,115**	6,530
Transfer operations	**6,389**	6,217
Asset management fees	**3,696**	2,501
Letters of credit and guarantees	**1,256**	1,473
Foreign currencies trading	**900**	1,022
Brokerage services	**242**	212
Other	**414**	570
Fees and commission income	**21,012**	18,525
Letters of credit and guarantees	**(11,864)**	(12,956)
Transfer operations	**(595)**	(597)
Brokerage services	**(224)**	(222)
Custodian services	**(99)**	(2,212)
Foreign currencies trading	**(55)**	(181)
Other	**(145)**	(323)
Fee and commission expenses	**(12,982)**	(16,491)
Net fee and commission income	**8,030**	2,034

(Millions of Tenge)

24. Net trading gain/loss

Net trading loss for the twelve-months periods ended 31 December comprised the following:

	2012	*2011*
Securities:		
Financial assets at fair value through profit or loss	**13,062**	(8,698)
Available-for-sale investment securities	**442**	189
Derivative financial instruments	**(8,444)**	–
	5,060	(8,509)

Net loss on securities includes the effect of buying and selling, and changes in the fair value of financial assets at fair value through profit or loss and effect of buying and selling of available-for-sale investment securities. The results of trading and changes in fair value of forward operations are recorded within the income from derivative financial instruments.

25. Impairment charge on investments

Impairment charge for 2012 and 2011 comprised the following:

	2012	*2011*
Impairment charge of investments in associates (Note 13)	**(102)**	(43,222)
Impairment charge on available-for-sale investment securities (Note 10)	**(524)**	(1,394)
Impairment charge on held-to-maturity investment securities	**–**	(420)
	(626)	(45,036)

26. Salary and other operating expenses

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

	2012	*2011*
Salaries and bonuses	**(17,144)**	(18,010)
Social security costs	**(1,782)**	(1,860)
Other payments	**(300)**	(264)
Salaries and other employee benefits	**(19,226)**	(20,134)
Legal services and consultancy	**(22,051)**	(26,936)
Rent	**(3,333)**	(3,510)
Repair and maintenance of property and equipment	**(1,473)**	(1,507)
Security	**(894)**	(1,052)
Marketing and advertising	**(780)**	(1,015)
Communications	**(766)**	(802)
Data processing	**(541)**	(462)
Plastic cards	**(407)**	(374)
Transportation	**(343)**	(356)
Business trip expenses	**(340)**	(387)
Penalties	**(296)**	(69)
Office supplies	**(209)**	(216)
Insurance expenses	**(186)**	(143)
Encashment	**(162)**	(148)
Postal charges	**(130)**	(166)
Agency services	**–**	(64)
Other	**(541)**	(1,222)
Other operating expenses	**(32,452)**	(38,429)

Legal services and consultancy comprise payment for current expenses of asset recovery advisers.

(Millions of Tenge)

27. Earnings per share

Basic earnings or loss per share is calculated by dividing the net income or loss for the period attributable to common shareholders by the weighted average number of participating shares outstanding during the period. The Bank did not declare or pay any dividends to common shareholders during 2012 and 2011.

The following reflects data on income or loss and shares used in the basic and diluted earnings or loss per share computations:

	2012	*2011*
Net income /(loss) attributable to common shareholders for calculation of basic income per share representing net income/ (loss) less dividends declared on irredeemable convertible preferred shares	**370,185**	(417,766)
Weighted average number of common shares for basic and diluted (loss)/earnings per share	**51,920,582,742**	43,816,946,434
Basic and diluted (loss)/earnings per share (in Tenge)	**7.13**	(9.53)

The carrying amount of one common share as at 31 December 2012 and 2011, is as follows:

	2012			*2011*		
Type of shares	*Number of outstanding shares*	*Net assets, KZT million*	*Book value per share, Tenge*	*Number of outstanding shares*	*Net assets, KZT million*	*Book value per share, Tenge*
Common	**640,890,443,395**	**267,386**	**0.42**	43,858,335,536	(535,852)	(12,22)

The management of the Group believes that the book value per share is calculated in accordance with methodology provided in the KASE Listing rules.

28. Risk management

Introduction

The Group as a combination of financial organizations is exposed to certain types of risks. Risk management structure is arranged for prompt identification and assessment of risks associated with one or another line of activity. Management understands the high importance of risk management process as an integral part of day-to-day activities of the Group.

The Group manages liquidity risk, credit risk, market risk, which, in turn, is divided on the risks associated with trading operations and risk associated with non-trading activities, and operational risks that could affect the equity and income of the Group.

Risk management structure

Board of Directors

The risk management process is directly subordinated to and accountable to the Board of Directors. The Board of Directors is responsible for the overall risk management approach and for approving the risk management policies and adoption strategic decisions on risk management.

Board of Directors committee on risks and asset and liability management

Board of Directors committee on risks and asset and liability management oversees the Group's activities on risk management, adopts managerial decisions as related to the preliminary approval of internal regulations for the management, measurement, evaluation and monitoring of risks that require further approval by the Board of Directors.

Risk management unit

Risk management units are responsible for identification, assessment and monitoring of risks. Daily activities of these units are governed by internal regulations. Within the Group certain units responsible for management of credit, operating, liquidity and market risks are defined. These units are accountable to the Board of Directors committee on risks and asset, liability management and the Management Board.

Internal audit

Internal audit is the most important component of internal control, including risk control. Internal audit function regularly examines adequacy of the internal procedures of the Group. The results are submitted to the Board of Directors, the latter adopts relevant decisions to eliminate shortages.

(Millions of Tenge)

28. Risk management (continued)

Risk management structure (continued)

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.

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.

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 Committee on risks and asset and liability management, 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 geographic risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly 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.

Risk mitigation

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

The Group actively uses collateral to reduce its credit risks (see below for more detail).

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. Identified concentrations of credit risks are controlled and managed accordingly.

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 Bank 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.

Financing of borrowers is done through thorough procedures of primary selection of borrowers, preliminary structuring of transaction, project assessment, borrower's financial statement analysis and monitoring and control of risks. Decision on financing of borrowers is made by the respective Credit committee depending on the borrower's limit. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions based on requirements of the Kazakhstani regulation. Counterparty limits are established by the use of a credit risk classification system. 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 structure of Credit Committees

The Group has developed policies, regulations and guidelines which are aimed to ensure the independence and integrity of the process when making credit decisions, and are focused on the assessment and timely monitoring of credit risk.

Credit Committees are credit collegial bodies, which deal with implemention the Bank's Credit policy and consideration, adoption of decision on the financing, organization, implementation and control of the lending process in the Bank, as well as the consideration and adoption of decision on the return of bad debts. Depending on the requested loan amount and type of business, credit projects are considered by the relevant Credit Committees.

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28. Risk management (continued)

Credit risk (continued)

The structure of Credit Committees (continued)

In order to centralize, optimize and improve the quality of credit decisions made by the Bank, in 2012 changes were made to the structure of the Credit Committees aimed at their strengthening. In particular the transfer of authority to review loan applications for retail business to the Head Office, to the Center of decision-making, is being finalized. In 2012, most of the authorities to review loan applications for small and medium enterprises were also transferred from branches to the Head Office.

Currently the Bank has the following Credit Committees:

- Credit Committees of branches - credit committee authorized to consider issues related to the process of financing small and medium enterprises and retail businesses within the maximum Credit limit established by the decision of the Management Board of the Bank;
- Credit Committee of retail business - credit committee authorized to consider issues related to the process of financing retail business within the maximum Credit limit - up to KZT 150 000 000 (one hundred and fifty million) inclusive, as well as issues on Credit projects, credit limit and powers on which exceed the authority limits of the Center of decision-making, Credit Committees of branches;
- Credit Committee of branch network - credit committee authorized to consider issues related to the process of financing small and medium enterprises and retail businesses, as well as issues on Credit projects, credit limit on which exceed the authority limits of the Credit Committee of retail business, the Center of decision-making, Credit Committees of branches;
- Credit Committee of the Head Office - the credit committee authorized to address issues related to the lending process of the corporate unit and the international unit, as well as issues on Credit projects, credit limit on which exceeds the limit of the Credit Committee of branch network. The committee is composed of at least eight members, including the Chairman of the Management Board, who chairs the committee, and six managing directors - board members, and one managing director;
- Management Board. Loan applications beyond the powers of Credit Committee of the Head Office, Credit Committee of branch network, Credit Committee of retail business, or in excess of certain credit limits of Credit Committee of the Head Office, Credit Committee of branch network, Credit Committee of retail business shall be considered at the Management Board of the Bank.
- Committee created by the Board of Directors of the Bank. Implements internal credit policy of the Bank, monitors the quality of loan portfolio and gives preliminary authorization for the issuance of loans in excess of 5% (five percent) of the equity capital of the Bank, in accordance with the internal regulations of the Bank.
- Board of Directors. The Board of Directors considers the following lending decisions:

  1) transactions with related parties and / or in conclusion of which there is self-interest;

  2) transactions, the terms of which differ from market conditions;

  3) transactions that exceed 5% of the shareholders' equity;

  4) transactions within the authority of the Board of Directors of the Bank in accordance with the laws of the Republic of Kazakhstan and the Bank's Charter.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the statement of financial position.

Credit related commitments

The Bank makes available to its customers guarantees and letters of credit, which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the contracts. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Where financial instruments are recorded at fair value, their carrying amounts 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.

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28. Risk management (continued)

Credit risk (continued)

Credit related commitments (continued)

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 11.

Credit quality per class of financial assets

The table below shows the credit quality by class of asset for statement of financial position lines. The amounts are shown gross without deduction for impairment.

		2012			
	Notes	*Neither past due nor impaired*	*Past due but not impaired*	*Individually impaired*	*Total*
Cash and cash equivalents (excluding cash on hand)	6	**12,246**	**–**	**–**	**12,246**
Obligatory reserves		**92**	**–**	**–**	**92**
Financial assets at fair value through profit or loss	7	**25,848**	**–**	**–**	**25,848**
Amounts due from credit institutions	8	**17,043**	**–**	**73,432**	**90,475**
Derivative financial assets	9	**1,759**	**–**	**–**	**1,759**
Investment securities:					
- available-for-sale	10	**35,801**	**18**	**1,072**	**36,891**
Loans to customers	11				
Corporate lending		**25,248**	**25,247**	**2,012,359**	**2,062,854**
Small and medium business lending		**104,899**	**4,138**	**53,618**	**162,655**
Individuals lending		**171,423**	**1,553**	**69,138**	**242,114**
Bonds of SWF Samruk-Kazyna JSC	12	**107,103**	**–**	**–**	**107,103**
Bonds of SWF Samruk-Kazyna JSC pledged as collateral under repurchase agreements	12	**545,768**	**–**	**–**	**545,768**
Total		**1,047,230**	**30,956**	**2,209,619**	**3,287,805**

		2011			
	Notes	*Neither past due nor impaired*	*Past due but not impaired*	*Individually impaired*	*Total*
Cash and cash equivalents (excluding cash on hand)	6	13,047	–	–	13,047
Obligatory reserves		55	–	–	55
Financial assets at fair value through profit or loss	7	31,408	–	–	31,408
Amounts due from credit institutions	8	26,267	–	67,616	93,883
Derivative financial assets	9	1,653	–	–	1,653
Investment securities:					
- available-for-sale	10	25,244	40	707	25,991
- held-to-maturity	10	5,515	44	10	5,569
Loans to customers	11				
Corporate lending		25,715	21,914	1,996,217	2,043,846
Small and medium business lending		114,753	2,979	50,756	168,488
Individuals lending		173,420	1,687	59,061	234,168
Bonds of SWF Samruk-Kazyna JSC	12	144,080	–	–	144,080
Bonds of SWF Samruk-Kazyna JSC pledged as collateral under repurchase agreements	12	392,625	–	–	392,625
Total		953,782	26,664	2,174,367	3,154,813

(Millions of Tenge)

28. Risk management (continued)

Credit risk (continued)

Aging analysis of past due but not impaired loans per class of financial assets:

	2012				
	Less than 30 days	*31-90 days*	*91-365 days*	*More than 365 days*	*Total*
Investment securities available-for-sale	**–**	**–**	**–**	**18**	**18**
Loans to customers					
Corporate lending	**25**	**35**	**7,591**	**17,596**	**25,247**
Small and medium business lending	**257**	**595**	**825**	**2,461**	**4,138**
Individuals lending	**118**	**188**	**1,076**	**171**	**1,553**
Total	**400**	**818**	**9,492**	**20,246**	**30,956**

	2011				
	Less than 30 days	*31-90 days*	*91-365 days*	*More than 365 days*	*Total*
Investment securities:					
- available-for-sale	–	18	10	12	40
- held-to-maturity	–	–	–	44	44
Loans to customers					
Corporate lending	402	287	20,311	914	21,914
Small and medium business lending	354	442	2,045	138	2,979
Individuals lending	174	251	1,235	27	1,687
Total	930	998	23,601	1,135	26,664

See 'Collateral and other credit enhancements' in Note 11 for the details of types of collateral held, and the allowance for impairment of loans to customers.

Impairment assessment

The main considerations for the loan impairment assessment comprise: whether any payments of principal or interest are overdue by more than 30 days or there are any known difficulties in the cash flows of counterparties, infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining allowance amounts include: the sustainability of the counterparty's business plan; its ability to improve performance once a financial difficulty has arisen; projected receipts and the expected dividend payout should bankruptcy ensue; the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. Notes 4 and 11 explain in detail the effects of such circumstances.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans to customers that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio, formed according to the sectors of economy and segments of financing, receiving a separate review.

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

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28. Risk management (continued)

Credit risk (continued)

Collectively assessed allowances (continued)

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

	2012			
	Kazakhstan	*OECD*	*CIS and other countries*	*Total*
Assets				
Cash and cash equivalents	**31,547**	**10,648**	**8,180**	**50,375**
Obligatory reserves	**–**	**–**	**92**	**92**
Financial assets at fair value through profit or loss	**25,572**	**–**	**276**	**25,848**
Amounts due from credit institutions	**14,862**	**1,157**	**9,965**	**25,984**
Derivative financial assets	**–**	**–**	**1,759**	**1,759**
Available-for-sale investment securities	**33,702**	**1,409**	**1,780**	**36,891**
Loans to customers	**594,485**	**218**	**49,980**	**644,683**
Bonds of SWF Samruk-Kazyna JSC	**107,103**	**–**	**–**	**107,103**
Bonds of SWF Samruk-Kazyna JSC pledged under repurchase agreements	**545,768**	**–**	**–**	**545,768**
Other assets	**13,437**	**152**	**506**	**14,095**
	1,366,476	**13,584**	**72,538**	**1,452,598**
Liabilities				
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	**496,496**	**–**	**–**	**496,496**
Loan from SWF Samruk-Kazyna JSC	**105,748**	**–**	**–**	**105,748**
Amounts due to credit institutions	**26,226**	**29,834**	**8,738**	**64,798**
Derivative financial liabilities	**8,444**	**–**	**6**	**8,450**
Amounts due to customers	**528,019**	**–**	**7,865**	**535,884**
Debt securities issued	**8,498**	**64,250**	**1,378**	**74,126**
Provisions	**2,163**	**–**	**786**	**2,949**
Other liabilities	**9,056**	**6,928**	**12,102**	**28,086**
	1,184,650	**101,012**	**30,875**	**1,316,537**
Net position	**181,826**	**(87,428)**	**41,663**	**136,061**
Contingent liabilities: liabilities from undrawn loans, guarantees and commercial letters of credit	**97,815**	**22**	**11,081**	**108,918**

(Millions of Tenge)

28. Risk management (continued)

Credit risk (continued)

Collectively assessed allowances (continued)

	2011			
	Kazakhstan	***OECD***	***CIS and other countries***	***Total***
Assets				
Cash and cash equivalents	48,784	4,026	3,310	56,120
Obligatory reserves	–	–	55	55
Financial assets at fair value through profit or loss	31,288	–	120	31,408
Amounts due from credit institutions	14,410	1,188	14,972	30,570
Derivative financial assets	–	–	1,653	1,653
Investment securities:				
- available-for-sale	25,620	371	–	25,991
- held-to-maturity	5,569	–	–	5,569
Loans to customers	605,040	1,609	45,148	651,797
Bonds of SWF Samruk-Kazyna JSC	144,080	–	–	144,080
Bonds of SWF Samruk-Kazyna JSC pledged under repurchase agreements	392,625	–	–	392,625
Other assets	3,582	214	661	4,457
	1,270,998	7,408	65,919	1,344,325
Liabilities				
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	431,055	–	–	431,055
Amounts due to credit institutions	37,898	42,608	13,022	93,528
Derivative financial liabilities	4,540	–	1	4,541
Amounts due to customers	745,870	271	7,589	753,730
Debt securities issued	13,370	682,861	1	696,232
Provisions	2,777	1	3,099	5,877
Other liabilities	7,172	1,294	14,652	23,118
	1,242,682	727,035	38,364	2,008,081
Net position	28,316	(719,627)	27,555	(663,756)
Contingent liabilities: liabilities from undrawn loans, guarantees and commercial letters of credit	134,366	248	12,517	147,131

Liquidity risk and funding management

The Asset and Liability Management Committee (ALMC) is a collegial working body of the Bank, the Bank's policymakers for the asset and liability operations in terms of market and prudential risks. The main functions of the ALMC, among others, are:

- determination of the policy of effective asset and liability management of the Bank to maximize the level of profitability of banking operations in accordance with the approved development strategy and policy of conducting operations at the Bank in compliance with all the requirements set by the banking legislation;
- establishing general policies for management of assets and liabilities to increase interest and non-interest income of the Bank while maintaining adequate liquidity and minimizing the impact on the Bank of risks existing in the market;
- current integrated management of financial risks in order to achieve an optimal risk / return ratio.

Liquidity risk is the risk that the Group will be unable to meet its obligations when due. Liquidity risk management is one of the main functions in the Group's risk management process and exercised by means of the GAP-analysis, analysis of cash flow and stress testing.

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28. Risk management policies (continued)

Liquidity risk and funding management (continued)

GAP – analysis includes preparation of tables of gaps by remaining contractual maturities of assets and liabilities and calculation of absolute and relative gap between assets and liabilities flows within the relevant period.

Cash flow analysis includes gathering and comprehensive analysis of information about all main cash inflows and outflows in future periods that arise due to changes in the amount of assets and liabilities, equity structure, income and expenses.

The management of ALMC analyzes the operational data on a weekly basis and makes decisions concerning liquidity management. ALMC considers the following issues: GAP analysis of the assets and liabilities broken down by maturity and currencies, duration of assets and liabilities and analysis of future cash flows. All business functions and risk management departments are involved in the process of the Group's liquidity management to provide the information support.

The Management regularly monitors high-liquid assets that may be disposed at any time. The Bank builds portfolio consisting of high-liquid assets, predominantly debt financial instruments issued by the states with high credit ratings.

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2012 and 2011, based on contractual undiscounted payments. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

2012 **Financial liabilities**	***Within one year***	***More than one year***	***Total***
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	**500,699**	**28**	**500,727**
Loan from SWF Samruk-Kazyna JSC	**5,142**	**350,066**	**355,208**
Amounts due to credit institutions	**22,982**	**55,103**	**78,085**
Derivative financial instruments	**8,450**	**–**	**8,450**
Amounts due to customers	**355,957**	**313,153**	**669,110**
Debt securities issued	**11,831**	**179,612**	**191,443**
Provisions	**642**	**2,307**	**2,949**
Other liabilities	**33,032**	**1,518**	**34,550**
Total undiscounted financial liabilities	**938,735**	**901,787**	**1,840,522**

2011 **Financial liabilities**	***Within one year***	***More than one year***	***Total***
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	434,897	219	435,116
Amounts due to credit institutions	56,996	47,466	104,462
Derivative financial instruments	4,541	–	4,541
Amounts due to customers	342,541	817,909	1,160,450
Debt securities issued	112,137	1,012,157	1,124,294
Provisions	3,440	2,437	5,877
Other liabilities	25,769	108	25,877
Total undiscounted financial liabilities	980,321	1,880,296	2,860,617

Included in due to customers are term deposits of individuals. In accordance with the Kazakhstan legislation, the Group is obliged to repay such deposits upon demand of a depositor (Note 18).

The table below shows the contractual expiry by maturity of the Group's financial commitments and contingencies.

	Withinone year	***More thanone year***	***Total***
2012	**27,942**	**80,976**	**108,918**
2011	35,316	107,103	142,419

(Millions of Tenge)

28. Risk management policies (continued)

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.

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 following table demonstrates the sensitivity of Group's consolidated income statement to a reasonable possible change in interest rates, with all other variables held constant.

The sensitivity of the income statement is the effect of the reasonably possible changes in interest rates on the profit before tax for one year, based on the floating rate financial assets and financial liabilities and reevaluation of financial assets, that evaluater by fair value through profit or loss held at 31 December 2012. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets at 31 December 2012 for the effects of the assumed changes in interest rates based on the assumption that there are parallel shifts in the yield curve.

	2012		
Currency	***Change in basis points***	***Sensitivity of profit before tax***	***Sensitivity of equity***
USD	**-136/131**	**269/(258)**	**60/(57)**
KZT	**-136/131**	**581/(558)**	**1,120/(1,075)**
Euro	**-136/131**	**(63)/60**	**–**
Belorussian rouble	**-136/131**	**(14)/13**	**–**
RUR	**-136/131**	**3/(3)**	**40/(38)**

	2011		
Currency	***Change in basis points***	***Sensitivity of profit before tax***	***Sensitivity of equity***
USD	-92.5/90.5	264/(258)	45/(44)
KZT	-92.5/90.5	351/(344)	639/(625)
Euro	-92.5/90.5	(178)/174	–
Belorussian rouble	-92.5/90.5	(7)/7	–
RUR	-92.5/90.5	5/(5)	5/(5)

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency position limits set by the Committee are monitored on a daily basis.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2012 and 2011 on its monetary assets and liabilities. 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 consolidated income statement. A negative amount in the table reflects a potential reduction in the consolidated income statement, while a positive amount reflects a potential increase.

	2012		*2011*	
Currency	***Change in currency rate, %***	***Effect on profit before tax***	***Change in currency rate, %***	***Effect on profit before tax***
USD	**-1.8/1.8**	**987/(987)**	-3.4/3.4	16,556/(16,556)
Euro	**-12.24/12.24**	**(2,951)/2,951**	-14.0/14.0	4,742/(4,742)
RUR	**-12.43/12.43**	**(2,296)/2,296**	-13.8/13.8	(1,867)/1,867
CHF	**-13.93/13.93**	**(2)/2**	-16.0/16.0	(4)/4
JPY	**-11.21/11.21**	**(6)/6**	-14.6/14.6	(1,434)/1,434
Belorussian rouble	**-41.55/41.55**	**(2,505)/2,505**	-36.7/36.7	(873)/873
GBP	**-9.81/9.81**	**(157)/157**	-13.9/13.9	(188)/188

(Millions of Tenge)

28. Risk management policies (continued)

Market risk (continued)

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Bank's investment and trading portfolios.

The effect on profit and equity (as a result of a change in the fair value of equity instruments through profit or loss and accounted for as available-for-sale at 31 December) due to a reasonably possible change in equity indices using Capital Asset Pricing Model, with all other variables held constant, is as follows:

	2012			*2011*		
Market index	***Increase in indices, %***	***Effect on profit before tax***	***Effect on equity***	***Increase in indices, %***	***Effect on profit before tax***	***Effect on equity***
KASE	**23.36**	**61**	**91**	25.77	110	37
MSCI World Index	**12.80**	**97**	**–**	21.62	3,166	1
FTSE	**13.62**	**2,308**	**127**	21.20	552	–
MICEX	**19.39**	**–**	**–**	27.37	–	–

	2012			*2011*		
Market index	***Decrease in indices, %***	***Effect on profit before tax and equity***	***Effect on equity***	***Decrease in indices, %***	***Effect on profit before tax and equity***	***Effect on equity***
KASE	**-23.36**	**(44)**	**61**	-25.77	(77)	38
MSCI World Index	**-12.80**	**(100)**	**–**	-21.62	(2,717)	(1)
FTSE	**-13.62**	**(2,256)**	**(130)**	-21.20	(562)	–
MICEX	**-19.39**	**–**	**–**	-27.37	–	–

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

The Group uses regression models to project the impact of varying levels of prepayment on its net interest income. The model makes a distinction between the different reasons for repayment (e.g. relocation, refinancing and renegotiation) and takes into account the effect of any prepayment penalties or commissions. The model is back tested against actual outcomes.

The effect on profit before tax and equity, assuming 10% of repayable financial instruments were to prepay at the beginning of the year, with all other variables held constant, is as follows:

	Effect on net interest income
2012	**(297)**
2011	3,816

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 a control framework and monitoring and responding to potential risks could be effective tools 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.

To ensure the efficient operation, the Group currently adopts the following tools for identification and measurement of operational risks that are based on international practice of operational risk management:

• Database of operational risk losses (SAS OpRisk);

• Risk self-assessment (RSA - Risk Self-Assessment);

• Evaluation of new processes/systems and / or changes in processes / systems of the Group (ORAP - Operational Risk Assessment Process)

(Millions of Tenge)

28. Risk management policies (continued)

Operational risk (continued)

Tools for identification and measurement of operational risks enable the Group to identify the activities / processes that are most exposed to operational risk, evaluate and monitor the Group's losses caused by operational risks, as well as to establish appropriate controls and to develop measures to minimize them.

In order to improve the operational risk management system of the Group, in 2012 a Committee on Operational Risk (hereinafter – the Committee) was established under the Management Board, which consists of 10 core members of the Committee, among which there are the heads of the various business units of the Group. The Chairman of The Committee is Managing Director - Member of the Management Board, in charge of risk management.

