

**NATIONAL BANK OF THE
REPUBLIC OF KAZAKHSTAN**

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

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NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of the National Bank of the Republic of Kazakhstan (the "NBK") and its subsidiaries (the NBK and its subsidiaries together – the "National Bank") as at 31 December 2011, and the results of its operations, cash flows and changes in equity for the year then ended, in accordance with the Principles of preparation of the consolidated financial statements disclosed in Note 2 (the "Principles of preparation of the financial statements") to the consolidated financial statements.

In preparing the consolidated financial statements, management is responsible for:

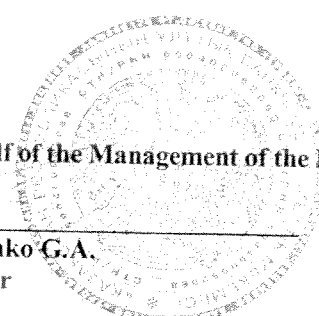
- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- following requirements of the Principles of preparation of the financial statements; and
- preparing the consolidated financial statements on a going concern basis.

Management is also responsible for:


- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the National Bank;
- Maintaining proper accounting records that disclose, with reasonable accuracy at any time, the financial position of the National Bank, and which enable them to ensure that the consolidated financial statements of the National Bank comply with the requirements of the Principles of preparation of the financial statements;
- Maintaining statutory accounting records in compliance with legislation of the Republic of Kazakhstan;
- Taking such steps as are reasonably available to them to safeguard the assets of the National Bank; and
- Detecting and preventing fraud, errors and other irregularities.

The consolidated financial statements for the year ended 31 December 2011 were authorized for issue on 15 March 2012 by the Management.

On behalf of the Management of the National Bank of the Republic of Kazakhstan:


Marchenko G.A.
Governor

15 March 2012
Almaty, Kazakhstan


Abdualiyeva A.N.
Acting Chief Accountant

15 March 2012
Almaty, Kazakhstan

INDEPENDENT AUDITORS' REPORT

To the Management Board of the National Bank of the Republic of Kazakhstan

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of the National Bank of the Republic of Kazakhstan and its subsidiaries (together - the "National Bank"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated income statement, the consolidated statements of comprehensive income, statement of changes in equity and cash flow statement 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 the Principles of preparation of the consolidated financial statements as described in Note 2 to the consolidated financial statements (the "Principles of preparation of the financial statements") and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, 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.

Opinion

In our opinion, the accompanying consolidated financial statements presents fairly, in all material respects, the consolidated financial position of the National Bank as at 31 December 2011 and its financial performance and its cash flows for the year then ended in accordance with the Principles of preparation of the financial statements.

Other Matter

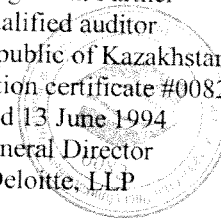
The consolidated financial statements of the National Bank as at and for the year ended 31 December 2010 were audited by another auditor who expressed an unmodified opinion on those financial statements dated 11 March 2011.

DELOITTE, LLP



Deloitte, LLP
State license on auditing in the Republic of Kazakhstan
Number 0000015, type MFU-2, issued by the Ministry of
Finance of the Republic of Kazakhstan
dated 13 September 2006

Nurlan Bekenov
Engagement Partner
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate #0082
dated 13 June 1994
General Director
Deloitte, LLP



15 March 2012
Almaty, Kazakhstan

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

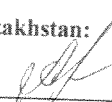
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 KZT'000	2010 KZT'000
Interest income			
Interest expense	4	84,537,450	90,303,963
Net interest income	4	(17,280,189)	(18,564,638)
Fee and commission income	4	67,257,261	71,739,325
Fee and commission expense	5	7,759,672	8,271,732
Net fee and commission income	6	(670,529)	(533,527)
Net gain/(loss) on financial instruments at fair value through profit or loss		7,089,143	7,738,205
Net gain on available-for-sale financial assets	7	2,462,080	(7,270,343)
Income from associates	8	2,156,653	8,277,685
Other operating income	22	128,475	139,361
Operating income	9	4,836,817	4,009,832
(Losses)/recoveries from impairment		83,930,429	84,634,065
Banknotes and coins production expenses	10	(5,631,516)	2,024,111
Funding of third parties	11	(5,723,705)	(4,222,748)
Personnel expenses	12	(1,315,655)	(2,520,167)
Depreciation and amortization expenses	13	(13,426,180)	(9,550,110)
Other general administrative expenses		(1,778,692)	(1,779,584)
Profit before income tax	14	(5,123,387)	(4,125,575)
Income tax expense		50,931,294	64,459,992
Profit for the year	15	(1,012,000)	(1,402,777)
		49,919,294	63,057,215
Profit attributable to:			
- Holders of the National Bank		49,735,109	62,728,357
- Non-controlling interests		184,185	328,858
Profit for the year		49,919,294	63,057,215

On behalf of the Management of the National Bank of the Republic of Kazakhstan:

Marchenko G.A.
Governor

15 March 2012
Almaty, Kazakhstan


Abdualiyeva A.N.
Acting Chief Accountant

15 March 2012
Almaty, Kazakhstan

The notes on pages 11-69 form an integral part of these consolidated financial statements