29. 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

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

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

	2012		*2011*	
	Level 1	***Level 2***	***Level 1***	***Level 2***
Financial assets				
Financial assets at fair value through profit or loss	**67,986**		51,060	–
Derivative financial assets	**–**	**1,759**	–	1,653
Available-for-sale investment securities	**40,044**		26,723	–
Financial liabilities				
Derivative financial liabilities	**–**	**8,450**	–	4,541

In 2011 and 2012 there were no transfers from level 1 to level 2.

Financial instruments recorded at fair value

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

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Financial assets at fair value through profit or loss and investment securities available-for-sale

Financial assets at fair value through profit or loss and investment securities available-for-sale valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated financial statements.

(Millions of Tenge)

29. Fair value of financial instruments (continued)

Financial instruments not carried at fair value in the consolidated statement of financial position (continued)

The table does not include the fair values of non-financial assets and non-financial liabilities.

	2012		
	Carrying value	***Fair value***	***Unrecognized gain/(loss)***
Financial assets			
Cash and cash equivalents	**50,375**	**50,375**	**–**
Obligatory reserves	**92**	**92**	**–**
Amounts due from credit institutions	**25,984**	**26,529**	**545**
Loans to customers	**644,683**	**716,113**	**71,430**
Bonds of SWF Samruk-Kazyna JSC	**107,103**	**107,273**	**170**
Bonds of SWF Samruk-Kazyna JSC pledged under repurchase agreements	**545,768**	**546,633**	**865**
Other assets	**14,095**	**14,095**	**–**
Financial liabilities			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	**496,496**	**496,496**	**–**
Loan from SWF Samruk-Kazyna JSC	**105,748**	**120,969**	**(15,221)**
Amounts due to credit institutions	**64,798**	**65,977**	**(1,179)**
Amounts due to customers	**535,884**	**583,155**	**(47,271)**
Debt securities issued	**74,126**	**79,365**	**(5,239)**
Provisions	**2,949**	**2,949**	**–**
Other liabilities	**28,086**	**28,086**	**–**
Total unrecognised change in fair value			**4,100**

	2011		
	Carrying value	***Fair value***	***Unrecognized gain/(loss)***
Financial assets			
Cash and cash equivalents	56,120	56,120	–
Obligatory reserves	55	55	–
Amounts due from credit institutions	30,570	30,550	(20)
Held-to-maturity investment securities	5,569	5,941	372
Loans to customers	651,797	699,975	48,178
Bonds of SWF Samruk-Kazyna JSC	144,080	155,819	11,739
Bonds of SWF Samruk-Kazyna JSC pledged under repurchase agreements	392,625	424,638	32,013
Other assets	4,457	4,457	–
Financial liabilities			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	431,055	431,055	–
Amounts due to credit institutions	93,528	94,445	(917)
Amounts due to customers	753,730	779,388	(25,658)
Debt securities issued	696,232	245,849	450,383
Provisions	5,877	5,877	–
Other liabilities	23,118	23,118	–
Total unrecognised change in fair value			516,090

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. This assumption is also applied to demand deposits, saving accounts without term maturity and variable rate financial instruments.

(Millions of Tenge)

29. Fair value of financial instruments (continued)

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.

30. Transferred financial assets and assets held or pledged as collateral

Mortgage loans

The Group has been periodically selling part of its mortgage loan portfolio to Kazakhstan Mortgage Company ("KMC"), with full recourse to the Group for any default loan. The Group has determined that, as a result of these transactions, substantially all the risks and rewards of the portfolio have not been transferred to KMC. Therefore, the Group continues to recognise these loans as an asset on its consolidated statement of financial position with the corresponding liability recorded in loans from financial institutions for the same amount. As at 31 December 2012, these loans amounted to KZT 3,235 million (as at 31 December 2011 – KZT 4,899 million).

Securitization operations

As at 31 December 2012 loans to customers included loans in the amount of KZT 16,596 million, which were pledged as collateral under bonds secured by pool of mortgage loans (as at 31 December 2011 – KZT 17,629 million). The liability to outside holders of bonds was recorded in item Debt securities issued in the amount of KZT 8,530 million (as at 31 December 2011 – KZT 13,350 million).

REPO Agreements

As at 31 December 2012 the carrying value of debt securities, pledged under repurchase agreements and loans from NBRK amounted to KZT 545,768 million (as at 31 December 2011 – KZT 392,625 million). The NBRK has the right to sell or re-pledge these securities during the agreement period. As at 31 December 2012 the fair value of these debt securities representing collateral under repurchase agreements and loans from NBRK was KZT 546,633 million (as at 31 December 2011 – KZT 424,638 million).

Assets held as collateral

As at 31 December 2012 the Group holds KZT 7,807 million (as at 31 December 2011 – KZT 8,922 million) included within Due to customers as collateral under guarantees and other liabilities of customers (Note 18). The Group is obliged to return collateral upon expiration of respective contracts.

(Millions of Tenge)

31. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 28 for the Group's contractual undiscounted repayment obligations.

	2012			*2011*		
	Within one year	***More than one year***	***Total***	***Within one year***	***More than one year***	***Total***
Cash and cash equivalents	**50,375**	**–**	**50,375**	56,120	–	56,120
Obligatory reserves	**62**	**30**	**92**	24	31	55
Financial assets at fair value through profit or loss	**67,986**	**–**	**67,986**	51,060	–	51,060
Amounts due from credit institutions	**17,525**	**8,459**	**25,984**	17,728	12,842	30,570
Derivative financial assets	**555**	**1,204**	**1,759**	1,653	–	1,653
Assets held for sale	**–**	**–**	**–**	23,556	–	23,556
Investment securities: - available-for-sale	**5,508**	**34,536**	**40,044**	2,804	23,919	26,723
- held-to-maturity	**–**	**–**	**–**	919	4,650	5,569
Loans to customers	**317,186**	**327,497**	**644,683**	479,979	171,818	651,797
Bonds of SWF Samruk-Kazyna JSC	**1,303**	**105,800**	**107,103**	2,007	142,073	144,080
Bonds of SWF Samruk-Kazyna JSC pledged under repurchase agreements	**6,568**	**539,200**	**545,768**	5,470	387,155	392,625
Investments in associates	**–**	**26,098**	**26,098**	–	27,491	27,491
Property and equipment	**–**	**8,903**	**8,903**	–	7,727	7,727
Goodwill	**–**	**853**	**853**	–	752	752
Current corporate income tax assets	**3,574**	**–**	**3,574**	4,322	–	4,322
Deferred corporate income tax assets	**–**	**224**	**224**	–	1,044	1,044
Other assets	**83,135**	**3,941**	**87,076**	50,438	17,479	67,917
Total assets	**553,777**	**1,056,745**	**1,610,522**	696,080	796,981	1,493,061
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	**496,468**	**28**	**496,496**	430,943	112	431,055
Loan from SWF Samruk-Kazyna JSC	**346**	**105,402**	**105,748**			
Amounts due to credit institutions	**17,107**	**47,691**	**64,798**	52,745	40,783	93,528
Derivative financial liabilities	**8,450**	**–**	**8,450**	4,541	–	4,541
Amounts due to customers	**334,490**	**201,394**	**535,884**	293,779	459,951	753,730
Debt securities issued	**4,479**	**69,647**	**74,126**	78,454	617,778	696,232
Provisions	**642**	**2,307**	**2,949**	3,440	2,437	5,877
Deferred corporate income tax liabilities	**–**	**75**	**75**	–	953	953
Other liabilities	**41,979**	**11,441**	**53,420**	34,241	7,712	41,953
Total liabilities	**903,961**	**437,985**	**1,341,946**	898,143	1,129,726	2,027,869
Net position	**(350,184)**	**618,760**	**268,576**	(202,063)	(332,745)	(534,808)
Accumulated gap	**(350,184)**	**268,576**		(202,063)	(534,808)	

32. Segment analysis

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

Corporate banking – representing other than small and medium size legal entities direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

Small and medium business – representing individual entrepreneurs, farm households and small enterprises current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products, as well as customer support electronic systems.

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages and cash and foreign currency related services.

Investment activity − representing financial assets and liabilities used for trading or investment purposes, financing, and merger and acquisitions transaction support.

No operating segments have been aggregated to form the above reportable operating segments.

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

(Millions of Tenge)

32. Segment analysis (continued)

Segment information for the main reportable operating segments of the Group for the years ended 31 December 2012 and 2011 is set out below:

2012	*Corporate banking*	*Small and medium business*	*Retail banking*	*Investing activities*	*Unallocated amounts*	*Elimination*	*Total*
External interest income	45,545	18,011	33,073	39,356	222		136,207
Internal interest income	5,247	2,478	24,934	239,985	–	(272,644)	–
External interest expense	(3,616)	(2,540)	(24,614)	(113,646)	(140)		(144,556)
Internal interest expense	(201,347)	(9,458)	(12,243)	(49,596)	–	272,644	–
Net interest (expense)/income before impairment	(154,171)	8,491	21,150	116,099	82	–	(8,349)
Impairment charge	(8,246)	5,802	(8,193)	–	–	–	(10,637)
Net interest (expense)/income	(162,417)	14,293	12,957	116,099	82	–	(18,986)
Non-interest income/(expense)	6,691	9,349	13,717	(14,025)	807	(1,625)	14,914
Share in net income of associates	–	–	–	(1,677)	–	–	(1,677)
Non-interest expense	(23,216)	(6,749)	(23,410)	(11,375)	(772)	1,625	(63,897)
Depreciation and amortization	(461)	(544)	(1,477)	(161)	(73)	–	(2,716)
Impairment charge on investments	–	–	–	(626)	–	–	(626)
Other impairment and provisions	3,244	(551)	(1)	(1)	(2)	–	2,689
Expenses on recognition of recovery units at reference amount	–	–	–	(633,103)	–	–	(633,103)
Restructuring gain	–	–	–	1,073,982		–	1,073,982
(Expense)/income before corporate income tax expenses	(176,159)	15,798	1,786	529,113	42	–	370,580
Corporate income tax expense	–	–	–	–	(280)	–	(280)
Net (expense)/income after corporate income tax expenses	(176,159)	15,798	1,786	529,113	(238)	–	370,300
Total assets	376,076	123,853	237,139	984,382	10,604	(121,532)	1,610,522
Total liabilities	82,180	126,610	348,445	835,928	373	(51,590)	1,341,946
Other segment information							
Investments in associates	–	–	–	26,098	–	–	26,098
Capital expenditures	54	192	815	21	–	–	1,082

(Millions of Tenge)

32. Segment analysis (continued)

2011	*Corporate banking*	*Small and medium business*	*Retail banking*	*Investing activities*	*Unallocated amounts*	*Elimination*	*Total*
External interest income	61,674	20,168	34,847	39,897	665	–	157,251
Internal interest income	7,902	3,700	29,756	196,639	–	(237,997)	–
External interest expense	(8,266)	(4,037)	(28,586)	(124,246)	(382)	–	(165,517)
Internal interest expense	(183,110)	(11,514)	(14,933)	(28,440)	–	237,997	–
Net interest (expense)/income before impairment	(121,800)	8,317	21,084	83,850	283	–	(8,266)
Impairment charge	(112,998)	(12,115)	(4,626)	–	–	–	(129,739)
Net interest (expense)/income	(234,798)	(3,798)	16,458	83,850	283	–	(138,005)
Non-interest (expense)/income	(5,808)	10,133	15,178	(29,946)	464	(1,555)	(11,534)
Share in net income of associates	–	–	–	7,039	–	–	7,039
Gain from disposal of subsidiaries	–	–	–	2,619	–	–	2,619
Income from change in the value of recovery units	1,472	(5,112)	(13,995)	–	28,090	–	10,455
Non-interest expense	(27,337)	(10,473)	(31,525)	(3,600)	(4,445)	1,555	(75,825)
Depreciation and amortization	(774)	(403)	(1,574)	(135)	(12)	–	(2,898)
Impairment charge on investments	–	–	–	(45,036)	–	–	(45,036)
Other impairment and provisions	(4,071)	(1,564)	939	(185)	(38)	–	(4,919)
(Expense)/income before corporate income tax expenses	(271,316)	(11,217)	(14,519)	14,606	24,342	–	(258,104)
Corporate income tax expense	–	–	–	–	(159,906)	–	(159,906)
Net (expense)/income after corporate income tax expenses	(271,316)	(11,217)	(14,519)	14,606	(135,564)	–	(418,010)
Total assets	357,081	149,327	236,173	875,054	5,772	(130,346)	1,493,061
Total liabilities	158,838	167,775	385,175	1,357,755	2,222	(43,896)	2,027,869
Other segment information							
Investments in associates	–	–	–	27,491	–	–	27,491
Capital expenditures	114	147	598	78	–	–	937

(Millions of Tenge)

32. Segment analysis (continued)

Geographical information

The following tables show the distribution of the Group's revenues from third party customers and non-current assets allocated based on the location of the customers and assets respectively for the years ended 31 December 2012 and 2011:

	Kazakhstan	*OECD*	*Non-OECD*	*Total*
2012				
Non-current assets	**12,125**	**–**	**862**	**12,987**
Revenue	**143,524**	**1,282**	**12,413**	**157,219**
2011				
Non-current assets	17,122	–	772	17,894
Revenue	159,092	6,720	9,964	175,776

Non-current assets represent property and equipment, intangible assets and other non-current assets. Revenue includes interest income and commission income.

33. 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, not merely the legal form.

Transactions with government-related entities

The Government of the Republic of Kazakhstan, acting through the Parent, controls the Group.

The Government of the Republic of Kazakhstan directly and indirectly controls and has significant influence over a significant number of entities through its government agencies and other organizations (together referred to as "government institutions").

The Government of the Republic of Kazakhstan does not provide to the general public or entities under its ownership/control a complete list of the entities, which are owned or controlled directly or indirectly by the government. Under these circumstances, the management of the Group disclosed only information that its current internal management system allows to present in relation to operations with government-controlled entities and where the management believes such entities could be considered as government-controlled based on its best knowledge.

(Millions of Tenge)

33. Related party transactions (continued)

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

	31 December 2012						*31 December 2011*					
	Share-holders	***Entities under common control***	***Associates***	***Govern-ment institutions***	***Key manage-ment personnel***	***Other related parties***	***Share-holders***	***Entities under common control***	***Associates***	***Govern-ment institutions***	***Key manage-ment personnel***	***Other related parties***
Cash and cash equivalents												
Amounts at 1 January	–	–	112	2,846	–	–	–	1	110	25,218	–	–
Amounts placed during the period	–	8,857	44	1,351,340	–	–	–	54,517	2,822	3,310,983	–	–
Amounts withdrawn during the period	–	(8,857)	(155)	(1,351,794)	–	–	–	(54,518)	(2,820)	(3,333,355)	–	–
Cash and cash equivalents as at 31 December	–	–	1	2,392	–	–	–	–	112	2,846	–	–
Interest income	–	–	–	–	–	–	–	–	–	7	–	–
Interest rates	–	–	–	–	–	–	–	–	–	3%	–	–
Maturities	–	On demand	On demand	On demand	–	–	–	On demand	On demand	On demand	–	–
Financial assets at fair value through profit or loss												
Balance at 1 January	153	20,117	–	7,894	–	–	–	44,764	–	11,068	–	–
Financial assets purchased during the period	222	52,474	–	1,001	–	–	164	57,703	–	3,756	–	–
Financial assets sold during the period	(13)	(49,624)	–	(2,042)	–	–	(11)	(82,350)	–	(6,930)	–	–
Financial assets at 31 December	362	22,967	–	6,853	–	–	153	20,117	–	7,894	–	–
Interest income	19	49	–	490	–	–	7	226	–	594	–	–
Interest rates	6%–7%	6%–12%	–	4%–11%	–	–	6%–7%	6%–7%	–	1%–8%	–	–
Maturities	On demand	On demand	–	On demand	–	–	On demand	On demand	–	On demand	–	–
Amounts due from credit institutions (deposits)												
Deposits at 1 January	–	–	4,390	–	–	–	–	–	3,997	–	–	–
Deposits placed during the period	–	–	955	–	–	–	–	–	871	–	–	–
Deposits withdrawn during the period	–	–	(504)	–	–	–	–	–	(478)	–	–	–

(Millions of Tenge)

33. Related party transactions (continued)

	31 December 2012						31 December 2011					
	Share-holders	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key manage-ment personnel*	*Other related parties*	*Share-holders*	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key manage-ment personnel*	*Other related parties*
Amounts due from credit institutions (deposits) at 31 December, gross	–	–	**4,841**	–	–	–	–	–	4,390	–	–	–
Less: Allowance for impairment	–	–	**(1,467)**	–	–	–	–	–	(219)	–	–	–
Amounts due from credit institutions (deposits) at 31 December, net	–	–	**3,374**	–	–	–	–	–	4,171	–	–	–
Interest income	–	–	**371**	–	–	–	–	–	452	–	–	–
Interest rates	–	–	**10%-12%**	–	–	–	–	–	10%-12%	–	–	–
Maturities	–	–	**2014**	–	–	–	–	–	2012-2014	–	–	–
Amounts due from credit institutions (loans)												
Loans at 1 January	–	–	**8,369**	–	–	–	–	–	4,983	–	–	–
Loans issued during the period	–	–	**1,667**	–	–	–	–	–	6,716	–	–	–
Loans repaid during the period	–	–	**(4,662)**	–	–	–	–	–	(3,330)	–	–	–
Amounts due from credit institutions (loans) at 31 December, gross	–	–	**5,374**	–	–	–	–	–	8,369	–	–	–
Less: Allowance for impairment	–	–	**(4,800)**	–	–	–	–	–	(1,878)	–	–	–
Amounts due from credit institutions (loans) at 31 December, net	–	–	**574**	–	–	–	–	–	6,491	–	–	–
Interest income	–	–	**338**	–	–	–	–	–	404	–	–	–
Interest rates	–	–	**7%-11%**	–	–	–	–	–	7%-11%	–	–	–
Maturities	–	–	**2013-2016**	–	–	–	–	–	2012-2016	–	–	–

(Millions of Tenge)

33. Related party transactions (continued)

	31 December 2012						*31 December 2011*					
	Share-holders	***Entities under common control***	***Associates***	***Govern-ment institutions***	***Key manage-ment personnel***	***Other related parties***	***Share-holders***	***Entities under common control***	***Associates***	***Govern-ment institutions***	***Key manage-ment personnel***	***Other related parties***
Available for sale investment securities												
Securities at 1 January	**154**	**1,030**	**–**	**12,506**	**–**	**–**	–	148	–	11,497	–	–
Securities purchased during the period	**1,150**	**3,484**	**–**	**4,728**	**–**	**–**	178	2,661	–	5,603	–	–
Securities sold during the period	**(46)**	**(1,449)**	**–**	**(5,511)**	**–**	**–**	(24)	(1,779)	–	(4,594)	–	–
Transfer from held-to-maturity investment securities	**–**	**1,230**	**–**	**1,655**	**–**	**–**	–	–	–	–	–	–
Available-for-sale investment securities at 31 December	**1,258**	**4,295**	**–**	**13,378**	**–**	**–**	154	1,030	–	12,506	–	–
Interest income	**64**	**101**	**–**	**848**	**–**	**–**	10	58	–	731	–	–
Interest rates	**6%–7%**	**6%–15%**	**–**	**5%–9%**	**–**	**–**	7%	6%–12%	–	5%–9%	–	–
Maturities	**2020**	**2014–2026**	**–**	**2013–2017**	**–**	**–**	2020	2014–2015	–	2012–2019	–	–
Held-to-maturity investment securities												
Securities at 1 January	**–**	**1,045**	**–**	**2,931**	**–**	**–**	–	963	–	3,838	–	–
Securities purchased during the period	**–**	**672**	**–**	**485**	**–**	**–**	–	85	–	244	–	–
Securities redeemed during the period	**–**	**(487)**	**–**	**(1,761)**	**–**	**–**	–	(3)	–	(1,151)	–	–
Transfer to available for sale investment securities	**–**	**(1,230)**	**–**	**(1,655)**	**–**	**–**	–	–	–	–	–	–
Held-to-maturity investment securities at 31 December	**–**	**–**	**–**	**–**	**–**	**–**	–	1,045	–	2,931	–	–
Interest income	**–**	**117**	**–**	**88**	**–**	**–**	–	50	–	175	–	–
Interest rates	**–**	**6.5%–7%**	**–**	**6%–9%**	**–**	**–**	–	7%–15%	–	8%–9%	–	–
Maturities	**–**	**2013–2020**	**–**	**2014–2019**	**–**	**–**	–	2013–2026	–	2012–2017	–	–
Loans to customers												
Loans to customers at 1 January	**–**	**1,164**	**–**	**2,508**	**5**		–	659	–	778	53	10
Loans issued during the period	**–**	**1,340**	**–**	**2,056**	**36**	**–**	–	1,902	–	3,215	15	–
Loans repaid during the period	**–**	**(1,636)**	**–**	**(3,597)**	**(19)**		–	(1,397)	–	(1,485)	(63)	(10)
Loans to customers at the end of the period, gross	**–**	**868**	**–**	**967**	**22**	**–**	–	1,164	–	2,508	5	–

(Millions of Tenge)

33. Related party transactions (continued)

	31 December 2012						*31 December 2011*					
	Share-holders	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key manage-ment personnel*	*Other related parties*	*Share-holders*	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key manage-ment personnel*	*Other related parties*
Less: provision for impairment	–	–	–	–	–	–	–	–	–	–	–	–
Loans outstanding at 31 December, net	–	**868**	–	**967**	**22**	–	–	1,164	–	2,508	5	–
Interest income	–	**96**	–	**215**	**3**		–	111	–	132	8	2
Interest rates	–	**8%**	–	**8%–19%**	**11%–13%**	–	–	8%–12%	–	12%–16%	12%–13%	–
Maturities	–	**2013–2016**	–	**2013–2016**	**2014–2026**	–	–	2013–2015	–	2012–2015	2014	–
Bonds of SWF Samruk-Kazyna JSC	**107,103**	–	–	–	–	–	144,080	–	–	–	–	–
Bonds of SWF Samruk-Kazyna JSC pledged under repurchase agreements	**545,768**	–	–	–	–	–	392,625	–	–	–	–	–
Interest income on bonds of SWF Samruk-Kazyna JSC	**32,095**	–	–	–	–	–	31,542	–	–	–	–	–
Interest rates	**6%**	–	–	–	–	–	6%	–	–	–	–	–
Maturities	**2024**	–	–	–	–	–	2024	–	–	–	–	–
Amounts due to the Government and the NBK												
Amounts at 1 January	–	–	–	**431,055**	–	–	–	–	–	450,025	–	–
Amounts obtained during the period	–	–	–	**5,587,850**	–	–	–	–	–	4,919,359	–	–
Amounts repaid during the period	–	–	–	**(5,522,409)**	–	–	–	–	–	(4,938,329)	–	–
Amounts due to the Government and the NBK at 31 December	–	–	–	**496,496**	–	–	–	–	–	431,055	–	–
Interest expense	–	–	–	**(29,180)**	–	–	–	–	–	(27,858)	–	–
Interest rates	–	–	–	**3%–6%**	–	–	–	–	–	8%	–	–
Maturities	–	–	–	**2013**	–	–	–	–	–	2012	–	–

(Millions of Tenge)

33. Related party transactions (continued)

	2012						2011					
	Share-holders	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key manage-ment personnel*	*Other related parties*	*Share-holders*	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key manage-ment personnel*	*Other related parties*
Amounts due to credit institutions												
Amounts due to credit institutions at 1 January	**–**	**28,282**	**1,225**	**5,899**	**–**	**–**	–	35,061	1,862	6,090	–	–
Amounts obtained during the period	**–**	**1,887**	**5,630**	**677**	**–**	**–**	–	3,162	10,415	39,798	–	–
Amounts repaid during the period	**–**	**(9,738)**	**(6,814)**	**(3,341)**	**–**	**–**	–	(9,941)	(11,052)	(39,989)	–	–
Loans at 31 December	**–**	**20,431**	**41**	**3,235**	**–**	**–**	–	28,282	1,225	5,899	–	–
Interest expense	**–**	**(1,887)**	**(2)**	**(252)**	**–**	**–**	–	(2,520)	(50)	(369)	–	–
Interest rates	**–**	**6%–9%**	**1%–3%**	**10%–15%**	**–**	**–**	–	6%–9%	1%–8%	10%–15%	–	–
Maturities	**–**	**2014–2016**	**2013**	**2014–2028**	**–**	**–**	–	2014–2016	2012–2013	2014–2028	–	–
Derivative financial liabilities	**8,444**	**–**	**–**	**–**	**–**	**–**	–	–	–	4,540	–	–
Expenses on derivative financial liabilities	**(8,444)**	**–**	**–**	**–**	**–**	**–**	–	–	–	(3,222)	–	–
Maturities	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	2012	–	–
Loan from SWF Samruk Kazyna at 31 December	**105,748**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
Interest expense	**(454)**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
Interest rates	**4%**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
Maturities	**2024**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
Amounts due to customers at 31 December	**126,097**	**7,956**	**–**	**13,208**	**32**	**6**	296,507	5,712	–	23,299	25	1
Interest expense	**(28,530)**	**(15)**	**–**	**(81)**	**(2)**	**–**	(28,759)	(114)	–	(446)	(5)	(1)
Interest rates	**7%**	**3%–6%**	**–**	**1%–6%**	**–**	**–**	7%–11%	1%–11%	–	1%–7%	–	–
Maturities	**2024–2029**	**2013**	**–**	**On demand**	**–**	**–**	2013–2029	2012–2017	–	On demand	–	–

(Millions of Tenge)

33. Related party transactions (continued)

	2012						2011					
	Share-holders	***Entities under common control***	***Associates***	***Govern-ment institutions***	***Key manage-ment personnel***	***Other related parties***	***Share-holders***	***Entities under common control***	***Associates***	***Govern-ment institutions***	***Key manage-ment personnel***	***Other related parties***
Commitments and guarantees issued, gross	**–**	**81**	**–**	**–**	**–**	**–**	–	80	–	–	–	–
Less: provision for impairment	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
Commitments and guarantees issued, net	**–**	**81**	**–**	**–**	**–**	**–**	–	80	–	–	–	–
Interest rates	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
Maturities	**–**	**2013**	**–**	**–**	**–**	**–**	–	2012	–	–	–	–
Commitments and guarantees received	**612,750**	**–**	**–**	**–**	**–**	**–**	612,750	–	–	–	–	–
Fee and commission expense	**(11,847)**	**–**	**–**	**–**	**–**	**–**	(12,900)	–	–	–	–	–
Interest rates	**0.125%**	**–**	**–**	**–**	**–**	**–**	2.0%	–	–	–	–	–
Maturities	**2013**	**–**	**–**	**–**	**–**	**–**	2012	–	–	–	–	–
Fee and commission income	**–**	**–**		**–**	**–**	**–**	–	–	1	–	–	–
Loss from realization of collateral	**–**	**–**	**–**		**–**	**–**	–	–	–	(770)	–	–

The aggregate remuneration and other benefits paid to members of the Management Board and Board of Directors for 2012 was KZT 427 million (2011 – KZT 443 million).

Included in the table above are the following transactions with related parties outstanding as at 31 December 2012 and 2011:

- Operations with shareholders including: loans issued, including provisioning matters, deposits placed, deposits attracted, debt securities purchased from the Parent and guarantees from the Parent;
- Operations with entities under common control including: issuance of loans, deposits placement, deposits and loans attraction, issuance of guarantees, operations with debt securities;
- Operations with associates including: deposits placement, attraction and issuance of loans, and also issuance of guarantees and letter of credits for investment objects;
- Operations with state organizations including: issuance of loans, including provisioning matters, operations with trading and investment securities, and also attraction of loans from the Government and the NBK;
- Operations with key management personnel/members of the Board of Directors, including: issuance of loans, including provisioning matters, deposits attraction, total remuneration paid during the period.

(Millions of Tenge)

34. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The Subject (the primary objective) of the Group's capital management is to ensure that the Group complies with imposed capital requirements and other ratios in order to support its business, to maximise shareholders' value and to maintain liquidity of the Group.

The capital adequacy of the Group is assessed based on the following requirements:

- the ratios established by the Basel Capital Accord 1988;
- the ratios established by the Committee in supervising the Bank;

• externally imposed capital requirements, as reflected in the Trust Deed dated 21 December 2012 and RCTFF Agreement dated 25 August 2010 together with amendments, in accordance with which the Bank shall maintain a capital adequacy ratio of 1 level not less than 10.0%, calculated in accordance with the recommendations of the Basel Committee on Banking Supervision.

In management of the Group's capital the following factors are taken into account:

- disproportion in the dynamics of banking operations;
- volatility of risky assets' volume;
- fluctuation of transactions' volumes and income / expense;
- expected changes in banking legislation, the requirements of regulator for implementing the control of banking supervision;
- expected market, political and other risks.

During 2012 the Bank was in breach of certain restrictive covenants set out in the Trust Deed dated 25 August 2010 and RCTFF dated 25 August 2010, and the requirements established by the Committee. As a result of the restructuring, these violations are eliminated, the adequacy of the Group's capital is restored, which ensure as at 31 December 2012 the Bank's compliance with ratios established by the regulator.

Capital adequacy ratio established by the Committee

The Committee requires banks with over 50% of shares belonging to the national management holding to maintain capital adequacy ratio: k1-1 and k1-2 at least 5%, k2 at least 10%. As at 31 December 2012 credit and market risks weighted regulatory assets of the Bank calculated in accordance with the Committee requirements were obtained from the separate financial statements of the Bank prepared in accordance with the Committee rules.

Calculation of capital adequacy ratios

- Capital adequacy ratio k1-1 is calculated as a ratio of tier 1 capital to total assets under Committee rules;
- Capital adequacy ratio k1-2 is calculated as a ratio of tier 1 capital to the sum of assets and contingent liabilities weighted with credit, market and operational risk;
- Capital adequacy ratio k2 is calculated as a ratio of own capital to the sum of assets and contingent liabilities weighted with credit, market and operational risk;

	2012	***2011***
Tier 1 capital	**213,208**	262,076
Tier 2 capital	**4,423**	91,343
Less: deductions from capital		(50,560)
Total equity	**217,631**	302,859
Total assets	**1,526,397**	1,996,336
Risk weighted assets	**919,571**	1,902,633
Capital adequacy ratio (k1-1)	**14.0%**	11.5%
Capital adequacy ratio (k1-2)	**23.2%**	11.8%
Capital adequacy ratio k2	**23.7%**	15.9%

(Millions of Tenge)

34. Capital adequacy (continued)

Capital adequacy ratio in accordance with the Basel Capital Accord 1988

Capital adequacy ratio of the Group calculated in accordance with the recommendations of the Basel Accord as at 31 December 2011 and 2012 has been evaluated on the basis of the credit risk adjusted approach. As 31 December 2011 the Group's capital adequacy ratios in accordance with the recommendations of the Basel Committee on banking supervision were not complied with, as the Group's equity was negative.

	2012
Tier 1 capital	**266,666**
Tier 2 capital	**150**
	266,816
Less: deductions from capital	**(26,098)**
Total equity	**240,718**
Risk weighted assets	**820,103**
Capital adequacy ratio (k1-1)	**32,52%**
Capital adequacy ratio (k1-2)	**29,35%**

35. Restructuring of financial liabilities

On 24 December 2012 the Bank successfully completed the process of restructuring of its financial liabilities. The relevant decision was taken on 28 December 2012 by the Specialized Financial court of Almaty.

Completion of all procedures under the Restructuring plan resulted in the restoration of the Bank's equity and regulatory capital as at 31 December 2012. As a result, at that date, the Group maintains a capital adequacy ratio of 1 level calculated in accordance with the recommendations of the Basel Committee on Banking Supervision, also the Bank complies with capital adequacy ratios established by the Committee for the second tier banks.

Within the framework of restructuring, certain financial debt of the Bank subject to restructuring was cancelled. In return, the Bank paid to creditors in cash the amount of USD 1,618 million, which is equivalent to KZT 243,487 million, issued new financial liabilities (Note (b)), signed the Second and Third Supplemental Deed of Amendment and Restatement toRevolving Committed Trade Finance Facility (Note (b)), converted deposits placed by the Parent into common shares and a part of the obligations under the subordinated bonds (Note (a)). In addition the Parent supported the Bank's restructuring by issuing a loan and the increase of the coupon rate on own bonds that are held by the Bank as an asset (Note (c))

Restructuring gain

The difference between the carrying value of restructured liabilities, excluding liabilities converted into the Bank's capital under the restructuring plan, and the fair value of new financial instruments and cash payment, was recognized as a gain from restructuring on 24 December 2012, the date of restructuring, as follows:

Liabilities included to the Restructuring plan	**1,599,880**
Liabilities converted into equity (a)	**(179,748)**
Liabilities included to the Restructuring plan, less converted liabilities	**1,420,132**
Fair value of new financial liabilities issued under the Restructuring plan	**(102,663)**
Cash payment to creditors in accordance with the Restructuring plan	**(243,487)**
Restructuring gain	**1,073,982**

a) Liabilities converted into equity

In accordance with the Restructuring plan deposits placed by the Parent in the amount of KZT 176,376 million were converted into common shares of the Bank.

The Bank's liabilities on outstanding subordinated bonds were also converted into common shares at a discount of 97.5%. As a result, the share capital was increased by KZT 3,372 million.

(Millions of Tenge)

35. Restructuring of financial liabilities (continued)

Restructuring gain (continued)

b) New financial liabilities issued within the Restructuring plan

Below is the nominal value and fair value of new financial liabilities issued within the Restructuring plan as at 24 December 2012:

	Nominal amount	*Fair value*
USD New bonds,	112,868	63,914
RCTFF	44,808	38,749
Total	**157,676**	**102,663**

Debt securities issued

Issued new debt securities were allocated among creditors whose claims were restructured within the restructuring plan.

Terms of issue - 10-year USD debt securities, coupon rate – 5.5% p.a. Coupon is paid semi-annually. Bonds are redeemed at maturity.

Revolving Committed Trade Finance Facility

Agreement on Revolving Committed Trade Finance Facility, signed upon completion of 2010 restructuring was amended and supplemented within the current restructuring process, by means of concluding Second and Third Supplemental Deed of Amendment and Restatement. These amendments provide extension of USD 348.2 million, which equals to KZT 52,322 million facility period up to 31 December 2015, the availability period – up to 31 December 2014.

Amended and supplemented Agreement will allow the Bank to reduce the price parameters under trade finance transactions and expand its trade finance product line by including pre-import cash financing and financing of trade transactions between residents of the RK.

(c) Other activities aimed to support the restructuring of the Bank

Within the framework of Restructuring plan the Parent undertook a number of measures aimed to support the restructuring of the Bank, in particular:

Loan from the Parent

For the purpose of ensuring payments to creditors in the form of cash, the Parent on 19 December 2012 issued a loan to the Bank in the amount of KZT 239,771 million. Period of the loan – up to 31 December 2024. Coupon rate – 4.0% p.a. Coupon is paid semi-annually. The loan is repaid at maturity.

The loan is subordinated against New bonds in USD and RCTFF.

Below is the nominal and fair value of received loan as at 24 December 2012:

	Nominal amount	*Fair value*
Loan from SWF Samruk-Kazyna JSC	239,771	105,293

The difference between nominal and fair value of the loan of KZT 134,478 million was recognized in equity as transaction with the Parent (Note 21).

Renegotiating SWF Samruk-Kazyna JSC bonds issue terms

On 19 December 2012 the Parent significantly amended the bond terms issued at KASE and owned by the Bank as the result of increasing of coupon rates from 4.0% to 6.0% p.a. In accordance with IAS 39, the Bank derecognized previously recorded bonds with carrying value of KZT 541,747 million and recognized new bonds at fair value of KZT 651,617 million. The difference of KZT 109,870 million was recognized in equity as transaction with the Parent.

Renegotiating the Parent's guarantee terms

On 20 December 2012 the Parent reconsidered the amount of the commission for the issued guarantee, which was reduced from 2.0% to 0.125% per annum, starting from 1 September 2012. As the result the commission accrued at the rate of 2.0% p.a. for the period since 1 September 2012 through 30 November 2012 was nullified. The difference between old rate of 2.0% p.a. and new rate of 0.125% p.a for the period since 1 September 2012 through 30 November 2012 of KZT 2,976 million was recognized as additional paid-in capital. (Note 21).

36. Subsequent events

The decision of Bishkek city court concerning the return of 71% interest in the capital of CJSC BTA Bank (Kyrgyzstan) to the Bank came into legal force. On 15 January 2013, Bishkek regional court sent to a registrar «Registrum» LLC copies of judicial acts, according to which the legal title for the above shares shall be re-registered to the name of Kazakhstan BTA Bank.

On 24 January 2013 President of Kazakhstan Nursultan Nazarbayev gave instruction to establish the united pension fund in Kazakhstan and transfer to pension accounts from all private pension funds. In accordance with this instruction, all pension funds must transfer pension assets before 1 July 2013 to the united pension fund. On 4 March 2013 the Government of Kazakhstan has allowed the Parent Company to become a shareholder of JSC "APF" Ular Umit "through the purchase of its shares in the Bank in the manner prescribed by law. Implementation of this decision may lead to recognition of disposal of this subsidiary in the consolidated financial statements of the Bank for 2013.

On 31 January 2013 the International Finance Corporation (hereinafter - «IFC») presented to the Bank for exercise its put option on the 8,750 shares of JSC "SK Leasing", representing 10% equity interest in JSC "SK Leasing". Acquisition of 10% stake of JSC "SK Leasing" implies an increase in ownership of shares of the Bank in JSC "SK Leasing" to 55% of the total shares of the leasing company (JSC "SK Leasing" will become a subsidiary of the Bank), and therefore, such acquisition of shares may be carried out after receipt of the relevant approvals, including those prescribed by the legislation of the Republic of Kazakhstan.

On 14 February 2013 the Annual General Meeting of Shareholders has elected the new members of the Board of Directors: Elena Bakhmutova, Mira Koshkimbaeva, Raihan Imambaeva, Yury Voicehowsky as an independent director and Konstantin Korishchenko as an independent director. On 15 February 2013, in the first meeting of renewed Board of Directors Elena Bakhmutova was elected as the Chairman of the Board of Directors.

BTA Bank JSC and subsidiaries

Consolidated Financial Statements

For the year ended 31 December 2011

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Independent auditors' report

To the Shareholders and Board of Directors of JSC BTA Bank

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

Management's Responsibility for the Consolidated 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 consolidated 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 whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' 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 the Group 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the consolidated financial statements, which indicates that the Group incurred a net loss amounting to KZT 418,010 million during the year ended 31 December 2011 and, as of that date, the Group's total liabilities exceeded its total assets by KZT 534,608 million. These conditions, along with other matters described in Note 2, including recent defaults under debt agreements and ongoing restructuring, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern.

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

5 November 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

(Millions of tenge)

	Notes	2011	2010
Assets			
Cash and cash equivalents	6	56,120	100,790
Obligatory reserves		55	40
Trading securities	7	51,060	82,257
Amounts due from credit institutions	8	30,570	25,177
Derivative financial assets	9	1,653	4,795
Assets held for sale	13	23,556	–
Investment securities			
- available-for-sale	10	26,723	21,110
- held-to-maturity	10	5,569	7,321
Loans to customers	11	651,797	787,618
Bonds of NWF Samruk-Kazyna	12	144,080	142,917
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	12	392,625	388,546
Investments in associates	13	27,491	90,326
Property and equipment		7,727	10,664
Goodwill	14	752	3,780
Current corporate income tax assets	16	4,322	5,360
Deferred corporate income tax assets	16	1,044	159,735
Other assets		67,917	65,742
Total assets		1,493,061	1,895,710
Liabilities			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	17	431,055	459,025
Amounts due to credit institutions	18	93,528	155,644
Derivative financial liabilities	9	4,541	1
Amounts due to customers	19	753,730	683,501
Debt securities issued	20	696,232	672,650
Provisions	15	5,877	1,192
Deferred corporate income tax liabilities	16	953	–
Other liabilities		41,953	37,410
Total liabilities		2,027,869	2,000,223
Equity deficit			
Issued capital: common shares	21	1,187,023	1,187,023
Additional paid-in capital		(130,029)	(130,029)
Treasury shares		(8,244)	(8,260)
Available-for-sale investment securities revaluation reserve		1,344	(713)
Foreign currency translation reserve		(2,702)	(651)
Other provisions relating to assets held for sale	13	(3,685)	–
Accumulated loss		(1,579,626)	(1,156,236)
Equity attributable to:			
Shareholders of the parent		(536,119)	(108,866)
Non-controlling interest		1,311	4,353
Total equity deficit		(534,808)	(104,513)
Total liabilities and equity		1,493,061	1,895,710

Signed and authorized for release on behalf of the Management Board of the Bank

A. B. Shakenov — Acting Chairman of the Management Board

A. B. Maxutova — Chief Accountant

5 November 2012

The accompanying notes on pages 8 to 65 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011

(Millions of tenge)

	Notes	*2011*	*2010*
Interest income			
Loans to customers		**117,279**	147,076
Bonds of NWF Samruk-Kazyna		**10,746**	11,290
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements		**20,796**	23,484
Investment securities		**2,652**	2,732
Amounts due from credit institutions		**2,012**	7,419
		153,485	192,001
Trading securities		**3,766**	4,866
		157,251	196,867
Interest expense			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan		**(27,858)**	(28,831)
Amounts due to credit institutions		**(11,185)**	(19,378)
Amounts due to customers		**(56,740)**	(43,794)
Debt securities issued		**(69,734)**	(117,379)
		(165,517)	(209,382)
Net interest expense before impairment		**(8,266)**	(12,515)
Charge of impairment of interest bearing assets	8, 11	**(129,739)**	(45,717)
Net interest expense		**(138,005)**	(58,232)
Net fee and commission income	23	**2,034**	12,014
Income from purchase of treasury bonds		**453**	1,481
Net trading loss	24	**(8,509)**	(26,864)
Gains less losses from foreign currencies:			
- dealing		**(495)**	12,736
- translation differences		**(11,920)**	6,413
Net income from insurance operations		**3,038**	1,347
Share in income of associates	3,13	**7,039**	4,250
Excess of the acquirer's share in net fair value of identifiable assets and liabilities of acquiree over the cost		**509**	10,169
Gain from disposal of subsidiaries	3	**2,619**	38,590
Income from change in the value of recovery notes		**10,455**	–
Other income		**4,247**	2,637
Non-interest income		**9,470**	62,773
Personnel expenses	26	**(20,134)**	(20,717)
Other operating expenses	26	**(38,429)**	(39,902)
Depreciation and amortization		**(2,898)**	(3,832)
Taxes other than income tax		**(5,100)**	(5,038)
Loss from realization of collateral		**(674)**	(3,826)
Loss from decline in value of collateral		**(217)**	(1,123)
Impairment charge on investments	25	**(45,036)**	(956)
Other impairment and provisions	15	**(4,919)**	54,596
Obligatory insurance of individuals' deposits		**(4,462)**	(3,141)
Other expenses		**(7,700)**	(3,930)
Non-interest expense		**(129,569)**	(27,869)
Restructuring gain		**–**	853,914
(Loss) / income before corporate income tax expenses		**(258,104)**	830,586
Corporate income tax (expense) / benefit	16	**(159,906)**	155,679
Net (loss) / income after corporate income tax expenses		**(418,010)**	986,265
Attributable to:			
Shareholders of the parent		**(417,766)**	988,035
Minority share in the net income		**(244)**	(1,770)
Net (loss) / income		**(418,010)**	986,265
Basic and diluted (loss) / income per share (in tenge)	27	**(9.53)**	59.16

The accompanying notes on pages 8 to 65 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

(Millions of tenge)

	Notes	*2011*	*2010*
Net (loss) / profit for the year		**(418,010)**	986,265
Other comprehensive (loss) / income:			
Fair value change of available-for-sale investment securities		**(208)**	(15)
Release of available-for-sale investment securities revaluation reserve on disposal of previously revalued assets	24	**(189)**	(1,049)
Impairment of available-for-sale investment securities	10	**1,394**	3,358
Share of changes in other provisions relating to assets held for sale		**(2,798)**	–
Share of changes recognized directly in equity of an associate		**–**	(632)
Foreign exchange revaluation		**(2,069)**	(264)
Other comprehensive (loss) / income for the reporting period		**(3,870)**	1,398
Total comprehensive (loss) / income for the reporting period		**(421,880)**	987,663
Attributable to:			
- Equity holders of the parent		**(421,645)**	989,471
- Non-controlling interest		**(235)**	(1,808)
		(421,880)	987,663

The accompanying notes on pages 8 to 65 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

(Millions of tenge)

	Issued capital-common shares	*Additional paid-in capital*	*Treasury shares*	*Available-for-sale investment securities revaluation reserve*	*Foreign currency translation reserve*	*Accumulated deficit*	*Total*	*Non-controlling interest*	*Total equity deficit*
1 January 2010	515,551	(38,798)	(6,383)	(2,352)	(448)	(2,144,271)	(1,676,701)	(13,119)	(1,689,820)
Net income for the year	–	–	–	–	–	988,035	988,035	(1,770)	986,265
Other comprehensive income / (loss) for the year	–	–	–	1,639	(203)	–	1,436	(38)	1,398
Total comprehensive income / (loss) for the year	–	–	–	1,639	(203)	988,035	989,471	(1,808)	987,663
Issuance of ordinary shares	671,472	–	–	–	–	–	671,472	–	671,472
Additional paid-in capital	–	(91,231)	–	–	–	–	(91,231)	–	(91,231)
Net purchase of treasury shares	–	–	(3,990)	–	–	–	(3,990)	–	(3,990)
Acquisition of subsidiaries	–	–	(95)	–	–	–	(95)	3,332	3,237
Disposal of a subsidiary	–	–	2,208	–	–	–	2,208	15,948	18,156
31 December 2010	1,187,023	(130,029)	(8,260)	(713)	(651)	(1,156,236)	(108,866)	4,353	(104,513)

The accompanying notes on pages 8 to 65 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011
(Millions of tenge)

	Issued capital-common shares	*Additional paid-in capital*	*Treasury shares*	*Available-for-sale investment securities revaluation reserve*	*Foreign currency translation reserve*	*Other provisions relating to assets held for sale*	*Accumulated deficit*	*Total*	*Non-controlling interest*	*Total equity deficit*
1 January 2011	1,187,023	(130,029)	(8,260)	(713)	(651)	–	(1,156,236)	(108,866)	4,353	(104,513)
Net loss for the year	–	–	–	–	–	–	(417,766)	(417,766)	(244)	(418,010)
Other comprehensive (loss) / income for the year	–	–	–	(1,828)	(2,051)	–	–	(3,879)	9	(3,870)
Total comprehensive loss for the year	–	–	–	(1,828)	(2,051)	–	(417,766)	(421,645)	(235)	(421,880)
Reclassification of accumulated loss recognized directly in equity relating to assets held for sale (Note 13)	–	–	–	3,685	–	(3,685)	–	–	–	–
Sale of treasury shares	–	–	16	–	–		–	16	–	16
Adjustment for hyperinflation	–	–	–	–	–		(1,847)	(1,847)	–	(1,847)
Purchase of non-controlling interest	–	–	–	–	–		(3,777)	(3,777)	(2,807)	(6,584)
31 December 2011	1,187,023	(130,029)	(8,244)	1,144	(2,702)	(3,685)	(1,579,626)	(536,119)	1,311	(534,808)

The accompanying notes on pages 8 to 65 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011
(Millions of tenge)

	Notes	*2011*	*2010*
Cash flows from operating activities:			
Interest received		**98,569**	106,744
Interest paid		**(118,552)**	(142,798)
Income from dealing in foreign currencies		**890**	4,970
(Expenses paid) / income from trading with securities		**(352)**	685
Fees and commissions received		**18,033**	7,797
Fees and commissions paid		**(16,010)**	(5,773)
Cash paid for insurance operations		**(3,455)**	(2,325)
Cash received from insurance operations		**9,871**	8,576
Cash paid to employees		**(18,485)**	(19,152)
Cash paid for obligatory deposits insurance		**(4,286)**	(3,141)
Operating expenses paid		**(35,632)**	(47,223)
Net cash used in operating activities before changes in operating assets and liabilities		**(69,409)**	(91,640)
Net increase / decrease in cash from operating assets and liabilities:			
Net (increase) / decrease in obligatory reserves		**(15)**	105
Net decrease / (increase) in trading securities		**19,508**	(2,444)
Net (increase) / decrease in amounts due from credit institutions		**(4,602)**	47,387
Net decrease in loans to customers		**42,519**	101,442
Net (increase) / decrease in other assets		**(3,498)**	954
Net (decrease) / increase in due to the Government and the National Bank of the Republic of Kazakhstan		**(20,018)**	43,111
Net decrease / (increase) in derivative financial instruments		**1,672**	(381)
Net decrease in amounts due to credit institutions		**(60,162)**	(55,192)
Net increase in amounts due to customers		**70,016**	93,819
Net (decrease) / increase in other liabilities		**(4,919)**	1,510
Net cash flows (used in) / from operating activities before income tax		**(28,908)**	138,671
Income tax paid		**(782)**	(1,048)
Net cash flows (used in) / from operating activities		**(29,690)**	137,623
Cash flows from investing activities:			
Purchase of available-for-sale investment securities		**(11,853)**	(10,050)
Disposal of available-for-sale investment securities		**9,546**	12,116
Purchase of held-to-maturity investment securities		**(738)**	(1,570)
Redemption of held-to-maturity investment securities		**2,559**	1,708
Acquisition of subsidiaries net of cash received		**105**	5
Cash of disposed subsidiaries		**–**	(12,437)
Dividends received from associates	3	**358**	423
Purchase of property and equipment		**(2,317)**	(2,571)
Proceeds from disposal of property and equipment		**1,017**	780
Net cash used in investing activities		**(1,323)**	(11,596)

The accompanying notes on pages 8 to 65 are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

(Millions of tenge)

	Notes	*2011*	*2010*
Cash flows from financing activities:			
Proceeds from bonds issued		**330**	–
Redemption of debt securities issued		**(7,641)**	(102,853)
Purchase of non-controlling interest		**(6,584)**	–
Proceeds from sale of treasury shares		**16**	344
Purchase of treasury shares		**–**	(846)
Net cash used in financing activities		**(13,879)**	(103,355)
Effect of exchange rate changes on cash and cash equivalents		**222**	(97)
Net (decrease) / increase in cash and cash equivalents		**(44,670)**	22,575
Cash and cash equivalents, beginning	6	**100,790**	78,215
Cash and cash equivalents at the end of the period	6	**56,120**	100,790
Non-cash transactions:			
Collateral obtained for repayment of loans to customers		**9,802**	41,403
Deconsolidation of subsidiary		**4,563**	66,523
Corporate income tax offset		**1,564**	–
Business combination		**404**	11,551
Write-off of liabilities under the Restructuring plan		**–**	(1,576,288)
Conversion of debt securities issued to common shares		**–**	(671,472)
Recognition of new financial instruments at fair value		**–**	722,374
Modification of terms of debt securities issued		**–**	100,974
Modification of terms of bonds of NWF Samruk-Kazyna		**–**	(9,743)
Reclassification of available-for-sale investment securities to held-to-maturity investment securities		**–**	5,039
Purchase of treasury shares		**–**	(3,488)

The accompanying notes on pages 8 to 65 are an integral part of these consolidated financial statements

(Millions of tenge)

1. Principal activities

JSC BTA Bank and its subsidiaries (the "Group") provide retail and corporate banking services, insurance services, leasing and other financial services in Kazakhstan, Armenia, Georgia, Belorussia, Ukraine, and the Russian Federation. The parent company of the Group is BTA Bank (the "Bank"), a joint stock company. The Bank is incorporated and domiciled in the Republic of Kazakhstan. Note 3 lists the Bank's subsidiaries and associates.

The legal registered address of the Bank is: 050051, Republic of Kazakhstan, Almaty, Samal-2 Zholdasbekov Str., 97

The Bank accepts deposits from the public and extends credits, transfers payments within Kazakhstan and abroad, exchanges currencies and provides other banking services to its commercial and retail customers in accordance with license No. 242 issued on 4 March, 2008 by the Agency of the Republic of Kazakhstan for Regulation and Supervision of the Financial Market and Financial Organizations. In addition, the Group is authorized to accept funds of the pension fund depositors. The Group has a primary listing in the Kazakhstan Stock Exchange (hereinafter, KASE). Certain of the Group's securities are listed on the Luxemburg Stock Exchange with a secondary listing on the KASE. Its head office is located in Almaty, Kazakhstan. As of 31 December 2011 the Bank had 22 regional branches and 220 cash settlement units (as at 31 December 2010, the Bank had 22 regional branches and 227 cash settlement units), located throughout Kazakhstan and representative offices in Shanghai, China; Moscow, Russia; Dubai, United Arab Emirates; London, Great Britain.

National Welfare Fund Samruk-Kazyna JSC is the ultimate parent (the "Parent" or the "Controlling shareholder") of the Group. Ultimate shareholder of the Group is the Government of the Republic of Kazakhstan.

Below is the list of major shareholders of the Bank as at:

	31 December 2011, %	*31 December 2010, %*
Shareholders		
Common shares:		
National welfare fund Samruk-Kazyna JSC	**81.48**	81.48
Other	**18.52**	18.52
	100.00	100.00

2. Going concern

In 2008, there was a significant deterioration in the consolidated financial position of the Bank and its subsidiaries, primarily due to loan portfolio losses. This resulted in non-compliance by the Bank and the Group with certain prudential standards, including those relating to capital adequacy ratio established by FMSA. In addition, in February 2009, there was a devaluation of KZT against USD by 23%. It also had a negative impact on the Bank and its customers, which resulted in further deterioration of the Bank's assets.

Starting from February 2009, the Parent and the Bank's management initiated certain measures to improve the liquidity and enable the Group to continue its operations, which included restructuring of the Bank's financial liabilities. On 16 September 2010 the Bank completed the process of debt restructuring in accordance with the decision of the Specialized financial court of Almaty dated 31 August 2010. As a result, the Group's external debt amounting to US Dollar 11,647 million was settled by cash of US Dollar 945 million, new senior debt of US Dollar 3,242 million, new subordinated debt of US Dollar 773 million and revolving committed trade finance facility of US Dollar 698 million as well as recoverable bonds, which provide the holders with 50% of the qualified bad assets, which the Bank planned to recover in the future. As a result of the restructuring the Bank's regulatory capital was brought in line with the standards of the regulatory agencies.

However, despite the restructuring of financial liabilities of the Bank, which resulted in a significant reduction in the equity deficit of the Group and increase in regulatory capital of the Bank, the Group continued to have an equity deficit in the amount of KZT 104,513 mln as at 31 December 2010.

In 2011, the Bank failed to implement the business plan adopted in 2010, which envisaged significant cash receipts from the restructuring and repayment of loans. Moreover, the Group was unable to foreclose on the collateral and sell it at the previously assessed value due to the prolonged court procedures in Kazakhstan and other countries.

2. Going concern (continued)

As a result, total liabilities of the Group as at 31 December 2011 exceeded total assets by KZT 534,808 million (31 December 2010 - KZT 104,513 million). For the year ended 31 December 2011, the Group incurred a net loss of KZT 418,010 million (2010 - net income of KZT 986,265 million).

In January 2012 the Bank defaulted on a coupon payment on senior bonds, special debt instruments with discount and subordinated bonds. On 23 April 2012 the Bank announced that it was stopping all payments on recoverable bonds. On 28 April 2012 the Bank received a notification of early redemption of the recoverable bonds; as a result the total notional amount of USD 5,221 million has become immediately payable.

On 30 March 2012 the Bank signed an Agreement amending the revolving guaranteed credit trade finance facility (RCTFF) based on which the payment due on 30 March was deferred until 30 June 2012. However on 30 June 2012 this payment was not made by the Bank.

On 3 April 2012 the Bank formally appointed a steering committee of creditors to coordinate discussions with respect to proposed restructuring of the Bank's debt.

On 8 May 2012 the Specialized Financial Court of Almaty granted the Bank's May 2 application to commence the restructuring of its financial indebtedness. In July, August and September these restructuring proceedings were recognized by courts in the United Kingdom, United States of America and the Ukraine.
On 2 October 2012 the Bank and its Parent signed a preliminary agreement with members of the steering committee of its creditors, other than Nomura International, on a non-binding term sheet for the restructuring. Based on the restructuring terms, creditors will exchange their interests for a package of New Notes and cash. The New Notes will have a nominal amount of $750 million with a semi-annual coupon of 5.5% p.a. and maturity in 2022. In exchange for their notes, Senior Noteholders will receive $957.8 million of cash and $88.8 million of New Notes, Recovery Unit holders will receive $660.2 million of cash and $61.2 million of New Notes and Original Issue Discount Noteholders will receive $600 million of New Notes. Holders of Subordinated notes denominated in USD, Euro and tenge maturing in 2025 and 2030 will receive equity in the Bank (in form of common shares and Global depositary receipts) in the amount representing conversion of 2.5% nominal amount of these notes. Remaining claims of such holders will be canceled. The Bank has also agreed with its RCTFF lenders on extension of the maturity of the RCTFF facility until 31 December 2015.

The Bank's Parent has committed to support the transaction through a combination of the conversion of deposits into equity resulting in an increase in its shareholding in the Bank, an increase in the coupon on its bonds held as an asset by the Bank and through a $1.592 billion loan subordinated to the New Notes, at an interest rate of not higher than 4% p.a. In addition, the Bank plans to implement further measures to improve its loan recoveries.

Nevertheless, there still exists a material uncertainty as to the ultimate outcome of the debt restructuring, which may cast significant doubt about the Group's ability to continue as a going concern.

These consolidated financial statements of the Group were prepared based on the going concern principle. Accordingly, these consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded assets and classification of liabilities that might be necessary if the Bank is unable to continue as a going concern.

3. Basis of preparation

General

These financial statements are presented in millions of Kazakh tenge ("KZT" or "tenge"), except per share amounts and unless otherwise indicated. The KZT is utilized as the shareholders, the managers and the regulators measure the Group's performance in KZT. In addition, the KZT, being the national currency of the Republic of Kazakhstan, is the currency that reflects the economic substance of the underlying events and circumstances relevant to the Group. Significant foreign currency positions are maintained as they are necessary to meet customers' requirements, manage foreign currency risks and achieve a proper assets and liabilities structure of the Group. Transactions in other currencies are treated as transactions in foreign currencies.

The consolidated financial statements are prepared under the historical cost convention modified for the measurement at fair value of available-for-sale investment securities, trading securities and derivative contracts as required by IAS 39 "Financial Instruments: Recognition and Measurement".

(Millions of tenge)

3. Basis of preparation (continued)

Consolidated subsidiaries

The consolidated financial statements include the following subsidiaries:

Subsidiary	*Share of ownership, % 31 December 2011*	*Share of ownership, % 31 December 2010*	*Country*	*Date of incorporation*	*Industry*	*Date of acquisition*
JSC Subsidiary of JSC BTA Bank BTA Securities	**100.00%**	100.00%	Kazakhstan	17.10.97	Securities trading and asset management	13.12.97
JSC Accumulative Pension Fund BTA Kazakhstan Subsidiary of JSC BTA Bank	**–**	86.05%	Kazakhstan	11.12.97	Pension fund	16.09.98
JSC Subsidiary Company of JSC BTA Bank BTA Ipoteka	**100.00%**	100.00%	Kazakhstan	20.11.00	Consumer mortgage lending	20.11.00
JSC Subsidiary Life Insurance Company of BTA Bank BTA Life	**100.00%**	100.00%	Kazakhstan	22.07.99	Life insurance	30.03.01
TuranAlem Finance B.V.	**100.00%**	100.00%	Netherlands	22.05.01	Capital markets	22.05.01
LLC Subsidiary of JSC BTA Bank TuranAlem Finance	**100.00%**	100.00%	Russia	22.06.04	Capital markets	28.09.04
JSC Subsidiary of JSC BTA Bank Insurance Company London-Almaty	**99.53%**	99.53%	Kazakhstan	20.11.97	General insurance	05.08.04
BTA Finance Luxembourg S.A. affiliated company of JSC BTA Bank	**86.11%**	86.11%	Luxemburg	05.01.06	Capital markets	06.03.06
JSC Subsidiary Company of BTA Bank BTA Insurance	**98.68%**	99.98%	Kazakhstan	08.09.98	General insurance	21.12.06
TemirCapital B.V.	**100.00%**	100.00%	Netherlands	29.05.01	Capital markets	29.12.06
BTA Bank CJSC	**99.71%**	99.71%	Belorussia	25.04.02	Bank activities	30.10.08
Accumulating Pension Fund Ular Umit JSC	**92.38%**	75.00%	Kazakhstan	23.01.98	Pension fund	13.01.10
LLP Titan Inkassatsiya	**100.00%**	100.00%	Kazakhstan	22.08.02	Cash collection	05.01.10
JSC Pension Asset Management Company Zhetysu	**100.00%**	75.00%	Kazakhstan	05.03.98	Pension assets investment management	14.01.10
Subsidiary of JSC BTA Bank Alemcard LLP	**100.00%**	–	Kazakhstan	28.06.02	Processing centre	03.10.2011
Logopark Hagibey LLC	**–**	100.00%	Ukraine	26.10.07	Logistic complex	01.07.10
First Kazakh Securitization Company	**–**	–	Netherlands	08.12.05	Securitization of financial assets	–
Second Kazakh Securitization Company	**–**	–	Netherlands	25.09.07	Securitization of financial assets	–

On 8 April 2011, the Bank acquired additional shares of JSC Accumulative Pension Fund Ular- Umit "(hereinafter -" Ular-Umit ") and JSC Pension Asset Management Company Zhetysu (hereinafter - "Zhetysu"), increasing its stake in these institutions from 75.00% to 100.00%.

On 29 April 2011, the Committee for the Control and Supervision of Financial Market and Financial Institutions of the National Bank of Kazakhstan (hereinafter - the "FMSC") adopted a resolution to grant a permission for voluntary reorganization of Ular-Umit and JSC APF "BTA Kazakhstan" subsidiary company of "BTA Bank "(hereinafter -" BTA Kazakhstan "), by merging BTA Kazakhstan to Ular-Umit. Ular-Umit on the basis of the act of transfer and acceptance took over the property, rights and obligations of BTA Kazakhstan. The process of pension funds merging was performed through the placement of shares to existing shareholders in proportion to the ratio of sale price of BTA Kazakhstan shares to the issue price of Ular-Umit shares. The share exchange procedure was initiated in May and completed in November 2011. As a result, the share of the Bank in the share capital of Ular Umit decreased from 100,00 % to 92,38%.

In July 2011 the share of the Bank participation in the capital of Logopark Hagibey LLC was sold in full. Income from disposal of Logopark Hagibey LLC amounting to KZT 2,619 million was recognized in the consolidated income statement.

In 2010 the Group recognized income from disposal of Temirbank JSC in the amount of KZT 38,590 million.

(Millions of tenge)

3. Basis of preparation (continued)

Consolidated subsidiaries (continued)

On 3 October 2011 the ownership of 100% share of participation in the charter capital of subsidiary of BTA Bank JSC Alemcard LLP (hereinafter - "Alemcard") was transferred to the Bank. Consideration paid amounted to KZT 150,000. The excess of the net fair value of the identified acquired assets and liabilities of Alemcard over the cost in the amount of KZT 509 million was recognized in the consolidated income statement.

Although the Group did not own any shares in First Kazakh Securitisation Company and Second Kazakh Securitisation Company as at 31 December 2010 and 2011 and for the years then ended, they are treated, in accordance with SIC-12 "Consolidation – Special Purpose Entities", as subsidiaries, because at those dates the Group controlled and benefited directly from operations of these entities.

Associates accounted for under equity method

The following associates are accounted for under the equity method and included into investments in associates:

31 December 2011 Associate	*Percentage of ownership*	*Country*	*Activity*	*Share in net income*	*Total assets*	*Total liabilities*	*Equity*
BTA Bank PJSC	**49.99%**	**Ukraine**	**Bank**	**488**	**73,568**	**45,095**	**28,473**
BTA Bank JSC	**49.00%**	**Georgia**	**Bank**	**29**	**10,450**	**7,626**	**2,824**
BTA Bank CJSC	**48.93%**	**Armenia**	**Bank**	**49**	**3,618**	**1,518**	**2,100**
JSCB BTA Kazan OJSC	**47.33%**	**Russia**	**Bank**	**69**	**86,523**	**76,236**	**10,287**
SK Leasing JSC	**45.00%**	**Kazakhstan**	**Leasing**	**34**	**2,111**	**436**	**1,675**
Temir Leasing JSC	**35.52%**	**Kazakhstan**	**Leasing**	**6**	**4,042**	**2,106**	**1,936**
Oranta NJSIC	**35.17%**	**Ukraine**	**Insurance**	**649**	**20,876**	**5,882**	**14,994**
Sekerbank	**33.98%**	**Turkey**	**Bank**	**5,715**	**1,109,011**	**997,537**	**111,474**
AMT Bank LLC	**22.26%**	**Russia**	**Bank**	*****	*****	*****	*****
				7,039	**1,310,199**	**1,136,436**	**173,763**

* On 21 July 2011, the Russian Central Bank revoked the license to perform banking operations from AMT Bank LLC. As at 31 December 2011, there was no reliable financial reporting of AMT Bank LLC.

In March 2011, Sekerbank announced dividends on common shares of KZT 1,146 million. On 30 June 2011 dividends in the amount of KZT 788 million were received in the form of common shares. In October 2011 dividends in the amount of KZT 358 million were paid in cash.

On 30 June 2011 in connection with the payment of dividends in the form of common shares, the share capital of Sekerbank increased from 750,000,000 ordinary shares to 1,000,000,000 ordinary shares. On 31 December 2011 the share of Subsidiary of BTA Bank JSC BTA Securities JSC in the authorized capital of Sekerbank has not changed and equals to 33.98%.

In April 2011, the Bank's share in Oranta NJSIC capital increased from 30.39% to 35.17% as a result of foreclosure of common shares of Oranta NJSIC in the amount of 6,331,503 shares as partial customer debt service payment to the Bank.

In May 2011, the Bank's share in JSC Temirleasing capital increased from 26.92% to 35.52% as a result of foreclosure of common shares of JSC Temirleasing in the amount of 134,084 shares as partial customer debt service payment to the Bank.

31 December 2010 Associate	*Percentage of ownership*	*Country*	*Activity*	*Share in net income / (loss)*	*Total assets*	*Total liabilities*	*Equity*
BTA Bank PJSC	49.99%	Ukraine	Bank	55	71,012	42,573	28,439
BTA Bank JSC	49.00%	Georgia	Bank	(277)	8,780	6,135	2,645
BTA Bank CJSC	48.93%	Armenia	Bank	16	3,345	1,233	2,112
JSCB BTA Kazan OJSC	47.32%	Russia	Bank	38	67,862	57,229	10,633
SK Leasing JSC	45.00%	Kazakhstan	Leasing	(121)	3,197	1,618	1,579
Temir Leasing JSC	26.92%	Kazakhstan	Leasing	8	3,669	1,746	1,923
Oranta NJSIC	30.39%	Ukraine	Insurance	48	21,381	6,529	14,852
Sekerbank	33.98%	Turkey	Bank	4,483	1,103,699	976,682	127,017
AMT Bank LLC	22.26%	Russia	Bank	–	219,074	167,968	51,106
				4,250	1,502,019	1,261,713	240,306

4. Summary of significant accounting policies

Changes in accounting policies

In 2011 the Group has implemented the following revised IFRS standards and new Interpretations. The principal effects of these changes are as follows:

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 3 Business combinations: limits the scope of the measurement choices of the method of assessing non-controlling interest (NCI). It indicates that only the components of NCI that entitle their holders to a proportionate share of the entity's net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets.
- 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.

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 and unrealised gains on these transactions, as well as balances are eliminated in full. Unrealised losses are also eliminated unless when a respective operation gives evidence of the impairment of the asset transferred. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Acquisition of subsidiaries

Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the noncontrolling interest in the acquiree that currently entitles their holders to a proportionate share of the entity's net assets, in the event of liquidation, either at the fair value or at the proportionate share of the acquiree's identifiable net assets. Ohter components of non-controlling interest are measured at fair value at the date of acquisition. Acquisition costs incurred are expensed.

4. Summary of significant accounting policies (continued)

Acquisition of subsidiaries (continued)

Business combination (continued)

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed.

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations under common control transactions

Business combinations under common control transactions are accounted for using the pooling of interests method. A business combination under common control transaction considers the following:

- The assets and liabilities of the combining entities are reflected at their carrying amounts;
- No adjustments are made to reflect fair values, or recognise any new assets or liabilities, at the date of the combination that would otherwise be done under the acquisition method. The only adjustments that are made are to harmonise accounting policies;
- No 'new' goodwill is recognised as a result of the combination. The only goodwill that is recognised is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity;
- The consolidated income statement reflects the results of the combining entities prospectively from the date of combination.

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. Investments in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Group's share of net assets of the associate. The Group's share of its associates' profits or losses is recognised in statement of income, and its share of movements in reserves is recognised in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless the Group is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Financial assets

Initial recognition of financial instruments

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, or 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.

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. 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.

'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 income statement when the inputs become observable, or when the instrument is derecognised.

Trading securities

Trading securities 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. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Financial assets available-for-sale

Available-for-sale financial investments are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Available-for-sale financial investments comprise equity instruments, short-term instruments and other debt instruments. After initial recognition available-for sale financial investments 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 of financial assets and liabilities

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.

4. Summary of significant accounting policies (continued)

Financial assets (continued)

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Group has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available-for-sale or held-to-maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Group has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognized in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the National Bank of Kazakhstan (the "NBK") – excluding obligatory reserves, and amounts due from other financial institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Obligatory reserves

Obligatory reserves represent mandatory reserve deposits and cash which are not available to finance the Bank's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated cash flow statements.

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 consolidated 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, including futures, forwards, swaps and options in the foreign exchange and capital markets. Such financial instruments are primarily held for trading and are initially measured in accordance with financial instruments recognition policy and subsequently measured at their 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 (unrealised gain) when fair value is positive and as liabilities (unrealised loss) when it is negative. Gains and losses resulting from these instruments are included in the consolidated statement of income as net trading gain/(loss) or net gains/(losses) from foreign currencies dealing, depending on the nature of the instrument.

Derivative instruments embedded in other financial instruments are treated as a separate derivative and recorded at fair value if their risks and economic characteristics are not closely related to the host contracts and the host contracts are not carried at fair value through 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 income statement.

4. Summary of significant accounting policies (continued)

Lease

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of specific assets and the arrangement conveys a right to use the asset.

I. Finance – Group as lessor

The Group presents leased assets as loans equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the lease receivables.

II. 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 operating lease are recognized as expenses on a straight-line basis over the lease term and included in other operating expenses.

III. Operating – Group as lessor

The Group presents assets subject to operating leases in the consolidated statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in the consolidated statement of income on a straight-line basis over the lease term as other operating income. The aggregate cost of incentives provided to lessees is recognized as a reduction of rental income over the lease term on a straight-line basis. Initial direct costs incurred specifically to earn revenues from an operating lease are added to the carrying amount of the leased asset.

Taxation

The current income tax charge is calculated in accordance with the regulations of the Republic of Kazakhstan and other tax authorities, and of the jurisdictions in which the Group has offices, branches or subsidiaries.

Deferred tax assets and liabilities are calculated in respect of 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 laws that have been enacted or substantively enacted at the reporting date. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Kazakhstan also has various operating taxes that are assessed on the Group's activities. These taxes are recorded as taxes other than income tax.

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.

Allowances for impairment of financial assets

Amounts due from credit institutions and loans to customers

For amounts due from credit institutions and loans to customers carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

4. Summary of significant accounting policies (continued)

Allowances for impairment of financial assets (continued)

Amounts due from credit institutions and loans to customers (continued)

If there is an objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to the consolidated statement of income.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group or their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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 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 amortized 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 income statement, the impairment loss is reversed through the consolidated income statement.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. The accounting treatment of such restructuring is as follows:

- If the currency of the loan has been changed the old loan is derecognised and the new loan is recognised.
- If the loan restructuring is not caused by the financial difficulties of the borrower the Group uses the same approach as for financial liabilities described below.
- If the loan restructuring is due to the financial difficulties of the borrower and the loan is impaired after restructuring, the Group recognizes the difference between the present value of the new cash flows discounted using the original effective interest rate and the carrying amount before restructuring in the provision charges for the period. In case loan is not impaired after restructuring the Group recalculates the effective interest rate.

4. Summary of significant accounting policies (continued)

Allowances for impairment of financial assets (continued)

Renegotiated loans (continued)

Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original or current effective interest rate.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised 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; 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 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. This provision does not apply in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, 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.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

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 statement of income.

Securitisation

As part of its operational activities, the Group securitises financial assets, generally through the sale of these assets to special purposes entities which issue securities to investors. The transferred assets may qualify for derecognition in full or in part. Interests in the securitised financial assets may be retained by the Group and are primary classified as loans and receivables. Gains or losses on securitisations are based on the carrying amount of the financial assets derecognised and the retained interest, based on their relative fair values at the date of the transfer.

Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the consolidated financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of: the amortised premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the consolidated income statement. The premium received is recognised in the consolidated income statement on a straight-line basis over the life of the guarantee.

4. Summary of significant accounting policies (continued)

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 amounts of property and equipment are reviewed when events or changes in circumstances indicate that the carrying value may not be recoverable., and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in other administrative and operating expenses.

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
Buildings	40
Furniture and fixtures	4-10
Computers	4
Office equipment	8
Land	–
Construction in process	–

Depreciation on assets under construction is charged only when the assets are available for use and transferred into relevant property and equipment categories.

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

Expenses related to repairs and renewals are recorded in the consolidated income statement and included in other operating expenses unless they qualify for capitalization.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the consolidated statement of income.

Goodwill

Goodwill is initially measured at cost being the excess of the consideration transferred over the Group's net identifiable assets acquired and liabilities assumed. Goodwill on an acquisition of a subsidiary is included in goodwill. Goodwill on an acquisition of an associate is included in the investments in associates. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than the operating segment as defined in IFRS 8 "Operating Segments".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Assets classified as held for sale

The Group classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Bank's management is committed to a plan to sell the non-current asset (or disposal group). An active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

4. Summary of significant accounting policies (continued)

Assets classified as held for sale (continued)

The Group measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Group recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Amounts due to Government and central banks, credit institutions and customers

Issued financial instruments or their components are classified as liabilities, where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity instruments. Such instruments include amounts due to Government and central banks, credit institutions and to customers and are initially recognised at the fair value of the consideration received less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated statements of income over the period of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognised in the consolidated statement of income.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the State pension system of Kazakhstan, which requires current withholdings by the employer calculated as a percentage from current gross salary payments; such expense is charged in the period the related salaries are earned and included in salaries and benefits in consolidated statements of income. The Group has contributed social tax to the budget of the Republic of Kazakhstan for its employees. In addition, the Group has no post-retirement benefits or significant other compensated benefits requiring accrual.

Equity

Shares outstanding

Ordinary shares with discretionary dividends 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.

Treasury shares

Where the Bank or its subsidiaries purchase the Bank's shares, the consideration paid, including any attributable transaction costs, net of income taxes, is deducted from total equity as treasury shares until they are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received is included in equity. Treasury shares are stated at weighted average cost.

Dividends

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared 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 for issue.

Contingent liabilities and contingent assets

Contingent liabilities are not recorded in the consolidated financial statements, but should be disclosed. Contingent liabilities are not recorded and not disclosed in those cases when the possibility of any outflow of economic benefits is remote. A contingent asset is not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Trust activities

Assets held in trust or in a fiduciary capacity are not treated as assets of the Group and, accordingly, are not included in these consolidated financial statements.

4. Summary of significant accounting policies (continued)

Recognition of income and expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the 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 instruments classified as available-for-sale investments, 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.

Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loans.

Commission income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Underwriting income (loss)

Underwriting income (loss) includes net written insurance premiums and commissions earned on ceded insurance reduced by the net change in the unearned premium reserve, claims paid, the provision of insurance losses and loss adjustment expenses, and policy acquisition cost.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract, premiums are recorded as written and are earned on a prorata basis over the term of the related policy coverage. The unearned premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within other liabilities in the consolidated statement of financial position.

Losses and loss adjustments are charged to the consolidated statement of income as incurred through the reassessment of the reserve for losses and loss adjustment expenses.

Commissions earned on ceded reinsurance contracts are recognised in income as accrued.

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are deferred, recorded in the consolidated statement of financial position within other assets, and are amortized over the period in which the related written premiums are earned.

Reserve for insurance losses and loss adjustment expenses

The reserve for insurance losses and loss adjustment expenses are included in the consolidated statement of financial position within other liabilities and is based on the estimated amount payable on claims reported prior to the reporting date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting period.

Due to the absence of prior experience, the reserve for incurred but not reported claims ("IBNR") was established as being equal to the expected loss ratio for each line of business times the value of coverage, less the losses actually reported.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. The resulting adjustments are reflected in income for the current period.

4. Summary of significant accounting policies (continued)

Reinsurance

The Group cedes insurance risk in the normal course of business. Such reinsurance arrangements provide for greater diversification of business, allow management to control exposure to potential losses arising from legal risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross unless a right of offset exists and is included in the consolidated statement of financial position within other assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are transferred by the Group to the reinsurer.

Foreign currency translation

The consolidated financial statements are presented in Kazakh tenge, which is the Bank'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 KASE and reported by the NBK 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. The official KASE exchange rates as at 31 December 2011 and 2010 were KZT 148.4 and KZT 147.5 to 1 USD, respectively.

As at the reporting date, the assets and liabilities of the entities whose functional currency is different from the presentation currency of the Group are translated into tenge at the rate of exchange ruling at the reporting date and, their statements of income are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken to other comprehensive income. On disposal of a subsidiary or an associate whose functional currency is different from the presentation currency of the Group, the deferred cumulative amount recognised in other comprehensive income relating to that particular entity is recognised in the consolidated income statement. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Segment reporting

The Group's segmental reporting is based on the following operating segments: Retail banking, Corporate banking, Small and medium business and Investing activity.

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 Instruments: 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.

4. Summary of significant accounting policies (continued)

Future changes in accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

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 is effective for annual periods beginning on or after 1 January 2013.

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 is effective for annual periods beginning on or after 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.

4. Summary of significant accounting policies (continued)

Future changes in accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

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 01 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.

5. Significant accounting judgements and estimates

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Special purpose entities

Although the Group did not own any direct shares in the capital of First Kazakh Securitization Company and Second Kazakh Securitization Company for the purposes of these consolidated financial statements, they were treated as subsidiaries, in accordance with SIC-12 "Consolidation – Special Purpose Entities", since the Group controlled and benefited directly from these entities' operations.

Key sources of estimation uncertainty

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts. The most significant estimates with regard to these financial statements relate to the allowances for impairment of assets, provisions for insurance claims and other provisions, income tax, fair values of securities. These estimates are based on information available as at the date of the consolidated financial statements. Actual results, therefore, could differ from these estimates.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

5. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the consolidated 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.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess impairment. The Group uses its experienced judgement to estimate the amount of any impairment loss in cases where a borrower is in financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses its experienced judgement to adjust observable data for a group of loans or receivables to reflect current circumstances.

From 2009, the quality of the Bank's loan portfolio continued to deteriorate as a result of the following circumstances and actions taken before the current management of the Bank were appointed by the National Welfare Fund Samruk-Kazyna - a controlling shareholder of the Bank:

- A number of significant borrowers, primarily registered outside Kazakhstan, who during 2008 continued servicing their debt in accordance with terms of loan agreements, ceased servicing their loans from 2009, did not allow the Bank to monitor collateral or failed to provide information about their financial performance.
- A number of borrowers, whom the Bank had communications at the beginning of 2009, ceased to communicate with the Bank.
- Collateral on certain borrowers, which was considered for calculation of allowances as at 31 December 2008, become no longer available from 2009, due to cancellation of encumbrances by borrowers and further resale to third parties or pledge under other loans from other banks.

The Bank concluded that the loss event on those loans occurred during 2009 since:

- practice of lending through off-shore companies allowed these borrowers to break the link to final borrowers and helped to dishonor the loan and collateral agreements. Whereby, most of the borrowers and pledgers are different legal entities.
- in the beginning of 2009 certain loans to non-residents were issued to finance start-up projects without proper economic expertise of the borrowers' ability to serve the loan.
- From 2009 the Bank suspended further financing of investment loans issued earlier, which were assessed as unimpaired as at 31 December 2008.

While the Bank continues its efforts related to the recovery of the above loans, the Bank's Management considers that loans where a borrower fails to service debt, monitoring of the borrowers has not been possible and there is neither properly registered collateral nor other necessary legal documentation, to be fully impaired and has created an allowance for the full carrying amount of such loans.

In addition, the financial crisis has affected the borrowers' ability to service their obligations and the value of collateral.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2011 was KZT 752 million (as at 31 December 2010 – KZT 3,786 million). More details are provided in Note 14.

(Millions of tenge)

5. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

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, significant 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 management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained.

Claims liability arising from insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of IBNR claims at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the reporting claims provision. The primary technique adopted by management in estimating the cost of notified and IBNR claims, is that of using past claim settlement trends to predict future claims settlement trends. At each reporting date, prior year claim estimates are reassessed for adequacy and changes made are made to the provision. General insurance claims provisions are not discounted for the time value of money.

6. Cash and cash equivalents

Cash and cash equivalents comprise:

	2011	*2010*
Cash on hand	**43,073**	41,742
Current accounts with other financial institutions	**6,025**	30,746
Amounts due from the NBK	**2,846**	25,219
Reverse repurchase agreements with contractual maturity of 90 days or less	**2,217**	1,722
Loans with contractual maturity of 90 days or less	**1,421**	674
Current accounts with national banks	**538**	487
Time deposits with other financial institutions with contractual maturity of 90 days or less	**–**	200
Cash and cash equivalents	**56,120**	100,790

The Group has entered into reverse repurchase agreements on the KASE. The subject of these agreements was mainly treasury bills of the Ministry of Finance of the Republic of Kazakhstan and corporate securities of Kazakhstani emitters. Fair value of collateral as at 31 December 2011 was KZT 2,371 million (as at 31 December 2010 – KZT 1,799 million).

As at 31 December 2011 the ten largest balances with banks accounted for 12.21% of total cash and cash equivalents (as at 31 December 2010 – 25.39%).

Under Kazakh legislation, the Bank is required to maintain certain obligatory reserves, which are computed as a percentage of certain liabilities of the Bank. Historically, such reserves must be held in either non-interest bearing deposits with the National Bank of Kazakhstan ("NBK") or in physical cash computed based on average balances of the aggregate of non-interest bearing deposits with the NBK and physical cash in national and hard currencies during the period. As at 31 December 2011 minimum reserve requirements were established at 2.5% on domestic liabilities and 4.5% on foreign liabilities (31 December 2010 - 1.5% and 2.5%, respectively).

As at 31 December 2011 and 2010 the Bank is in compliance with minimum reserve requirements for the second tier banks in the amount of KZT 45,290 million and KZT 23,803 million, respectively. These funds can be used by the Bank for its current needs.

(Millions of tenge)

7. Trading securities

Trading securities comprise:

	2011	*2010*
Debt securities:		
Corporate bonds	**21,206**	28,153
Bonds of Kazakhstan non-financial institutions	**4,366**	5,387
Bonds of Kazakhstan financial institutions	**2,645**	5,457
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**2,536**	5,668
Bonds of Kazakhstan state bodies	**511**	13
Treasury bills of the Ministry of Finance of the Russian Federation	**144**	3
Sovereign bonds of OECD countries	**–**	8,863
Bonds of international financial institutions	**–**	97
	31,408	53,641
Equity securities	**19,649**	28,616
Mutual fund shares	**3**	–
Trading securities	**51,060**	82,257
Subject to repurchase agreements	**1,182**	–

The Groups' counterparties under repurchase agreements have no rights to sell or repledge securities held as collateral under these agreements as at 31 December 2011.

8. Amounts due from credit institutions

As at 31 December 2011 amounts due from credit institutions comprise:

	2011	*2010*
Loans	**62,304**	60,567
Deposits	**31,579**	29,026
Amounts due from credit institutions, gross	**93,883**	89,593
Less – allowance for impairment	**(63,313)**	(64,416)
Amounts due from credit institutions	**30,570**	25,177

As at 31 December 2011 amounts due from the ten largest credit institutions comprised 78.13% of total amounts due from credit institutions (as at 31 December 2010 – 72.72%).

As at 31 December 2011, cash restricted in use due from the credit institutions amounted to KZT 6,457 million (as at 31 December 2010 - zero).

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

	2011	*2010*
As at 1 January	**64,416**	52,457
Impairment charge	**806**	14,862
Write-offs	**(448)**	(1,980)
Recoveries of amounts previously written off	**44**	
Disposal of a subsidiary	**–**	(62)
Revaluation	**(1,505)**	(861)
As at 31 December	**63,313**	64,416

9. Derivative financial instruments

The Group enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets and liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding as at 31 December 2011 and 2010 and are indicative of neither the market risk nor the credit risk.

	2011			*2010*		
	Notional amount	*Fair value*		*Notional amount*	*Fair value*	
		Assets	*Liabilities*		*Assets*	*Liabilities*
Foreign exchange contracts						
Currency swaps – foreign	**3,450**	**1,653**	**(1)**	1,730	–	(1)
Forwards and futures – domestic	**44,000**	**–**	**(4,540)**	347	–	–
Options – domestic	**–**	**–**	**–**	76,073	4,795	–
Total derivative assets / (liabilities)		**1,653**	**(4,541)**		4,795	(1)

(Millions of tenge)

9. Derivative financial instruments (continued)

Options

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

As at 31 December 2010, the Bank had certain loans where principal payments are linked to foreign currencies. The Bank has an option to demand higher payments if the foreign currency specified in the contract will appreciate above a certain floor (floor is generally set at the level of spot rates prevailing on the loans issue date). At the same time, if the foreign currency rates will fall below the floor, interest and principal payments will remain at original level.

The Bank believes that the above feature comprising an embedded foreign currency option is an embedded derivative that should be separated from the host contract and recorded as a separate financial instrument measured at fair value through profit or loss in the consolidated financial statements.

Swaps

Swaps are contractual agreements between two parties to exchange movements in foreign currency rates.

Forwards and futures

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

10. Investment securities

As at 31 December 2011 available-for-sale investment securities comprise:

	2011	*2010*
Corporate bonds	**13,142**	8,514
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**10,639**	9,683
Bonds of Kazakhstan non-financial institutions	**1,169**	760
Bonds of Kazakhstan state bodies	**376**	–
Bonds of international financial institutions	**371**	–
Bonds of Kazakhstan financial institutions	**294**	148
Notes of the NBK	**–**	1,054
	25,991	20,159
Equity securities	**732**	951
Available for sale investment securities	**26,723**	21,110

During 2011 the Group recognized an impairment loss on available-for-sale investment securities in the amount of KZT 1,394 million (2010 – KZT 3,358 million).

As at 31 December 2011 the treasury notes of the Ministry of Finance of the Republic of Kazakhstan available for sale with the fair value of KZT 1,297 million were restricted in use.

Held-to-maturity investment securities comprise:

	2011	*2010*
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**2,386**	3,191
Corporate bonds	**1,648**	2,520
Bonds of Kazakhstan financial institutions	**1,007**	963
Bonds of Kazakhstan state bodies	**528**	533
Notes of the NBK	**–**	114
Held-to-maturity investment securities	**5,569**	7,321

As at 31 December 2011 the treasury notes of the Ministry of Finance of the Republic of Kazakhstan held to maturity with the carrying amount of KZT 489 million were restricted in use.

(Millions of tenge)

11. Loans to customers

Loans to customers comprised the following at December 31:

	2011	*2010*
Corporate lending	**2,043,846**	2,344,957
Individuals lending	**234,168**	249,454
Small and medium business lending	**168,488**	161,631
Loans to customers, gross	**2,446,502**	2,756,042
Less – allowance for impairment	**(1,794,705)**	(1,968,424)
Loans to customers	**651,797**	787,618

Loans have been extended to the following types of customers:

	2011	*2010*
Private companies	**2,209,805**	2,505,538
Individuals	**234,168**	249,454
Governmental entities	**2,508**	778
Other	**21**	272
Loans to customers, gross	**2,446,502**	2,756,042

Allowance for impairment of loans to customers

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

	2011			
	Corporate lending	*Small and medium business lending*	*Individuals lending*	*Total*
At January 1, 2011	**1,927,932**	**24,447**	**16,045**	**1,968,424**
Impairment charge	**112,192**	**12,115**	**4,626**	**128,933**
Amounts written off	**(339,402)**	**(1,343)**	**(1,467)**	**(342,212)**
Recoveries	**4,957**	**10,831**	**6,381**	**22,169**
Revaluation	**17,125**	**72**	**194**	**17,391**
As at 31 December 2011	**1,722,804**	**46,122**	**25,779**	**1,794,705**
Individual impairment	**1,718,847**	**34,432**	**18,664**	**1,771,943**
Collective impairment	**3,957**	**11,690**	**7,115**	**22,762**
	1,722,804	**46,122**	**25,779**	**1,794,705**
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	**1,996,217**	**50,756**	**59,061**	**2,106,034**

	2010			
	Corporate lending	*Small and medium business lending*	*Individuals lending*	*Total*
At January 1, 2010	1,984,210	62,802	76,396	2,123,408
Impairment charge	69,162	(28,502)	(9,805)	30,855
Amounts written off	(93,209)	–	(4,521)	(97,730)
Recoveries	7,013	5,192	5,167	17,372
Revaluation	(12,934)	(1,750)	(18)	(14,702)
Amount arising from disposal of subsidiaries	(26,310)	(13,295)	(51,174)	(90,779)
As at 31 December 2010	1,927,932	24,447	16,045	1,968,424
Individual impairment	1,919,479	12,464	6,164	1,938,107
Collective impairment	8,453	11,983	9,881	30,317
	1,927,932	24,447	16,045	1,968,424
Gross amount of loans, individually determined to be impaired, before deducting any individually assessed impairment allowance	2,247,613	18,717	9,255	2,275,585

(Millions of tenge)

11. Loans to customers (continued)

Individually impaired loans

During 2011, the quality of the Bank's loan portfolio was affected by continued result of the following circumstances and actions taken before the current management of the Bank were appointed by the controlling shareholder of the Bank:

- In connection with the deterioration of the financial position of the Bank in 2010 and 2011, the Bank temporarily ceased financing of investment projects that require significant capital investments. It caused suspension of operating and investment activities of the Bank's borrowers and resulted in deterioration of the credit quality of a number of loans to customers.
- Significant increase of timing of claims within Kazakhstan and beyond has affected the extension of expected periods of recovery by the Bank of problem debts and realization of pledged property. In 2011 the Bank failed to sell collaterals at prices determined in the previous years and certain collateral was lost.
- Ongoing unfavourable real estate market conditions have increased the periods of sales of pledged property in Kazakhstan and CIS.
- Refusal of borrowers to restructure loans and a respective transfer of the Bank to evaluation of loan impairment based on expectation of sale of pledged property, which has a low liquidity.
- Unfavourable outcome of the legal proceedings on claims from borrowers in the Republic of Georgia led to loss by the Bank of a number of collateral (See Note 22).

Interest income accrued on loans, for which individual impairment allowances have been recognized, as at 31 December 2011, comprised KZT 288,709 million (as at 31 December 2010 – KZT 228,852 million).

Loans to individuals collectively impaired

In 2011 the Group revised its methodology for assessing impairment of loans to individuals. In accordance with the new methodology the Group uses a more detailed allocation of loans to individuals by categories based on the overdue dates with application of ratios of transfer from one category into another.

Below is an effect of new methodology application as at 31 December 2011:

Allowance for impairment of loans to individuals:

	2011
Under the new methodology	**7,115**
Under the previous methodology	**5,776**
Total loss	**1,339**

Collateral and other credit enhancements

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

The main types of collateral obtained are as follows:

- For commercial lending, charges over real estate properties, inventory and trade receivables;
- For retail lending, mortgages over residential properties, charges over transport, cash and cash equivalents and guarantees of third parties.

The Group also obtains guarantees from parent companies for loans to their subsidiaries and property and risk insurance agreements.

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

The Group took possession of collateral with an estimated value of KZT 31,696 million as at 31 December 2011 (as at 31 December 2010 – KZT 25,625 million). It is the Group's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claims on loans to customers. In general, the Group does not occupy repossessed properties for business use.

(Millions of tenge)

11. Loans to customers (continued)

Derecognition of a loan portfolio

The Group has been periodically selling part of its mortgage loan portfolio to Kazakhstan Mortgage Company ("KMC"), with full recourse to the Group for any default loan. The Group has determined that, as a result of these transactions, substantially all the risks and rewards of the portfolio have not been transferred to KMC. Therefore, the Group continues to recognise these loans as an asset on its consolidated statement of financial position with the corresponding liability recorded in loans from financial institutions for the same amount. As at 31 December 2011, these loans amounted to KZT 4,899 million (as at 31 December 2010 – KZT 6,090 million).

As at 31 December 2011 loans to customers include loans of KZT 17,629 million, which are pledged as collateral for the mortgage-backed bonds (as at 31 December 2010 – KZT 43,254 million).

Concentration of loans to customers

As at 31 December 2011 the Group had a concentration of loans represented by KZT 459,110 million due from the ten largest borrowers that comprised 18.8% of the total gross loan portfolio (31 December 2010 – KZT 465,380 million, 16.9%). Allowances amounting to KZT 421,329 million were recognised against these loans as at 31 December 2011 (as at 31 December 2010 – KZT 423,936 million).

As at 31 December 2011 the Group had loans to customers in the amount of KZT 451,177 million (at 31 December 2010 – KZT 537,964 million), with interest and principal repayable at maturity. Allowances amounting to KZT 352,989 million were recognised against these loans as at 31 December 2011 (as at 31 December 2010 – KZT 449,895 million).

Loans are made to the following sectors:

	2011	*%*	*2010*	*%*
Housing construction	**437,604**	**17.9%**	462,001	16.7%
Real estate investments	**434,863**	**17.8%**	501,768	18.2%
Oil and gas industry	**330,323**	**13.5%**	352,715	12.8%
Wholesale trading	**241,697**	**9.9%**	333,232	12.1%
Individuals	**234,168**	**9.6%**	249,454	9.0%
Construction of roads and industrial buildings	**186,486**	**7.6%**	238,497	8.6%
Agriculture	**153,597**	**6.3%**	164,973	6.0%
Chemical industry	**65,635**	**2.7%**	65,543	2.4%
Energy	**55,494**	**2.3%**	67,505	2.4%
Transportation	**42,315**	**1.7%**	39,505	1.4%
Telecommunication	**40,443**	**1.6%**	40,587	1.5%
Food industry	**40,201**	**1.6%**	40,204	1.5%
Retail trading	**31,749**	**1.3%**	37,590	1.4%
Metallurgical industry	**28,636**	**1.2%**	28,775	1.0%
Mining industry	**21,734**	**0.9%**	31,878	1.2%
Textile and leather industry	**11,889**	**0.5%**	11,518	0.4%
Production of machinery and equipment	**11,270**	**0.5%**	10,416	0.4%
Hotel and hospitality	**8,034**	**0.3%**	12,833	0.5%
Production of rubber and plastic articles	**1,543**	**0.1%**	1,480	0.1%
Publishing	**695**	**0.0%**	573	0.0%
Financial services	**635**	**0.0%**	1,413	0.1%
Research and development	**608**	**0.0%**	301	0.0%
Other	**66,883**	**2.7%**	63,281	2.3%
	2,446,502	**100.0%**	2,756,042	100.0%

Loans to individuals are presented as follows:

	2011	*2010*
Mortgage loans	**132,071**	133,663
Consumer loans	**102,097**	115,791
	234,168	249,454

(Millions of tenge)

11. Loans to customers (continued)

Finance lease receivables

Net investments in finance lease comprised:

2011	*Not later than 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Finance lease receivables	**19,873**	**2,638**	**3,131**	**25,642**
Unearned finance income on finance lease of future periods	**(4,146)**	**(419)**	**(315)**	**(4,880)**
Net investment in finance leases	**15,727**	**2,219**	**2,816**	**20,762**

2010	*Not later than 1 year*	*1 to 5 years*	*Over 5 years*	*Total*
Finance lease receivables	10,913	8,602	447	19,962
Unearned finance income on finance lease of future periods	(3,572)	(2,131)	(147)	(5,850)
Net investment in finance leases	7,341	6,471	300	14,112

12. Bonds of NWF Samruk-Kazyna

The balance of bonds of NWF Samruk-Kazyna represents non-trading debt securities purchased by the Bank during 2009 at their nominal value of KZT 645,000 million. These debt securities were initially recorded at their fair value of KZT 496,595 million. The difference between the nominal value of these debt securities and their fair value in the amount of KZT 148,405 million was recorded as additional paid-in capital in the Group's consolidated statement of changes in equity.

On 11 August 2010 the Parent significantly modified the terms of these debt securities through prolongation of maturity from the period between 6 and 15 years to 15 years. In accordance with IAS 39, the Bank derecognized previously issued debt securities of the Parent with the carrying value of KZT 511,909 million and recognized new bonds at fair value of KZT 521,652 million. The difference of KZT 9,743 million was recognized in the Group's consolidated statement of changes in equity as additional paid-in-capital.

As at 31 December 2011 the carrying amount of these debt securities was KZT 536,705 million (as at 31 December 2010 – KZT 530,963 million).

As at 31 December 2011 the carrying value of debt securities, pledged under repurchase agreements and loans from NBK amounted to KZT 392,625 million (as at 31 December 2010 – KZT 388,946 million). The NBK has the right to sell or re-pledge these securities during the agreement period. As at 31 December 2011 the fair value of these debt securities representing collateral under repurchase agreements and loans from NBK was KZT 424,638 million (as at 31 December 2010 – KZT 333,731 million).

13. Investments in associates

Movement in investments in associates was:

	2011	*2010*
Investments in associates at 1 January	**90,326**	85,088
Share in net income of associates	**7,039**	4,250
Purchase cost	**60**	–
(Impairment charge) / recovery of loss from impairment	**(43,222)**	2,402
Reclassification of investments in associates in assets held for sale	**(23,556)**	–
Dividends received	**(358)**	(423)
Share of reserve for revaluation of available-for-sale investment securities	**(2,798)**	(632)
Disposal of a subsidiary	**–**	(359)
Investments in associates at 31 December	**27,491**	90,326

In March 2011, Sekerbank announced dividends on common shares of KZT 1,146 million. On 30 June 2011 dividends in the amount of KZT 788 million were received in the form of common shares. In October 2011 dividends in the amount of KZT 358 million were paid in cash.

In November 2011 the Group made a decision to sell 339,787,080 pieces of common shares or 33,98% in the capital of Sekerbank to its parent in 2012. During 2011 the Group recognized a loss from impairment of investments in Sekerbank in the amount of KZT 41,932 million in the consolidated income statement. At 31 December 2011 investments in Sekerbank in the amount of KZT 23,556 million were reclassified to assets held for sale. At 31 December 2011, accumulated loss recognized directly in equity and charged to investments in Sekerbank in the amount of KZT 3,685 million was reclassified from the provision for revaluation of investment securities held for sale to other provisions relating to assets held for sale.

(Millions of tenge)

13. Investments in associates (continued)

The following table illustrates summarised financial information as at 31 December of the associates:

Aggregate assets and liabilities of associates	*2011*	*2010*
Total assets	**1,310,199**	1,502,019
Total liabilities	**(1,136,436)**	(1,261,713)
Net assets	**173,763**	240,306

Aggregate profit of associates	*2011*	*2010*
Net profit	**18,200**	12,672

Investments in associates at 31 December 2011 and 2010 include goodwill of KZT 24,096 million (excess of the cost of the investment over the Group's share in the net fair value of identifiable assets and liabilities of the associate.

14. Goodwill

The movements in goodwill were as follows:

	2011	*2010*
Cost		
As at 1 January	**3,786**	45,384
Additions	–	1,945
Foreign currency revaluation	**(1,089)**	–
Disposal	**(1,945)**	(43,543)
As at 31 December	**752**	3,786
Accumulated impairment		
As at 1 January	–	(43,543)
Disposal	–	43,543
As at 31 December	–	–
Net book value	**752**	3,786

The Group recognized disposal of accumulated impairment of goodwill from acquisition of Temirbank in the amount of KZT 43,543 million as a result of deconsolidation of this subsidiary in 2010.

Impairment testing of goodwill

The impairment is largely the result of uncertainties in the Kazakhstan economy, especially in the retail and mortgage sectors and deterioration of the subsidiaries' financial position.

Goodwill acquired through business combinations with indefinite lives have been allocated to two individual cash-generating units, which are also reportable segments, for impairment testing as follows:

- Corporate Banking; and
- Retail Banking.

The carrying amount of goodwill allocated to each of the cash-generating units is as follows:

	2011	*2010*
Corporate Banking	**421**	2,976
Retail Banking	**331**	810
	752	3,786

15. Other impairment and provisions

The movements in allowances for other losses and provisions were as follows:

	Other assets	*Guarantees and letters of credit*	*Other liabilities*	*Total*
At January 1, 2010	8,478	59,127	–	67,605
Impairment charge / (reversal)	6,258	(61,823)	969	(54,596)
Write-offs	(9,424)	–	–	(9,424)
Recoveries of amounts previously written off	98	3,143	–	3,241
Foreign currency revaluation	37	(221)	–	(184)
Disposal of a subsidiary	(291)	(3)	–	(294)
As at 31 December 2010	5,156	223	969	6,348
Impairment charge	**196**	**5,665**	**(942)**	**4,919**
Write-offs	**(1,291)**	**(53)**	**–**	**(1,344)**
Recoveries of amounts previously written off	**84**	**–**	**–**	**84**
Foreign currency revaluation	**–**	**15**	**–**	**15**
As at 31 December 2011	**4,145**	**5,850**	**27**	**10,022**

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

(Millions of tenge)

16. Taxation

The corporate income tax expense comprises:

	2011	*2010*
Current corporate income tax expense	**262**	1,390
Deferred corporate income tax expense / (benefit)	**159,644**	(157,069)
Corporate income tax expense / (benefit)	**159,906**	(155,679)

The Bank and its subsidiaries, other than TuranAlem Finance B.V. ("TAF B.V."), TemirCapital B.V ("TC B.V."), LLC Subsidiary of JSC BTA Bank TuranAlem Finance ("TAF"), CJSC BTA Bank (Belorussia), BTA Finance Luxembourg S.A. affiliated company of JSC BTA Bank, Logopark Hagibey, First Kazakh Securitization Company and Second Kazakh Securitization Company are subject to taxation in the Republic of Kazakhstan. TAF B.V., TC B.V., First Kazakh Securitization Company and Second Kazakh Securitization Company are subject to taxation in the Netherlands. TAF is subject to income tax in the Russian Federation. BTA Finance Luxembourg S.A. affiliated company of JSC BTA Bank is subject to income tax in Luxembourg. CJSC BTA Bank (Belorussia) is subject to income tax in Belorussia, Logopark Hagibey is subject to income tax in Ukraine.

The tax rate for the Bank and its subsidiaries except for insurance companies and subsidiaries indicated above on income other than non-taxable income from state and other qualified securities was 20% in 2011 and 2010.

As at 31 December 2011 and 2010, the Group had current corporate income tax assets in the amount of KZT 4,322 million and KZT 5,366 million, respectively.

A reconciliation between income tax expense in the consolidated financial statements and income before taxes multiplied by the statutory tax rate for the year ended 31 December is as follows:

	2011	*2010*
Accounting (loss) / profit before income tax	**(258,104)**	830,586
Statutory corporate income tax rate	**20%**	20%
Theoretical income tax (benefit) / expense at the statutory rate	**(51,621)**	166,117
(Non-taxable income from reversal of provisions) /Non-deductible impairment charge	**(1,776)**	6,453
Non-taxable income from change in the value of recovery notes	**(2,091)**	–
Non taxable income on state securities and securities officially listed at KASE	**(1,540)**	(9,239)
Non taxable share in income of associates	**(1,408)**	(850)
Non taxable income from disposal of subsidiaries	**(524)**	(7,718)
Non taxable gain from restructuring	**–**	(170,783)
Income of subsidiaries taxed at different rates	**(451)**	(313)
Change in unrecognised deferred tax assets	**206,124**	(158,109)
Non-deductible loss from impairment of investments	**9,007**	–
Non-deductible interest expense	**2,561**	7,194
Non-deductible business expenses	**242**	680
Non-deductible loss from write-off of derivative financial instruments	**–**	2,065
Differences arising from changes in tax rates	**–**	3,956
Other permanent differences	**1,383**	4,868
Corporate income tax expense / (benefit)	**159,906**	(155,679)

(Millions of tenge)

16. Taxation (continued)

Deferred corporate income tax assets and liabilities, and their movement for respective years comprised the following at 31 December:

	2009	*Origination and reversal of temporary differences in the income statement*	*Disposal of a subsidiary*	*Business combination*	*2010*	*Origination and reversal of temporary differences in the income statement*	*2011*
Tax effect of deductible temporary differences:							
Allowance for loan impairment	10,287	39,628	–	–	49,915	**48,406**	**98,321**
Tax losses carry-forward	351,206	(61,566)	(11,391)	–	278,249	**(30,502)**	**247,747**
Fair value measurement of securities	1,542	176	–	–	1,718	**(823)**	**895**
Interest written off	31,366	4,864	–	–	36,230	**5,807**	**42,037**
Property and equipment	–	532	–	–	532	**(399)**	**133**
Penalties and fines inflicted by the court	–	–	–	–	–	**32,856**	**32,856**
Other	2,235	10,084	(65)	1,076	13,330	**(8,094)**	**5,236**
Gross deferred corporate income tax assets	396,636	(6,282)	(11,456)	1,076	379,974	**47,251**	**427,225**
Unrecognised deferred corporate income tax assets	(378,166)	158,109	–	–	(220,057)	**(206,124)**	**(426,181)**
Deferred corporate income tax assets	18,470	151,827	(11,456)	1,076	159,917	**(158,873)**	**1,044**
Tax effect of taxable temporary differences:							
Allowance for impairment	(7,691)	–	7,691	–	–	**–**	**–**
Fair value measurement of securities	(4,614)	4,552	62	–	–	**–**	**–**
Property and equipment	(517)	491	26	–	–	**–**	**–**
Other	(381)	199	–	–	(182)	**(771)**	**(953)**
Deferred corporate income tax liabilities	(13,203)	5,242	7,779	–	(182)	**(771)**	**(953)**
Deferred corporate income tax assets	5,267	157,069	(3,677)	1,076	159,735	**(159,644)**	**91**

Kazakhstan currently has a single Tax Code that regulates main taxation matters. The main taxes include value added tax, income tax, social taxes, and others. Often, different opinions regarding legal interpretation exist both among and within government authorities; thus creating uncertainties and areas of conflict. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems. Management believes that the Group is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take different positions with regard to interpretive issues.

In accordance with IAS 12 a deferred tax asset was recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available in future against which the deductible temporary difference can be utilized. As at 31 December 2011 deferred corporate income tax assets in the amount of KZT 1,044 million represent assets of subsidiaries of the Bank and deferred corporate income tax liabilities in the amount of KZT 953 million represent liabilities of the Bank.

17. Amounts due to the Government and NBK

Amounts due to the Government and the NBK comprise the following:

	2011	*2010*
Loans from the NBK	**430,928**	449,756
Amounts due to the Government:		
– KZT denominated	**127**	249
– USD denominated	**–**	20
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	**431,055**	450,025

Loans from NBK represent repurchase agreements under pledge of debt securities of the Parent and loans from NBK collateralized by the debt securities of the Parent. As at 31 December 2011 the fair value of debt securities representing collateral under repurchase agreements and loans from NBK was KZT 424,638 million (as at 31 December 2010 – KZT 333,731 million).

(Millions of tenge)

18. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2011	*2010*
Revolving Committed Trade Finance Facility	**49,700**	92,784
Loans from Kazakhstan banks and financial institutions	**34,330**	41,587
Loans from non OECD banks and financial institutions	**6,520**	11,821
Interest-bearing placements from Kazakhstan banks	**2,331**	1,750
Loro accounts	**628**	710
Interest-bearing placements from non OECD banks	**19**	20
Loans from OECD based banks and financial institutions	**–**	6,972
Amounts due to credit institutions	**93,528**	155,644
Subject to repurchase agreements	**1,000**	–

As at 31 December 2011 the fair value of the securities pledged under the repurchase agreements amounted to KZT 1,182 million (Note 7).

In accordance with the contractual terms of these new bonds programs and loan facilities the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. As at 31 December 2011 the Bank was in compliance with these restricting financial conditions and financial ratios established by the FMSC for the second tier banks.

During 2011 the Bank repaid two tranches under the revolving trade finance credit facility to the total amount of USD 350 million in accordance with the schedule. This allows the Bank to utilize the settled amounts through the issue of trade finance instruments.

19. Amounts due to customers

Amounts due to customers include balances on customer current accounts, time deposits, and certain other liabilities and include the following:

	2011	*2010*
Time deposits	**593,474**	552,237
Current accounts	**151,334**	124,270
Guarantees and restricted deposits	**8,922**	6,794
Amounts due to customers	**753,730**	683,301

Guarantee and restricted deposits represent customer's collateral under letters of credit and guarantees issued by the Bank on behalf of clients.

As at 31 December 2011 the Bank's ten largest customers accounted for approximately 46.11% of the total amounts due to customers (as at 31 December 2010 – 47.70%).

The amounts due to customers included balances in customer current accounts and time deposits and were analysed as follows:

	2011	*2010*
Time deposits:		
Commercial entities	**13,209**	29,669
Individuals	**266,945**	223,395
Governmental entities	**312,787**	292,310
Non-commercial entities	**533**	6,863
Current accounts:		
Commercial entities	**93,449**	74,741
Individuals	**38,517**	32,472
Governmental entities	**11,862**	14,325
Non-commercial entities	**7,506**	2,732
Guarantees and other restricted deposits:		
Commercial entities	**5,391**	3,493
Individuals	**3,412**	3,195
Governmental entities	**118**	105
Non-commercial entities	**1**	1
Amounts due to customers	**753,730**	683,301

At 31 December 2011, included in time deposits are deposits of individuals in the amount of KZT 266,945 million (as at 31 December 2010 – KZT 223,395 million). In accordance with the Civil Code of the Republic of Kazakhstan, the Group is obliged to repay such deposits upon demand of a depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, interest is not paid or paid at considerably lower interest rate depending on the terms specified in the agreement.

(Millions of tenge)

19. Amounts due to customers (continued)

An analysis of customer accounts by economic sector is as follows:

	2011	*%*	*2010*	*%*
Individuals	**308,874**	**41.0%**	259,062	37.9%
Amounts due to NWF Samruk-Kazyna	**296,507**	**39.3%**	296,165	43.3%
Construction	**28,226**	**3.8%**	15,528	2.3%
Wholesale trading	**21,760**	**2.9%**	16,656	2.4%
Education	**9,931**	**1.3%**	2,017	0.3%
Non-credit financial institutions	**9,442**	**1.3%**	12,145	1.8%
Non-commercial entities	**8,040**	**1.1%**	9,596	1.4%
Oil and gas production	**7,208**	**1.0%**	11,299	1.7%
State administration bodies	**7,053**	**0.9%**	734	0.1%
Retail trading	**5,603**	**0.7%**	5,100	0.7%
Production of machinery and equipment	**5,383**	**0.7%**	5,348	0.8%
Agriculture	**4,332**	**0.6%**	2,830	0.4%
Research and development	**4,011**	**0.5%**	8,511	1.3%
Transportation	**2,951**	**0.4%**	3,598	0.5%
Mining industry	**2,066**	**0.3%**	2,150	0.3%
Chemical processing	**2,032**	**0.3%**	1,673	0.2%
Communications	**1,769**	**0.2%**	1,075	0.2%
Textile and leather industry	**1,631**	**0.2%**	1,307	0.2%
Metallurgy	**1,131**	**0.2%**	916	0.1%
Power industry	**980**	**0.1%**	1,145	0.2%
Food industry	**889**	**0.1%**	1,167	0.2%
Entertainment	**807**	**0.1%**	632	0.1%
Hotel and hospitality	**317**	**0.0%**	270	0.0%
Other	**22,787**	**3.0%**	24,377	3.6%
	753,730	**100.0%**	683,301	100.0%

20. Debt securities issued

Debt securities issued consisted of the following:

	2011	*2010*
USD senior notes	**325,634**	307,376
Recovery notes	**121,331**	119,787
EUR discount notes	**84,469**	86,058
USD subordinated notes	**76,353**	73,253
USD discount notes	**57,646**	56,765
KZT subordinated notes with fixed rate	**36,930**	36,930
KZT senior notes	**35,009**	35,009
KZT bonds with floating rate	**23,188**	25,213
EUR subordinated notes	**5,596**	5,559
USD bonds with floating rate	**2,894**	4,318
Certificate of deposit	**1**	–
KZT bonds with fixed rate	**–**	513
	769,051	750,781
USD and KZT treasury subordinated bonds held by the Group	**–**	(1)
USD treasury bonds held by the Group	**(207)**	(192)
KZT treasury bonds held by the Group	**(9,498)**	(6,214)
	759,346	744,374
Plus unamortised premium	**17,977**	16,640
Less unamortised discount	**(81,091)**	(88,209)
Less unamortised cost of issuance	**–**	(155)
Debt securities issued	**696,232**	672,650

In accordance with the contractual terms of these new bonds programs and loan facilities the Bank is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. As at 31 December 2011 the Bank was in compliance with these restricting financial conditions and financial ratios established by the FMSC for the second tier banks.

On 27 December 2010 the Bank's new bonds were listed on the KASE. On 22 February 2011, GDRs and new Bank bonds, denominated in foreign currency were included into LuxSE listing, and starting from 23 February 2011 were accepted for trading on a specialized trading floor on a specialized area of Luxembourg Stock Exchange - Euro MTF Market.

21. Equity

As at 31 December 2011 and 2010 share capital comprises:

	Common shares			Non-redeemable convertible preferred shares	
	Number of authorized shares	*Number of shares outstanding*	*Placement value in KZT million*	*Number of authorized shares*	*Number of shares outstanding*
At 31 December 2009	38,286,050	33,616,968	515,551	100,000	–
Increase in share capital	55,219,743,695	44,175,794,956	671,472	–	–
As at 31 December 2010	55,258,029,745	44,209,411,924	1,187,023	100,000	–
Change in share capital	**–**	**–**	**–**	**–**	**–**
As at 31 December 2011	**55,258,029,745**	**44,209,411,924**	**1,187,023**	**100,000**	**–**

As at 31 December 2011 and 2010 convertible preferred shares (hereinafter - "CPS") were not issued.

Dividends on CPS

As at 31 December 2011 and 2010, no CPS was outstanding. Accordingly, no CPS dividends were declared or paid during 2011 and 2010.

Available-for-sale investment securities revaluation reserve

This reserve includes fair value changes on available-for-sale investment securities.

Foreign currency translation reserve

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

Movements in common shares were presented as follows:

	Number of shares	*Amount (KZT million)*
At December 31, 2009	1,517,088	6,383
Treasury shares purchased from the Parent	8,179,148,436	–
Distribution of treasury shares to creditors in accordance with the Restructuring plan	(7,793,485,182)	–
Treasury shares obtained as a result of restructuring of debt securities held in subsidiaries' portfolios	76,113,588	4,334
Treasury shares obtained as a result of business combinations	1,065	95
Sale of treasury shares	(420,375)	(344)
Treasury shares disposed as a result of disposal of a subsidiary	(126,026)	(2,208)
At December 31, 2010	462,748,594	8,260
Distribution of treasury shares to creditors in accordance with the Restructuring plan	**(106,174,766)**	**–**
Sale of treasury shares	**(5,866,394)**	**(16)**
Purchase of treasury shares as partial repayment of the client's debt	**368,954**	**–**
At December 31, 2011	**351,076,388**	**8,244**

22. Financial commitments and contingencies

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 Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

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

Besides, such factors as increase in unemployment level in the Republic of Kazakhstan, reduction in liquidity and profitability of entities and increase in number of insolvency cases both entities and individuals affected the ability of the Group's borrowers to repay the amounts due to the Group. Changes in economic conditions also resulted in decrease in value of collateral on loans and other obligations.

The management of the Group believes that it is taking appropriate measures to support the sustainability of the Group's business in the current circumstances. However, further deterioration in the areas described above could have negative effect on the Group's operating results and financial position. In case of further deterioration in the areas described above the negative effect on the Group's operating results and financial position is not currently determinable.

22. Financial commitments and contingencies (continued)

Legal actions and claims

The Group is subject to various legal proceedings related to business operations.

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. No provision has been made in these consolidated financial statements for any of the contingent liabilities mentioned above.

"BTA Bank" (Kyrgyzstan)

In June 2009, Central Asia Investment Company ("CAIC"), a Kyrgyzstan registered entity and a 100% subsidiary of CJSC Investment Holding Company ("IHC"), obtained a loan from its parent, IHC, of GBP 8,670,000 with an intended use to purchase Kyrgyzstan state securities. CAIC, in violation of the intended purpose of the loan from its parent, used these funds to purchase bonds of TuranAlem Finance B.V. ("TAF B.V."), the Bank's subsidiary, at significant discount on the market. The nominal value of purchased bonds was GBP 28,395,000 and accrued interest was GBP 2,023,143. CAIC defaulted on its loan payable to IHC. As a result, IHC filed a lawsuit against the Bank, BTA Bank Kyrgyzstan CJSC and TAF B.V. claiming a repayment of the full nominal value and interest accrued on debt securities of TAF B.V. In accordance with the decision of Bishkek's district court, Bishkek's municipal Court of appeals and the Supreme Court of Kyrgyzstan dated 11 September 2009 the Bank is obliged to pay the full amount and IHC started to collect the funds from the Bank, a guarantor on bonds of TAF B.V., including the Bank's shares in BTA Bank Kyrgyzstan and amounts due to the Bank from BTA Bank Kyrgyzstan.

In December 2009, an officer of the court foreclosed on shares held by the Bank in CJSC BTA Bank (Kyrgyzstan), belonging to the Bank, which resulted in a loss of control over JSC BTA Bank (Kyrgyzstan).

The management of the Bank believes that the decision of Kyrgyzstan courts was not in compliance with international laws and legislation between the Republic of Kazakhstan and Kyrgyzstan. Moreover, the foreclosure was executed with violations of the Law of Kyrgyzstan.

On 5 November 2009 the Bank with support of its Parent had filed a claim with the Kyrgyzstan government for compensation of GBP 30,418,143 and USD 38,891,000 for damages incurred as a result of illegal acts of Kyrgyz legal and government entities.

The Bank engaged a legal company - advisor to support arbitration proceedings initiated against the Government of the Kyrgyz Republic regarding compensation of damage done.

Currently the National Security Service of Kyrgyz Republic initiated and transferred to the court a criminal case on illegal carve-out of shares of CJSC BTA Bank (Kyrgyzstan) that belong to the Bank.

On 8 May 2012 Pervomay regional court passed a sentence with respect to the number of persons guilty in aiding and abetting in illegal acquisition of the Bank's shares.

For the purpose to return the shares ownership, the Bank filed a statement of claim to recognize the tender as invalid. According to the decision of Interregional court of Bishkek dated 12 October 2012, the Bank's claim was satisfied and shares in BTA Bank CJSC at the amount of 71% are subject to re-registration for BTA Bank JSC. The decision has not come into effect yet.

Taking into account the intention of the Government of the Kyrgyz Republic to endeavour best efforts to reinstate the legal rights of the Bank, the Bank and the legal adviser took measures to suspend the above international arbitration proceedings. The international litigations have been suspended until 30 January 2013.

As of the date of these consolidated financial statements the management of the Bank could not make a reasonable estimate of possible outcome of this litigation or amount of potential recovery.

Claims at the territory of Turkey

On 28 December 2011 Istanbul court came to a decision to arrest 15,912,460 of common shares of Shekerbank (which is equal to about KZT 1,171,488 thousand) that belong to BTA Securities in order to meet requirements of an individual, Turkey citizen, Turgut Sera Tiraly, to the Ministry of Finance of the Republic of Kazakhstan. The arrest was based on the fact that Turkish authorized bodies discovered relation between the Ministry of Finance of the Republic of Kazakhstan and BTA Securities, since BTA Securities is a subsidiary of the Bank, the controlling interest in which belongs to National Welfare Fund "Samruk-Kazyna", and the sole shareholder of National Welfare Fund "Samruk-Kazyna" is the Government of the Republic of Kazakhstan. On 16 April 2012 based on the claim of Turgut Sera Tirali arrest from Sekerbank shares was withdrawn. However BTA Securities intends to sue for the reimbursement of court expenses and damage caused by Turgut Sera Tirali. During the last hearing held on 12 July 2012, the court decided to appoint experts and forward the case to experts for review. According to the Bank's advisors the examination will be completed within the next 3-4 months.

22. Financial commitments and contingencies (continued)

Legal actions and claims (continued)

Claims at the territory of Turkey (continued)

On 7 February 2012 the Commercial Court of Istanbul arrested other shares of Sekerbank in the amount of 101,726,214, which belong to BTA Securities, approximating to KZT 8,869,200 thousand as requested by Turkiye Vakiflar Bank T.A.O. (Turkey) based on guarantee issued by the Bank in favour of Turkiye Vakiflar Bank T.A.O. under the instruction of the Bank customer. The arrest was based on the fact that the Bank is the sole shareholder of BTA Securities.

BTA Securities appealed the above arrest in law court of Turkey. According to the adviser, the case has been currently escalated to the Higher Court of Turkey. The date of hearings has not been determined by the Higher Court of Turkey.

On 22 February 2012 the advisers reported that the claim against the Bank under the above guarantee has been filed by Vakifbank. Based on the advisers' information, consideration of the case was appointed to 28 November 2012.

As at the date of these consolidated financial statements final decisions on these legal proceedings were not adopted. The Bank's management is not able to estimate the possible result of these disputes.

Claims at the territory of the Republic of Georgia

In 2006 - 2008 the Bank issued loans to several companies for the construction of real estate and infrastructure facilities in the Republic of Georgia totalling to USD 322,262,391. The amount approved for financing of these companies totalled to USD 528,425,000. In addition, collaterals were registered at the total amount of USD 302,192.086.

One of the borrowers of the Bank at the territory of the Republic of Georgia filed a claim against the Bank demanding to reimburse for losses in the amount of USD 500,000,000 for the damage caused to business reputation. On 24 March 2011, Tbilisi Municipal Court ruled to take preliminary provisional measures prior to filing a claim on attachment with respect to shares of BTA Bank (Georgia) JSC belonging to the Bank in the amount of 147,000 shares. This notice of claim is under consideration in Tbilissi city court. Three statements for release of encumbrance from real estate pledged in favour of the Bank to the total amount of USD 84,452,185 were filed to the Regular Arbitration Court for Civil Disputes. Plaintiffs requested to cancel the respective pledge agreements as well as replace the previously provided pledge for property belonging to other legal entities.

The Regular Arbitration Court for Civil Disputes sustained two statements of claim. Decisions of the court were reasoned by losses incurred by borrowers in connection with short-received amounts agreed by the borrowers with the Bank earlier. The Bank filed statements of claim to the relevant Georgian judicial agencies (Tbilissi City Court, Tbilissi Court of Appeals) with relevant jurisdiction protesting against the competency of the Regular Arbitration Court for Civil Disputes (objection to jurisdiction) as well as objecting to facts stated by the plaintiff on the merits of a dispute and requiring to set aside the awards. All applications of the Bank were dismissed by relevant judicial agencies of Georgia. The awards took effect and led to the loss by the Bank of a collateral amounting to USD 63,699,085.

In May of 2012 Regular Arbitration Court for Civil Disputes accepted a third claim on lifting encumbrance from the immovable property that was mortgaged in favour of the Bank. Plaintiffs requested to cancel the respective pledge agreements as well as replace the previously provided pledge for property belonging to other legal entities. In July 2012 Regular Arbitration Court for Civil Disputes considered the claim and made a ruling to satisfy complaints. The Bank's complaints filed in July of 2012 to the appropriate judicial agencies (Tbilissi City Court, Tbilisi Court of Appeals) together with contesting the jurisdiction of Regular Arbitration Court for Civil Disputes were denied. The award has come into force and executed by making entries within the registration authorities to terminate the mortgage with respect to the real with collateral value of USD 20,753,100.

As at the date of these consolidated financial statements the Bank considers the issue of bringing the case before a court at the territory of Georgia with respect to actions of an arbitrator considering the above arbitration proceedings.

Tax contingencies

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

The Group believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Group has accrued tax liabilities based on management's best estimate. The Group's policy is to 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.

(Millions of tenge)

22. Financial commitments and contingencies (continued)

Financial commitments and contingencies

As of 31 December 2011 and 2010, the Group's commitments and contingencies comprised the following:

	2011	*2010*
Undrawn loan commitments	**115,236**	109,346
Guarantees	**24,995**	29,419
Commercial letters of credit	**2,188**	3,569
	142,419	142,334
Operating lease commitments		
Not later than 1 year	**1,913**	263
Later than 1 year but not later than 5 years	**1,998**	1,435
Over 5 years	**801**	1,002
	4,712	2,700
Less: cash collateral (Note 19)	**(8,922)**	(6,794)
Less: provisions (Note 15)	**(5,850)**	(223)
Financial commitments and contingencies	**132,359**	138,017

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

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. Collateral held varies, but may include deposits held in the Bank, government's and international prime financial organisations' securities, and other assets.

Trust activities

The Group provides custody services for third parties which involve the Group making allocation and purchase and sales decisions in relation to securities. Those securities that are held in a fiduciary capacity are not included in these consolidated financial statements. As at 31 December 2011 such securities held in this capacity were KZT 396,735 million (as at 31 December 2010 – KZT 504,993 million).

As at 31 December 2011 there was clients' cash on the Group accounts, which was received for the purpose of trading with securities in the amount of KZT 13,217 million (as at 31 December 2010 - KZT 2,180 million).

Facilities received from customers for securities dealings represent customers' non-interest bearing cash with restriction in use under contractual terms. The Group could use these facilities for trading transactions with securities on behalf of customers only if appropriate customers' instructions are available.

As at 31 December 2011 the Group obtained cash from the Parent for trust management in the amount of KZT 6,971 million (as at 31 December 2010 - KZT 0 million).

23. Fees and commissions

Net fee and commission income for the year ended 31 December was made from the following sources:

	2011	*2010*
Settlement and cash operations	**6,530**	5,459
Transfer operations	**6,217**	5,333
Asset management fees	**2,501**	2,935
Letters of credit and guarantees	**1,473**	1,965
Foreign currencies trading	**1,022**	867
Brokerage services	**212**	235
Other	**570**	997
Fees and commission income	**18,525**	17,791
Letters of credit and guarantees	**(12,956)**	(4,350)
Custodian services	**(2,212)**	(171)
Transfer operations	**(597)**	(346)
Brokerage services	**(222)**	(278)
Foreign currencies trading	**(181)**	(101)
Other	**(323)**	(531)
Fee and commission expense	**(16,491)**	(5,777)
Net fee and commission income	**2,034**	12,014

(Millions of tenge)

24. Net trading loss

Net trading loss for the twelve-months periods ended 31 December comprised the following:

	2011	*2010*
Securities:		
Trading securities	**(8,698)**	(17,588)
Available for sale investment securities	**189**	1,049
Interest rate instruments	**–**	(10,325)
	(8,509)	(26,864)

Net loss on securities includes the effect of buying and selling, and changes in the fair value of trading securities and effect of buying and selling of available-for-sale investment securities. The results of trading and changes in fair value of interest rate swaps are recorded under income from interest rate instruments.

25. Impairment charge on investments

Impairment charge for 2011 and 2010 comprised the following:

	2011	*2010*
(Impairment charge) / recovery of loss from impairment of investments in associates (Note 13)	**(43,222)**	2,402
Impairment charge on available-for-sale investment securities (Note 10)	**(1,394)**	(3,358)
Impairment charge on held-to-maturity investment securities	**(420)**	–
	(45,036)	(956)

26. Salary and other operating expenses

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

	2011	*2010*
Salaries and bonuses	**(18,010)**	(18,435)
Social security costs	**(1,860)**	(1,920)
Other payments	**(264)**	(362)
Salaries and other employee benefits	**(20,134)**	(20,717)
Legal services and consultancy	**(26,936)**	(23,732)
Lease	**(3,510)**	(4,386)
Repair and maintenance of property and equipment	**(1,507)**	(1,439)
Security	**(1,052)**	(990)
Marketing and advertising	**(1,015)**	(925)
Communications	**(802)**	(993)
Data processing	**(462)**	(466)
Business trip expenses	**(387)**	(455)
Plastic cards	**(374)**	(569)
Transportation	**(356)**	(346)
Office supplies	**(216)**	(273)
Postal charges	**(166)**	(210)
Cash collection	**(148)**	(184)
Insurance expenses	**(143)**	(75)
Penalties	**(69)**	(270)
Agency services	**(64)**	(1,444)
State duty	–	(65)
Other	**(1,222)**	(3,080)
Other operating expenses	**(38,429)**	(39,902)

Legal services and consultancy comprise payment for current expenses of asset recovery advisers.

27. Loss per share

Basic earnings or loss per share is calculated by dividing the net income or loss for the period attributable to common shareholders by the weighted average number of participating shares outstanding during the period. The Bank did not declare or pay any dividends to common shareholders during 2011 and 2010.

The following reflects data on income or loss and shares used in the basic and diluted earnings or loss per share computations:

	2011	*2010*
Net (loss) / income attributable to common shareholders for calculation of basic income per share representing net (loss) / income less dividends declared on irredeemable convertible preferred shares	**(417,766)**	988,035
Weighted average number of common shares for basic and diluted (loss) /earnings per share	**43,816,946,434**	16,700,857,768
Basic and diluted (loss) / income per share (in Tenge)	**(9.53)**	59.16

The carrying amount of one common share as at 31 December 2011 and 2010, is as follows:

	2011			*2010*		
Type of shares	***Number of outstanding shares***	***Net assets, KZT million***	***Book value per share, Tenge***	***Number of outstanding shares***	***Net assets, KZT million***	***Book value per share, Tenge***
Common	**43,858,335,536**	**(535,852)**	**(12.22)**	43,746,663,330	(105,668)	(2.42)

The management of the Group believes that the book value per share is calculated in accordance with methodology provided in the KASE Listing rules.

28. Risk management policies

Introduction

The Group as a combination of financial organizations is exposed to certain types of risks. Risk management structure is arranged for prompt identification and assessment of risks associated with one or another line of activity. Management understands the high importance of risk management process as an integral part of day-to-day activities of the Group.

Of particular priority is liquidity risk, credit risk, market risk, the latter being subdivided into trading and non-trading risks and operating risks that could affect the equity and income of the Group.

Risk management structure

Board of Directors

The risk management process is directly subordinated to and accountable to the Board of Directors. The Board of Directors is responsible for the overall risk management approach and for approving the risk management policies and adoption strategic decisions on risk management.

Risk Committee

The Risk Committee oversees the Group's activities on risk management, adopts managerial decisions as related to approval of normative documents and defining lines of activity of subdivisions.

Risk Management Unit

Risk management units are responsible for identification, assessment and monitoring of risks. Daily activities of these units are governed by internal regulations. Within the Group certain units responsible for management of credit, operating, liquidity and market risks are defined. These units are accountable to the Risk Committee and the Management Board.

Internal Audit

Internal audit is the most important component of internal control, including risk control. Internal audit function regularly examines adequacy of the internal procedures of the Group. The results are submitted to the Board of Directors, the latter adopts relevant decisions to eliminate shortages.

(Millions of tenge)

28. Risk management policies (continued)

Risk management structure (continued)

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.

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.

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 risks takes place. Senior management assesses the appropriateness of the allowance for credit losses on a quarterly 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.

Risk mitigation

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

The Group actively uses collateral to reduce its credit risks (see below for more detail).

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. Identified concentrations of credit risks are controlled and managed accordingly.

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 Bank 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.

The Group has Credit committees, which are responsible for credit risk management and which set individual limits on borrowers and recommend limits on loan portfolio for further approval by the Management Board. The regional credit committee is responsible for credit risk function over issuance of the loans to the Russian Federation and other CIS countries.

Financing of borrowers is done by thorough procedures of primary selection of borrowers, preliminary structuring of transaction, project assessment, borrower's financial statement analysis and monitoring and control of risks. Decision on financing of borrowers is made by the respective Credit committee depending on the borrower's limit. The Group has established a credit quality review process to provide early identification of possible changes in the creditworthiness of counterparties, including regular collateral revisions based on requirements of the Kazakhstani regulation. Counterparty limits are established by the use of a credit risk classification system, which assigns each counterparty a risk rating. Risk ratings are subject to regular revision, 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 regional credit committee reports to the Management Board. The regional credit committee include one Deputy Chairman of the Management Board, managing directors and directors of departments of the Bank.

Derivative financial instruments

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values, as recorded in the consolidated statement of financial position.

(Millions of tenge)

28. Risk management policies (continued)

Credit risk (continued)

Credit related commitments

The Bank makes available to its customers guarantees and letters of credit, which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the contracts. They expose the Bank to risks similar to loans and these are mitigated by the same control processes and policies.

Where financial instruments are recorded at fair value, their carrying amounts 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.

For more detail on the maximum exposure to credit risk for each class of financial instrument, references shall be made to the specific notes. The effect of collateral and other risk mitigation techniques is shown in Note 11.

Credit quality per class of financial assets

The credit quality of financial assets is managed by the Group's internal credit ratings. The table below shows the credit quality by class of asset for loan-related statement of financial position lines, based on the Group's credit rating system. The amounts are shown gross without deduction for impairment.

		2011			
	Notes	*Neither past due nor impaired*	*Past due but not impaired*	*Individually impaired*	*Total*
Cash and cash equivalents (excluding cash on hand)	6	**13,047**	**–**	**–**	**13,047**
Obligatory reserves		**55**	**–**	**–**	**55**
Trading securities	7	**31,408**	**–**	**–**	**31,408**
Amounts due from credit institutions		**26,267**	**–**	**67,616**	**93,883**
Derivative financial assets	9	**1,653**	**–**	**–**	**1,653**
Investment securities:					
- available-for-sale		**25,244**	**40**	**707**	**25,991**
- held-to-maturity		**5,515**	**44**	**10**	**5,569**
Loans to customers	11				
Corporate lending		**25,715**	**21,914**	**1,996,217**	**2,043,846**
Small and medium business lending		**114,753**	**2,979**	**50,756**	**168,488**
Individuals lending		**173,420**	**1,687**	**59,061**	**234,168**
Bonds of NWF Samruk-Kazyna	12	**144,080**	**–**	**–**	**144,080**
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	12	**392,625**	**–**	**–**	**392,625**
Total		**953,782**	**26,664**	**2,174,367**	**3,154,813**

		2010			
	Notes	*Neither past due nor impaired*	*Past due but not impaired*	*Individually impaired*	*Total*
Cash and cash equivalents (excluding cash on hand)	6	59,048	–	–	59,048
Obligatory reserves		40	–	–	40
Trading securities	7	53,641	–	–	53,641
Amounts due from credit institutions		21,809	–	67,784	89,593
Derivative financial assets	9	4,795	–	–	4,795
Investment securities:					
- available-for-sale		19,556	54	549	20,159
- held-to-maturity		7,227	44	50	7,321
Loans to customers	11				
Corporate lending		78,291	19,053	2,247,613	2,344,957
Small and medium business lending		134,153	8,761	18,717	161,631
Individuals lending		238,217	1,982	9,255	249,454
Bonds of NWF Samruk-Kazyna	12	142,017	–	–	142,017
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	12	388,946	–	–	388,946
Total		1,147,740	29,894	2,343,968	3,521,602

An analysis of past due but not impaired loans, by age, is provided below.

(Millions of tenge)

28. Risk management policies (continued)

Credit risk (continued)

Credit quality per class of financial assets (continued)

It is the Group's policy to maintain accurate and consistent risk ratings across the credit portfolio. This facilitates focused management of the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Group's rating policy. The attributable risk ratings are assessed and updated regularly.

Aging analysis of past due but not impaired loans per class of financial assets:

	2011				
	Less than 30 days	31 – 90 days	91 – 365 days	More than 365 days	Total
Investment securities:					
- available-for-sale	–	18	10	12	40
- held-to-maturity	–	–	–	44	44
Loans to customers					
Corporate lending	402	287	20,311	914	21,914
Small and medium business lending	354	442	2,045	138	2,979
Individuals lending	174	251	1,235	27	1,687
Total	930	998	23,601	1,135	26,664

	2010				
	Less than 30 days	31 – 90 days	91 - 365 days	More than 365 days	Total
Investment securities:					
- available-for-sale	–	–	54	–	54
- held-to-maturity	–	–	44	–	44
Loans to customers					
Corporate lending	7,638	–	6,704	4,711	19,053
Small and medium business lending	1,059	154	3,301	4,247	8,761
Individuals lending	1,982	–	–	–	1,982
Total	10,679	154	10,103	8,958	29,894

See 'Collateral and other credit enhancements' in Note 11 for the details of types of collateral held, and the allowance for impairment of loans to customers.

Impairment assessment

The main considerations for the loan impairment assessment comprise: whether any payments of principal or interest are overdue by more than 30 days or there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. The Group addresses impairment assessment in two areas: individually assessed allowances and collectively assessed allowances.

Individually assessed allowances

The Group determines the allowances appropriate for each individually significant loan on an individual basis. Items considered when determining allowance amounts include: the sustainability of the counterparty's business plan; its ability to improve performance once a financial difficulty has arisen; projected receipts and the expected dividend payout should bankruptcy ensue; the availability of other financial support and the realisable value of collateral, and the timing of the expected cash flows. The impairment losses are evaluated at each reporting date, unless unforeseen circumstances require more careful attention. Notes 4 and 11 explain in detail the effects of such circumstances.

Collectively assessed allowances

Allowances are assessed collectively for losses on loans to customers that are not individually significant (including credit cards, residential mortgages and unsecured consumer lending) and for individually significant loans where there is not yet objective evidence of individual impairment. Allowances are evaluated on each reporting date with each portfolio receiving a separate review.

(Millions of tenge)

28. Risk management policies (continued)

Credit risk (continued)

Collectively assessed allowances (continued)

The collective assessment takes account of impairment that is likely to be present in the portfolio even though there is no objective evidence of the impairment in an individual assessment. Impairment losses are estimated by taking into consideration the following information: historical losses on the portfolio, current economic conditions, the appropriate delay between the time a loss is likely to have been uncured and the time it will be identified as requiring an individually assessed impairment allowance, and expected receipts and recoveries once impaired. Local management is responsible for deciding the length of this period which can extend for as long as one year. The impairment allowance is then reviewed by credit management to ensure alignment with the Group's overall policy.

Financial guarantees and letters of credit are assessed and provision made in a similar manner as for loans.

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

	2011			
	Kazakhstan	*OECD*	*CIS and other countries*	*Total*
Assets:				
Cash and cash equivalents	**48,784**	**4,026**	**3,310**	**56,120**
Obligatory reserves	**–**	**–**	**55**	**55**
Trading securities	**31,288**	**–**	**120**	**31,408**
Amounts due from credit institutions	**14,410**	**1,188**	**14,972**	**30,570**
Derivative financial assets	**–**	**–**	**1,653**	**1,653**
Investment securities:				
- available-for-sale	**25,620**	**371**	**–**	**25,991**
- held-to-maturity	**5,569**	**–**	**–**	**5,569**
Loans to customers	**605,040**	**1,609**	**45,148**	**651,797**
Bonds of NWF Samruk-Kazyna	**144,080**	**–**	**–**	**144,080**
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	**392,625**	**–**	**–**	**392,625**
Other assets	**3,582**	**214**	**661**	**4,457**
	1,270,998	**7,408**	**65,919**	**1,344,325**
Liabilities:				
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	**431,055**	**–**	**–**	**431,055**
Amounts due to credit institutions	**37,898**	**42,608**	**13,022**	**93,528**
Derivative financial liabilities	**4,540**	**–**	**1**	**4,541**
Amounts due to customers	**745,870**	**271**	**7,589**	**753,730**
Debt securities issued	**13,370**	**682,861**	**1**	**696,232**
Provisions	**2,777**	**1**	**3,099**	**5,877**
Other liabilities	**7,172**	**1,294**	**14,652**	**23,118**
	1,242,682	**727,035**	**38,364**	**2,008,081**
Net position	**28,316**	**(719,627)**	**27,555**	**(663,756)**
Position on instruments not recognised in the consolidated statement of financial position	**134,366**	**248**	**12,517**	**147,131**

(Millions of tenge)

28. Risk management policies (continued)

Credit risk (continued)

Collectively assessed allowances (continued)

	2010			
	Kazakhstan	*OECD*	*CIS and other countries*	*Total*
Assets:				
Cash and cash equivalents	74,179	22,098	4,513	100,790
Obligatory reserves	–	–	40	40
Trading securities	25,664	27,976	1	53,641
Amounts due from credit institutions	17,240	1,172	6,765	25,177
Derivative financial assets	4,795	–	–	4,795
Investment securities:				
- available-for-sale	19,269	–	890	20,159
- held-to-maturity	7,209	–	112	7,321
Loans to customers	704,542	20,379	62,697	787,618
Bonds of NWF Samruk-Kazyna	142,017	–	–	142,017
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	388,946	–	–	388,946
Other assets	8,802	272	1,698	10,772
	1,392,663	71,897	76,716	1,541,276
Liabilities:				
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	450,025	–	–	450,025
Amounts due to credit institutions	43,934	7,263	104,447	155,644
Derivative financial liabilities	–	–	1	1
Amounts due to customers	675,216	151	7,934	683,301
Debt securities issued	18,732	653,692	226	672,650
Provisions	1,114	–	78	1,192
Other liabilities	37,015	219	176	37,410
	1,226,036	661,325	112,862	2,000,223
Net position	166,627	(589,428)	(36,146)	(458,947)
Position on instruments not recognised in the consolidated statement of financial position	127,270	89	17,675	145,034

Liquidity risk and funding management

Liquidity risk is the risk that the Group will be unable to meet its obligations when due. Liquidity risk management is one of the main functions in the Group's risk management process. When managing the liquidity risk the Group follows two main directions:

1. conformity with the liquidity norms established by the regulatory bodies; and
2. liquidity management by means of the GAP-analysis, analysis of cash flow and stress testing.

GAP – analysis includes preparation of tables of gaps by remaining contractual maturities of assets and liabilities and calculation of absolute and relative gap between assets and liabilities flows within the relevant period.

Cash flow analysis includes gathering and complex analysis of information about all main cash inflows and outflows in future periods that arise due to changes in the amount of assets and liabilities, equity structure, income and expenses.

The management of the Asset and Liability Management Committee (ALMC) analyzes the operational data on a weekly basis and makes decisions concerning liquidity management. Frequency of the ALMC meetings may vary depending on the situation. ALMC considers the following issues: GAP analysis of the assets and liabilities broken down by maturity and currencies, duration of assets and liabilities and analysis of future cash flows. All business functions and risk management departments are involved in the process of the Group's liquidity management to provide the information support.

The Management regularly monitors high-liquid assets that may be disposed at any time. The Bank builds portfolio consisting of high-liquid assets, predominantly debt financial instruments issued by the states with high credit ratings.

(Millions of tenge)

28. Risk management policies (continued)

Liquidity risk and funding management (continued)

Analysis of financial liabilities by remaining contractual maturities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2011 and 2010, based on contractual undiscounted payments. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

2011

Financial liabilities	*Within one year*	*More than one year*	*Total*
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	**434,897**	**219**	**435,116**
Amounts due to credit institutions	**56,996**	**47,466**	**104,462**
Derivative financial instruments	**4,541**	**–**	**4,541**
Amounts due to customers	**342,541**	**817,909**	**1,160,450**
Debt securities issued	**112,137**	**1,012,157**	**1,124,294**
Provisions	**3,440**	**2,437**	**5,877**
Other liabilities	**25,769**	**108**	**25,877**
Total undiscounted financial liabilities	**980,321**	**1,880,296**	**2,860,617**

2010

Financial liabilities	*Within one year*	*More than one year*	*Total*
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	451,426	394	451,820
Amounts due to credit institutions	64,694	104,066	168,760
Derivative financial instruments	1	–	1
Amounts due to customers	322,311	774,405	1,096,716
Debt securities issued	108,667	1,062,436	1,171,103
Provisions	996	196	1,192
Other liabilities	41,394	169	41,563
Total undiscounted financial liabilities	989,489	1,941,666	2,931,155

Included in due to customers are term deposits of individuals. In accordance with the Kazakhstan legislation, the Group is obliged to repay such deposits upon demand of a depositor (Note 18).

The table below shows the contractual expiry by maturity of the Group's financial commitments and contingencies.

	Within one year	*More than one year*	*Total*
2011	**35,316**	**107,103**	**142,419**
2010	47,006	95,328	142,334

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 following table demonstrates the sensitivity of Group's consolidated income statement to a reasonable possible change in interest rates, with all other variables held constant, of the Group's consolidated income statement.

(Millions of tenge)

28. Risk management policies (continued)

Market risk (continued)

Interest rate risk (continued)

The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate financial assets and financial liabilities held at 31 December 2011. The sensitivity of equity is calculated by revaluing fixed rate available-for-sale financial assets at 31 December 2011 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	*Change in basis points*	*Sensitivity of net interest income*	*Sensitivity of equity*
USD	**-92.5/90.5**	**264/(258)**	**45/(44)**
KZT	**-92.5/90.5**	**351/(344)**	**639/(625)**
Euro	**-92.5/90.5**	**(178)/174**	**–**
Belorussian rouble	**-92.5/90.5**	**(7)/7**	**–**
Russian Rouble	**-92.5/90.5**	**5/(5)**	**5/(5)**

	2010		
Currency	*Change in basis points*	*Sensitivity of net interest income*	*Sensitivity of equity*
USD	-170/173	1,378/(1,398)	33/(33)
KZT	-170/173	928/(941)	698/(708)
Euro	-170/173	(179)/182	–
Belorussian rouble	-170/173	(87)/88	–

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency position limits set by the FMSC are monitored on a daily basis.

The tables below indicate the currencies to which the Group had significant exposure at 31 December 2011 and 2010 on its monetary assets and liabilities. 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 consolidated income statement. A negative amount in the table reflects a potential net reduction in the consolidated income statement, while a positive amount reflects a net potential increase.

	2011		2010	
Currency	*Change in currency rate, %*	*Effect on profit before tax*	*Change in currency rate, %*	*Effect on profit before tax*
USD	**-3.4/3.4**	**16,556/(16,556)**	-2.4/ 2.4	7,648/ (7,648)
Euro	**-14.0/14.0**	**4,742/(4,742)**	-19.4/ 19.4	9,922/ (9,922)
RUR	**-13.8/13.8**	**(1,867)/1,867**	-19.0/ 19.0	(6,517)/ 6,517
CHF	**-16.0/16.0**	**(4)/4**	-19.6/19.6	(77)/77
JPY	**-14.6/14.6**	**(1,434)/1,434**	-21.2/21.2	(39)/39
Belorussian rouble	**-36.7/36.7**	**(873)/873**	-21.8/ 21.8	(800)/800
GBP	**-13.9/13.9**	**(188)/188**	-21.2/21.2	(493)/493

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual shares. The equity price risk exposure arises from the Bank's investment and trading portfolios.

The effect on profit and equity (as a result of a change in the fair value of equity instruments through profit or loss and accounted for as available-for-sale at 31 December) due to a reasonably possible change in equity indices using Capital Asset Pricing Model, with all other variables held constant, is as follows:

	2011			2010		
Market index	*Increase in indices, %*	*Effect on profit before tax*	*Effect on equity*	*Increase in indices, %*	*Effect on profit before tax*	*Effect on equity*
KASE	**25.77**	**110**	**37**	25.06	278	83
MSCI World Index	**21.62**	**3,166**	**1**	16.58	3,647	–
FTSE	**21.20**	**552**	**–**	17.31	831	–
MICEX	**27.37**	**–**	**–**	22.96	–	8
NYSE	**–**	**–**	**–**	19.66	188	–

(Millions of tenge)

28. Risk management policies (continued)

Market risk (continued)

Equity price risk (continued)

	2011			2010		
Market index	*Decrease in indices, %*	*Effect on profit before tax and equity*	*Effect on equity*	*Decrease in indices, %*	*Effect on profit before tax and equity*	*Effect on equity*
KASE	**-25.77**	**(77)**	**38**	-25.06	(105)	22
MSCI World Index	**-21.62**	**(2,717)**	**(1)**	-16.58	(3,210)	–
FTSE	**-21.20**	**(562)**	**–**	-17.31	(867)	–
MICEX	**-27.37**	**–**	**–**	-22.96	–	(9)
NYSE	**–**	**–**	**–**	-19.66	(188)	–

Prepayment risk

Prepayment risk is the risk that the Group will incur a financial loss because its customers and counterparties repay or request repayment earlier or later than expected, such as fixed rate mortgages when interest rates fall.

The effect on profit before tax for one year and on equity, assuming 10% of repayable financial instruments were to prepay at the beginning of the year, with all other variables held constant, is as follows:

	Effect on net interest income	*Effect on equity*
2011	**3,816**	**3,053**
2010	2,209	1,767

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 a control framework and monitoring and responding to potential risks could be effective tools 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.

29. 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

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

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

	2011			2010		
	Level 1	*Level 2*	*Level 3*	*Level 1*	*Level 2*	*Level 3*
Financial assets						
Trading securities	**51,060**	**–**	**–**	82,257	–	–
Derivative financial assets	**–**	**1,653**	**–**	–	4,795	–
Available for sale investment securities	**26,723**	**–**	**–**	21,110	–	–
Financial liabilities						
Derivative financial liabilities	**–**	**4,541**	**–**	–	1	–

In 2011 and 2010 there were no transfers between levels of the fair value hierarchy.

(Millions of tenge)

29. Fair value of financial instruments (continued)

Financial instruments recorded at fair value

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

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Trading securities and investment securities available-for-sale

Trading securities and investment securities available-for-sale valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

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

Fair value of financial assets and liabilities not carried at fair value

Set out below is a comparison by class of the carrying amounts and fair values of the Group's financial instruments that are not carried at fair value in the consolidated financial statements. The table does not include the fair values of non-financial assets and non-financial liabilities.

	2011		
	Carrying value	*Fair value*	*Unrecognized gain / (loss)*
Financial assets			
Cash and cash equivalents	**56,120**	**56,120**	**–**
Obligatory reserves	**55**	**55**	**–**
Amounts due from credit institutions	**30,570**	**30,550**	**(20)**
Held-to-maturity investment securities	**5,569**	**5,941**	**372**
Loans to customers	**651,797**	**699,975**	**48,178**
Bonds of NWF Samruk-Kazyna	**144,080**	**155,819**	**11,739**
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	**392,625**	**424,638**	**32,013**
Other assets	**4,457**	**4,457**	**–**
Financial liabilities			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	**431,055**	**431,055**	**–**
Amounts due to credit institutions	**93,528**	**94,445**	**(917)**
Amounts due to customers	**753,730**	**779,388**	**(25,658)**
Debt securities issued	**696,232**	**245,849**	**450,383**
Provisions	**5,877**	**5,877**	**–**
Other liabilities	**23,118**	**23,118**	**–**
Total unrecognised change in unrealized fair value			**516,090**

(Millions of tenge)

29. Fair value of financial instruments (continued)

Fair value of financial assets and liabilities not carried at fair value (continued)

	2010		
	Carrying value	***Fair value***	***Unrecognized gain / (loss)***
Financial assets			
Cash and cash equivalents	100,790	100,790	–
Obligatory reserves	40	40	–
Due from credit institutions	25,177	26,119	942
Held-to-maturity investment securities	7,321	7,586	265
Loans to customers	787,618	787,618	–
Bonds of NWF Samruk-Kazyna	142,017	150,595	8,578
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	388,946	412,445	23,499
Other assets	10,772	10,772	–
Financial liabilities			
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	450,025	450,025	–
Amounts due to credit institutions	155,644	158,078	(2,434)
Amounts due to customers	683,301	712,451	(29,150)
Debt securities issued	672,650	664,284	8,366
Provisions	1,192	1,192	–
Other liabilities	37,410	37,410	–
Total unrecognised change in unrealized fair value			10,066

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. This assumption is also applied to demand deposits, saving accounts without term maturity and variable rate financial instruments.

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.

(Millions of tenge)

30. Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities according to when they are expected to be recovered or settled. See Note 28 "Risk management" for the Group's contractual undiscounted repayment obligations.

	2011			*2010*		
2011	*Within one year*	*More than one year*	*Total*	*Within one year*	*More than one year*	*Total*
Cash and cash equivalents	**56,120**	**–**	**56,120**	100,790	–	100,790
Obligatory reserves	**24**	**31**	**55**	40	–	40
Trading securities	**51,060**	**–**	**51,060**	82,257	–	82,257
Amounts due from credit institutions	**17,728**	**12,842**	**30,570**	18,484	6,693	25,177
Derivative financial assets	**1,653**	**–**	**1,653**	1,370	3,425	4,795
Assets held for sale	**23,556**	**–**	**23,556**	–	–	–
Investment securities:						
- available-for-sale	**2,804**	**23,919**	**26,723**	7,474	13,636	21,110
- held-to-maturity	**919**	**4,650**	**5,569**	2,026	5,295	7,321
Loans to customers	**479,979**	**171,818**	**651,797**	394,738	392,880	787,618
Bonds of NWF Samruk-Kazyna	**2,007**	**142,073**	**144,080**	2,000	140,017	142,017
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	**5,470**	**387,155**	**392,625**	5,477	383,469	388,946
Investments in associates	**–**	**27,491**	**27,491**	–	90,326	90,326
Property and equipment	**–**	**7,727**	**7,727**	–	10,664	10,664
Goodwill	**–**	**752**	**752**	–	3,786	3,786
Current corporate income tax assets	**4,322**	**–**	**4,322**	5,366	–	5,366
Deferred corporate income tax assets	**–**	**1,044**	**1,044**	–	159,735	159,735
Other assets	**50,438**	**17,479**	**67,917**	64,554	1,208	65,762
Total assets	**696,080**	**796,981**	**1,493,061**	684,576	1,211,134	1,895,710
Amounts due to the Government and the National Bank of the Republic of Kazakhstan	**430,943**	**112**	**431,055**	449,814	211	450,025
Amounts due to credit institutions	**52,745**	**40,783**	**93,528**	60,091	95,553	155,644
Derivative financial liabilities	**4,541**	**–**	**4,541**	1	–	1
Amounts due to customers	**293,779**	**459,951**	**753,730**	272,865	410,436	683,301
Debt securities issued	**78,454**	**617,778**	**696,232**	58,163	614,487	672,650
Provisions	**3,440**	**2,437**	**5,877**	996	196	1,192
Deferred corporate income tax liabilities	**–**	**953**	**953**	–	–	–
Other liabilities	**34,241**	**7,712**	**41,953**	36,860	550	37,410
Total liabilities	**898,143**	**1,129,726**	**2,027,869**	878,790	1,121,433	2,000,223
Net position	**(202,063)**	**(332,745)**	**(534,808)**	(194,214)	89,701	(104,513)
Accumulated net position	**(202,063)**	**(534,808)**		(194,214)	(104,513)	

31. Segment analysis

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

Corporate banking – representing other than small and medium size legal entities direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products.

Small and medium business – representing individual entrepreneurs, farm households and small enterprises current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products, as well as customer support electronic systems.

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages and cash and foreign currency related services.

Investment activity - representing financial assets and liabilities used for trading or investment purposes, financing, and merger and acquisitions transaction support.

No operating segments have been aggregated to form the above reportable operating segments.

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

(Millions of Tenge)

31. Segment analysis (continued)

Segment information for the main reportable operating segments of the Group for the years ended 31 December 2011 and 2010 is set out below:

2011	*Corporate banking*	*Small and medium business*	*Retail banking*	*Investing activities*	*Unallocated amounts*	*Elimination*	*Total*
External interest income	61,674	20,168	34,847	39,897	665	–	157,251
Internal interest income	7,902	3,700	29,756	196,639	–	(237,997)	–
External interest expense	(8,266)	(4,037)	(28,586)	(124,246)	(382)	–	(165,517)
Internal interest expense	(183,110)	(11,514)	(14,933)	(28,440)	–	237,997	–
Net interest (expense) / income before impairment	(121,800)	8,317	21,084	83,850	283	–	(8,266)
Impairment charge	(112,998)	(12,115)	(4,626)	–	–	–	(129,739)
Net interest (expense) / income	(234,798)	(3,798)	16,458	83,850	283	–	(138,005)
Non-interest (expense) / income	(4,917)	10,133	15,178	(30,455)	464	(1,555)	(11,152)
Share in net income of associates	–	–	–	7,039	–	–	7,039
Excess of acquirer's share in net fair value of identified assets and liabilities of acquiree over the cost	–	–	–	509	–	–	509
Loss from decline in value of collateral	(217)	–	–	–	–	–	(217)
Gain from disposal of subsidiaries	–	–	–	2,619	–	–	2,619
Income from change in the value of recovery notes	1,472	(5,112)	(13,995)	–	28,090	–	10,455
Non-interest expense	(27,337)	(10,473)	(31,525)	(3,600)	(4,445)	1,555	(75,825)
Depreciation and amortization	(774)	(403)	(1,574)	(135)	(12)	–	(2,898)
Loss from realization of collateral	(674)	–	–	–	–	–	(674)
Impairment charge on investments	–	–	–	(45,036)	–	–	(45,036)
Other impairment and provisions	(4,071)	(1,564)	939	(185)	(38)	–	(4,919)
(Expense) / income before corporate income tax expenses	(271,316)	(11,217)	(14,519)	14,606	24,342	–	(258,104)
Corporate income tax expense	–	–	–	–	(159,906)	–	(159,906)
Net (expense) / income after corporate income tax expenses	(271,316)	(11,217)	(14,519)	14,606	(135,564)	–	(418,010)
Total assets	357,081	149,327	236,173	875,054	5,772	(130,346)	1,493,061
Total liabilities	158,838	167,775	385,175	1,357,755	2,222	(43,896)	2,027,869
Other segment information							
Investments in associates	–	–	–	27,491	–	–	27,491
Capital expenditures	114	147	598	78	–	–	937

(Millions of Tenge)

31. Segment analysis (continued)

2010	*Corporate banking*	*Small and medium business*	*Retail banking*	*Investing activities*	*Unallocated amounts*	*Elimination*	*Total*
External interest income	80,266	22,666	38,555	55,278	102	–	196,867
Internal interest income	18,376	4,748	19,993	458,228	–	(501,345)	–
External interest expense	(11,085)	(4,938)	(27,142)	(166,048)	(169)	–	(209,382)
Internal interest expense	(157,806)	(11,356)	(20,885)	(311,104)	(194)	501,345	–
Net interest (expense) / income before impairment	(70,249)	11,120	10,521	36,354	(261)	–	(12,515)
Impairment charge	(84,024)	28,502	9,805	–	–	–	(45,717)
Net interest (expense) / income	(154,273)	39,622	20,326	36,354	(261)	–	(58,232)
Non-interest income / (expense)	11,880	8,923	7,396	(14,226)	567	(4,776)	9,764
Share in income of associates	–	–	–	4,250	–	–	4,250
Excess of acquirer's share in net fair value of identified assets and liabilities of acquiree over the cost	–	–	–	10,169	–	–	10,169
Loss from decline in value of collateral	(1,123)	–	–	–	–	–	(1,123)
Gain from disposal of subsidiaries	–	–	–	38,590	–	–	38,590
Non-interest expense	(29,710)	(9,381)	(22,114)	(15,859)	(440)	4,776	(72,728)
Depreciation and amortization	(1,087)	(540)	(1,947)	(232)	(26)	–	(3,832)
Loss from realization of collateral	(3,826)	–	–	–	–	–	(3,826)
Impairment charge on investments	–	–	–	(956)	–	–	(956)
Other impairment and provisions	55,961	19	(1,524)	143	(3)	–	54,596
Restructuring gain	–	–	–	–	853,914	–	853,914
(Expense) / income before corporate income tax benefit	(122,178)	38,643	2,137	58,233	853,751	–	830,586
Corporate income tax benefit	-	–	–	–	155,679	–	155,679
Net (expense) / income after corporate income tax benefit	(122,178)	38,643	2,137	58,233	1,009,430	–	986,265
Total assets	524,791	111,869	233,405	987,503	173,727	(135,585)	1,895,710
Total liabilities	413,295	142,408	382,086	1,116,091	987	(54,644)	2,000,223
Other segment information							
Investments in associates	–	–	–	90,326	–	–	90,326
Capital expenditures	52	125	374	29	–	–	580

(Millions of Tenge)

31. Segment analysis (continued)

Geographical information

The following tables show the distribution of the Group's revenues from third party customers and non-current assets allocated based on the location of the customers and assets respectively for the years ended 31 December 2011 and 2010:

	Kazakhstan	*OECD*	*Non-OECD*	*Total*
2011				
Non-current assets	**39,347**	**–**	**3,440**	**42,787**
Revenue	**159,092**	**6,720**	**9,964**	**175,776**
2010				
Non-current assets	39,469	–	3,079	42,548
Revenue	187,513	9,130	18,015	214,658

Non-current assets represent property and equipment, intangible assets and repossessed collateral.

32. 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, not merely the legal form.

Transactions with government-related entities

The Government of the Republic of Kazakhstan, acting through JSC NWF Samruk-Kazyna, controls the Group.

The Government of the Republic of Kazakhstan directly and indirectly controls and has significant influence over a significant number of entities through its government agencies and other organizations (together referred to as "government institutions").

The Government of the Republic of Kazakhstan does not provide to the general public or entities under its ownership/control a complete list of the entities, which are owned or controlled directly or indirectly by the government. Under these circumstances, the management of the Group disclosed only information that its current internal management system allows to present in relation to operations with government-controlled entities and where the management believes such entities could be considered as government-controlled based on its best knowledge.

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

(Millions of Tenge)

32. Related party transactions (continued)

	2011						2010					
	Share-holders	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key mana-gement personnel*	*Other related parties*	*Share-holders*	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key mana-gement personnel*	*Other related parties*
Cash and cash equivalents												
Amounts at 1 January	–	1	110	25,218	–	–	–	–	788	3,695	–	–
Amounts placed during the period	–	54,517	2,822	3,310,983	–	–	–	9,345	96	112,198	–	–
Amounts withdrawn during the period	–	(54,518)	(2,820)	(3,333,355)	–	–	–	(9,344)	(774)	(90,675)	–	–
Cash and cash equivalents as at 31 December	–	–	112	2,846	–	–	–	1	110	25,218	–	–
Interest income	–	–	–	7	–	–	–	–	99	29	–	–
Interest rates	–	–	–	3%	–	–	–	–	12%	Up to 7%	–	–
Maturity	–	On demand	On demand	On demand	–	–	–	On demand	On demand	On demand	-	-
Trading securities												
Balance at 1 January	–	44,764	–	11,068	–	–	–	48,209	–	25,563	–	–
Securities purchased during the period	164	57,703	–	3,756	–	–	–	127,661	–	5,946	–	–
Securities sold during the period	(11)	(82,350)	–	(6,930)	–	–	–	(131,106)	–	(20,441)	–	–
Trading securities at 31 December	153	20,117	–	7,894	–	–	–	44,764	–	11,068	–	–
Interest income	7	226	–	594	–	–	–	3,021	–	1,006	–	–
Interest rates	6%-7%	6%-7%	–	1%-8%	–	–	–	6%-12%	–	6%-11%	–	–
Maturity	On demand	On demand	–	On demand	–	–	–	On demand	–	On demand	–	–
Amounts due from credit institutions (deposits)												
Deposits at 1 January	–	–	3,997	–	–	–	–	–	3,233	–	–	–
Deposits placed during the period	–	–	871	–	–	–	–	57,652	7,369	–	–	–
Deposits withdrawn during the period	–	–	(478)	–	–	–	–	(57,652)	(6,605)	–	–	–

(Millions of Tenge)

32. Related party transactions (continued)

	31 December 2011						*31 December 2010*					
	Shareholders	*Entities under common control*	*Associates*	*Government institutions*	*Key management personnel*	*Other related parties*	*Shareholders*	*Entities under common control*	*Associates*	*Government institutions*	*Key management personnel*	*Other related parties*
Amounts due from credit institutions (deposits) at 31 December, gross	–	–	**4,390**	–	–	–	–	–	3,997	–	–	–
Less: Allowance for impairment	–	–	**(219)**	–	–	–	–	–	(177)	–	–	–
Amounts due from credit institutions (deposits) at 31 December, net	–	–	**4,171**	–	–	–	–	–	3,820	–	–	–
Interest income	–	–	**452**	–	–	–	–	3,626	496	–	–	–
Interest rates	–	–	**10%-12%**	–	–	–	–	8%	10%-12%	–	–	–
Maturity	–	–	**2012-2014**	–	–	–	–	–	2011-2014	–	–	–
Amounts due from credit institutions (loans)												
Loans at 1 January	–	–	**4,983**	–	–	–	–	–	5,998	–	–	–
Loans issued during the period	–	–	**6,716**	–	–	–	–	–	5,089	–	–	–
Loans repaid during the period	–	–	**(3,330)**	–	–	–	–	–	(6,104)	–	–	–
Amounts due from credit institutions (loans) at 31 December, gross	–	–	**8,369**	–	–	–	–	–	4,983	–	–	–
Less: Allowance for impairment	–	–	**(1,878)**	–	–	–	–	–	(1,974)	–	–	–
Amounts due from credit institutions (loans) at 31 December, net	–	–	**6,491**	–	–	–	–	–	3,009	–	–	–
Interest income	–	–	**404**	–	–	–	–	–	437	–	–	–
Interest rates	–	–	**7%-11%**	–	–	–	–	–	7%-11%	–	–	–
Maturity	–	–	**2012-2016**	–	–	–	–	–	2012-2016	–	–	–

(Millions of Tenge)

32. Related party transactions (continued)

	2011						2010					
	Share-holders	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key mana-gement personnel*	*Other related parties*	*Share-holders*	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key mana-gement personnel*	*Other related parties*
Available for sale investment securities												
Securities at 1 January	**–**	**148**	**–**	**11,497**	**–**	**–**	–	897	–	7,155	–	–
Securities purchased during the period	**178**	**2,661**	**–**	**5,603**	**–**	**–**	–	–	–	18,166	–	–
Securities sold during the period	**(24)**	**(1,779)**	**–**	**(4,594)**	**–**	**–**	–	(749)	–	(13,824)	–	–
Available-for-sale investment securities at 31 December	**154**	**1,030**	**–**	**12,506**	**–**	**–**	–	148	–	11,497	–	–
Interest income	**10**	**58**	**–**	**731**	**–**	**–**	–	8	–	766	–	–
Interest rates	**7%**	**6%-12%**	**–**	**5%-9%**	**–**	**–**	–	6,5%	–	4%-9%	–	–
Maturity	**2020**	**2014-2015**	**–**	**2012-2019**	**–**	**–**	–	2015	–	2011-2019	–	–
Held-to-maturity investment securities												
Securities at 1 January	**–**	**963**	**–**	**3,838**	**–**	**–**	–	–	–	–	–	–
Securities purchased during the period	**–**	**85**	**–**	**244**	**–**	**–**	–	963	–	4,954	–	–
Securities redeemed during the period	**–**	**(3)**	**–**	**(1,151)**	**–**	**–**	–	–	–	(1,116)	–	–
Held-to-maturity investment securities at 31 December	**–**	**1,045**	**–**	**2,931**	**–**	**–**	–	963	–	3,838	–	–
Interest income	**–**	**50**	**–**	**175**	**–**	**–**	–	12	–	106	–	–
Interest rates	**–**	**7%-15%**	**–**	**8%-9%**	**–**	**–**	–	6%-7%	–	6%-9%	–	–
Maturity	**–**	**2013-2026**	**–**	**2012-2017**	**–**	**–**	–	2013-2026	–	2011-2020	–	–
Loans to customers												
Loans to customers at 1 January	**–**	**659**	**–**	**778**	**53**	**10**	–	4,476	–	7,574	585	3
Loans issued during the period	**–**	**1,902**	**–**	**3,215**	**15**	**–**	–	2,298	–	2,186	110	26
Loans repaid during the period	**–**	**(1,397)**	**–**	**(1,485)**	**(63)**	**(10)**	–	(6,115)	–	(8,982)	(642)	(19)
Loans to customers at the end of the period, gross	**–**	**1,164**	**–**	**2,508**	**5**	**–**	–	659	–	778	53	10

(Millions of Tenge)

32. Related party transactions (continued)

	31 December 2011						31 December 2010					
	Share-holders	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key mana-gement personnel*	*Other related parties*	*Share-holders*	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key mana-gement personnel*	*Other related parties*
Less: provision for impairment	–	–	–	–	–	–	–	–	–	–	–	–
Loans outstanding at 31 December, net	–	**1,164**	–	**2,508**	**5**	–	–	659	–	778	53	10
Interest income	–	**111**	–	**132**	**8**	**2**	–	529	–	130	13	2
Interest rates	–	**8%-12%**	–	**12%-16%**	**12%-13%**	–	–	8%-13%	–	15%-19%	11%-14%	11%-24%
Maturity	–	**2013-2015**	–	**2012-2015**	**2014**	–	–	2013-2015	–	2011-2015	2016-2027	2011-2026
Bonds of NWF Samruk-Kazyna	**144,080**	–	–	–	–	–	142,017	–	–	–	–	–
Bonds of NWF Samruk-Kazyna pledged under repurchase agreements	**392,625**	–	–	–	–	–	388,946	–	–	–	–	–
Interest income on bonds of NWF Samruk-Kazyna	**10,746**	–	–	–	–	–	11,290	–	–	–	–	–
Interest income on bonds of NWF Samruk-Kazyna pledged under repurchase agreements	**20,796**	–	–	–	–	–	23,484	–	–	–	–	–
Interest rates	**6%**	–	–	–	–	–	6%	–	–	–	–	–
Maturity	**2024**	–	–	–	–	–	2024	–	–	–	–	–
Amounts due to the Government and the NBK												
Amounts at 1 January	–	–	–	**450,025**	–	–	–	–	–	406,595	–	–
Amounts obtained during the period	–	–	–	**4,919,359**	–	–	–	–	–	5,361,858	–	–
Amounts repaid during the period	–	–	–	**(4,938,329)**	–	–	–	–	–	(5,318,428)	–	–
Amounts due to the Government and the NBK at 31 December	–	–	–	**431,055**	–	–	–	–	–	450,025	–	–
Interest expense	–	–	–	**(27,858)**	–	–	–	–	–	(28,831)	–	–
Interest rates	–	–	–	**8%**	–	–	–	–	–	7%	–	–
Maturity	–	–	–	**2012**	–	–	–	–	–	2011	–	–

(Millions of Tenge)

32. Related party transactions (continued)

	2011						2010					
	Share-holders	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key mana-gement personnel*	*Other related parties*	*Share-holders*	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key mana-gement personnel*	*Other related parties*
Amounts due to credit institutions												
Amounts due to credit institutions at 1 January	**–**	**35,061**	**1,862**	**6,090**	**–**	**–**	–	41,590	994	6,994	–	–
Amounts obtained during the period	**–**	**3,162**	**10,415**	**39,798**	**–**	**–**	–	4,217	26,168	588	–	–
Amounts repaid during the period	**–**	**(9,941)**	**(11,052)**	**(39,989)**	**–**	**–**	–	(10,746)	(25,300)	(1,492)	–	–
Loans at 31 December	**–**	**28,282**	**1,225**	**5,899**	**–**	**–**	–	35,061	1,862	6,090	–	–
Interest expense	**–**	**(2,520)**	**(50)**	**(369)**	**–**	**–**	–	(2,880)	(93)	(567)	–	–
Interest rates	**–**	**6%-9%**	**1%-8%**	**10%-15%**	**–**	**–**	–	8%-9%	8%-14%	7%-10%	–	–
Maturity	**–**	**2014-2016**	**2012-2013**	**2014-2028**	**–**	**–**	–	2014-2016	2011-2012	2014-2028	–	–
Derivative financial liabilities	**–**	**–**	**–**	**4,540**	**–**	**–**	–	–	–	–	–	–
Expenses on derivative financial liabilities	**–**	**–**	**–**	**(3,222)**	**–**	**–**	–	–	–	–	–	–
Maturity	**–**	**–**	**–**	**2012**	**–**	**–**	–	–	–	–	–	–
Amounts due to customers												
Deposits at 1 January	**296,385**	**4,401**	**–**	**8,020**	**21**	**15**	165,829	192,345	–	8,002	25	7
Deposits received during the period	**59,466**	**128,014**	**–**	**242,442**	**245**	**48**	594,737	1,693,831	–	80	136	39
Deposits repaid during the period	**(59,344)**	**(126,703)**	**–**	**(227,163)**	**(241)**	**(62)**	(464,181)	(1,881,775)	–	(62)	(140)	(31)
Amounts due to customers at 31 December	**296,507**	**5,712**	**–**	**23,299**	**25**	**1**	296,385	4,401	–	8,020	21	15
Interest expense	**(28,759)**	**(114)**	**–**	**(446)**	**(5)**	**(1)**	(15,816)	(3,250)	–	(20)	–	–
Interest rates	**7%-11%**	**1%-11%**	**–**	**1%-7%**	**–**	**–**	7%-11%	1%-12%	–	1%	–	–
Maturity	**2013-2029**	**2012-2017**	**–**	**On demand**	**–**	**–**	2013-2029	2011-2017	–	On demand	–	–

(Millions of Tenge)

32. Related party transactions (continued)

	2011						2010					
	Share-holders	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key mana-gement personnel*	*Other related parties*	*Share-holders*	*Entities under common control*	*Associates*	*Govern-ment institutions*	*Key mana-gement personnel*	*Other related parties*
Commitments and guarantees issued, gross	**–**	**80**	**–**	**–**	**–**	**–**	–	94	112	–	–	–
Less: provision for impairment	**–**	**–**	**–**	**–**	**–**	**–**	–	–	(112)	–	–	–
Commitments and guarantees issued, net	**–**	**80**	**–**	**–**	**–**	**–**	–	94	–	–	–	–
Interest rates	**–**	**–**	**–**	**–**	**–**	**–**	–	–	2%	–	–	–
Maturity	**–**	**2012**	**–**	**–**	**–**	**–**	–	2011	2011	–	–	–
Commitments and guarantees received	**612,750**	**–**	**–**	**–**	**–**	**–**	612,750	–	–	–	–	–
Fee and commission expenses	**(12,900)**	**–**	**–**	**–**	**–**	**–**	(4,300)	–	–	–	–	–
Interest rates	**2,1%**	**–**	**–**	**–**	**–**	**–**	2,1%	–	–	–	–	–
Maturity	**2012**	**–**	**–**	**–**	**–**	**–**	2011	–	–	–	–	–
Fee and commission income	**–**	**–**	**1**	**–**	**–**	**–**	–	–	1	–	–	–
Loss from realization of collateral	**–**	**–**	**–**	**(770)**	**–**	**–**	–	–	–	(3,826)	–	–

(Millions of Tenge)

32. Related party transactions (continued)

The aggregate remuneration and other benefits paid to members of the Management Board and Board of Directors for 2011 was KZT 443 million (2010 – KZT 405 million).

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

- Operations with shareholders including: loans issued, including provisioning matters, deposits placed, deposits attracted, debt securities purchased from the Parent and guarantees from the Parent;
- Operations with entities under common control including: issuance of loans, deposits placement, deposits and loans attraction, issuance of guarantees, operations with debt securities;
- Operations with associates including: deposits placement, attraction and issuance of loans, and also issuance of guarantees and letter of credits for investment objects;
- Operations with state organizations including: issuance of loans, including provisioning matters, operations with trading and investment securities, and also attraction of loans from the Government and the NBK;
- Operations with key management personnel / members of the Board of Directors, including: issuance of loans, including provisioning matters, deposits attraction, total remuneration paid during the period.

33. Capital adequacy

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Group's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the FMSC and the NBK in supervising the Bank.

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

Additionally, in accordance with terms of bonds program and loan agreements, the Bank is required to maintain certain financial ratios, particularly with regard to its capital adequacy under the FMSC requirements.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

Capital adequacy ratio established by the FMSC

The FMSC requires banks with over 50% of shares belonging to the national management holding to maintain capital adequacy ratio: k1-1 and k1-2 at least 5%, k2 at least 10%. As at 31 December 2011 risk weighted regulatory assets of the Bank calculated in accordance with FMSC requirements were obtained from the separate financial statements of the Bank prepared in accordance with the FMSC rules.

	2011	*2010*
Tier 1 capital	**262,076**	308,210
Tier 2 capital	**91,343**	90,237
Less: deductions from capital	**(50,560)**	(50,560)
Total equity	**302,859**	347,887
Total assets	**1,996,336**	1,993,994
Risk weighted assets	**1,902,633**	1,799,429
Capital adequacy ratio (k1-1)	**11.5%**	13.8%
Capital adequacy ratio (k1-2)	**11.8%**	15.0%
Capital adequacy ratio k2	**15.9%**	19.3%

34. Subsequent events

In January 2012 the Bank informed of the termination of authorities, on their own initiative, of four members of the Board of Directors, including two representatives of creditors, representative of the Parent and an independent director.

On 11 April 2012, new members of the Board of Directors were elected at the extraordinary meeting of the Bank's shareholders. The new members of the Board of Directors comprise of Sergey Babayan as representative of creditors and senior bonds holders, Jacek Brzezinski as a representative of creditors and holders of special debt instruments with discount, Yerik Balapanov as Parent representative and Ilkka Salonen as Independent Director.

On 17 April 2012, at the first meeting of the Bank's new Board of Directors, it has decided to appoint Yerik Balapanov as the Bank's Chairman of the Management Board. Askhat Beisenbayev, who acted as the Bank's Chairman of the Board since January 2012, was appointed as the First Deputy of the Chairman of the Management Board.

In September 2012 the Group's share in share capital of Temirleasing was increased from 35.52% to 45.14% as the result of foreclosure of 150,000 common shares of Temirleasing JSC as partial repayment of the client's debt to the Bank.

Also, in September 2012 the Bank's ownership in share capital of BTA Finance Luxembourg S.A. affiliated company of JSC BTA Bank increased by 13.89% and amounted to 100% owing to gratuitous transfer of 4,000 shares by The Bank of New York Depositary (Nominees) Limited to the Bank based on the Share Transfer Agreement.

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