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

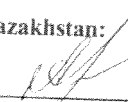
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 KZT'000	2010 KZT'000
Profit for the year	49,919,294	63,057,215
Other comprehensive income, net of income tax		
Net gain on foreign currency and precious metals	39,779,514	93,007,889
Revaluation reserve for available-for-sale financial assets:		
- Net change in fair value	16,284,203	833,389
- Impairment transferred to profit or loss	5,628,451	-
- Net change in fair value transferred to profit or loss	(2,156,653)	(8,277,685)
Revaluation of property and equipment	2,113,025	-
Other comprehensive income for the year, net of income tax	61,648,540	85,563,593
Total comprehensive income for the year	111,567,834	148,620,808
Total comprehensive income attributable to:		
- Holders of the National Bank	111,383,649	148,279,582
- Non-controlling interests	184,185	341,226
Total comprehensive income for the year	111,567,834	148,620,808

On behalf of the Management of the National Bank of the Republic of Kazakhstan:

Marchenko G.A.
Governor

15 March 2012
Almaty, Kazakhstan


Abdualiyeva A.N.
Acting Chief Accountant

15 March 2012
Almaty, Kazakhstan

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NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

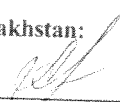
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Note	2011 KZT'000	2010 KZT'000
ASSETS			
Cash on hand in foreign currency			
Gold	16	21,081,881	12,859,841
Placements with banks and other financial institutions	17	616,010,770	450,214,406
Financial instruments at fair value through profit or loss	18	432,668,712	780,360,779
Reverse repurchase agreements	19	5,041,013	50,644
Available-for-sale financial assets	20	430,976,777	465,807,648
Investments in associates	21	3,610,643,944	3,149,717,950
Property, equipment and intangible assets	22	810,037	681,562
Current tax asset	23	35,410,359	30,694,318
Deferred tax asset		1,007,631	700,386
Other assets		112,867	84,188
Total assets	24	11,451,424	6,784,095
		5,165,215,415	4,897,955,817
LIABILITIES			
Currency in circulation			
Due to banks and other financial institutions	25	1,548,493,471	1,306,496,601
Financial instruments at fair value through profit or loss	26	992,488,222	992,971,564
Current accounts of the National Fund of the Republic of Kazakhstan	19	4,267,768	4,331,404
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	27	473,186,260	123,427,766
Customer accounts	28	129,617,516	203,470,122
Debt securities issued	29	480,120,618	470,409,169
Reserves of guarantee funds	30	493,710,935	886,424,403
Current tax liability	31	73,458,067	52,508,963
Deferred tax liability		50,304	20,506
Other liabilities		956,871	918,216
Total liabilities	32	5,844,250	3,828,955
		4,202,194,282	4,044,807,669
EQUITY			
Share capital			
Capital reserve	33	20,000,000	20,000,000
Reserve for general banking risks	33	156,287,842	133,331,094
Revaluation surplus for property and equipment	33	13,201,628	10,153,302
Revaluation reserve for available-for-sale financial assets		17,071,875	15,210,315
Revaluation reserve for foreign currency and precious metals		20,885,521	1,110,145
Retained earnings		653,708,594	613,929,080
Total equity attributable to equity holders of the National Bank		81,865,673	54,652,412
Non-controlling interests		963,021,133	848,386,348
Total equity		-	4,761,800
		963,021,133	853,148,148
Total liabilities and equity		5,165,215,415	4,897,955,817

On behalf of the Management of the National Bank of the Republic of Kazakhstan:

Marchenko G.A.
Governor

15 March 2012
Almaty, Kazakhstan


Abdualiyeva A.N.
Acting Chief Accountant

15 March 2012
Almaty, Kazakhstan

The notes on pages 11-69 form an integral part of these consolidated financial statements

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 KZT'000	2010 KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation and non-controlling interests	50,931,294	64,459,992
<i>Adjustments for:</i>		
Depreciation and amortization	2,629,590	2,525,171
Losses/(recoveries) from impairment	5,631,516	(2,024,111)
Loss on disposal and from impairment of property and equipment	283,152	67,457
Amortization of discount on debt securities issued	12,457,544	13,464,234
Amortization of premium on available-for-sale investments	33,259,091	26,099,892
Unrealized (gain)/loss on financial instruments at fair value through profit or loss	(773,245)	4,280,760
Income from associates	(128,475)	(139,361)
Cash flow from operating activities before changes in operating assets and liabilities	104,290,467	108,734,034
(Increase)/decrease in operating assets		
Gold	(117,411,836)	21,045,109
Placements with banks and other financial institutions	(45,578,785)	(22,317,361)
Financial instruments at fair value through profit or loss	50,784	1,168,527
Reverse repurchase agreements	34,986,477	120,644,074
Available-for-sale financial assets	(482,858,487)	(1,369,137,126)
Held-to-maturity investments	-	400,000
Other assets	(4,693,994)	777,838
Increase/(decrease) in operating liabilities		
Currency in circulation	241,996,870	258,451,078
Due to banks and other financial institutions	(1,635,473)	(358,275,464)
Financial instruments at fair value through profit or loss	(4,327,106)	(2,509,852)
Current accounts of the National Fund of the Republic of Kazakhstan	349,758,494	1,838,467
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	(73,716,298)	51,223,130
Customer accounts	9,728,694	148,663,727
Reserves of guarantee funds	18,967,587	16,809,555
Other liabilities	2,011,515	(446,904)
Net cash provided from/(used in) operating activities before income tax paid	31,568,909	(1,022,931,168)
Income tax paid	(1,279,471)	(2,731,111)
Cash flows from/(used in) operations	30,289,438	(1,025,662,279)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment and intangible assets	(6,221,145)	(3,943,044)
Proceeds on sale of property and equipment and intangible assets	705,387	141,642
Cash flows used in investing activities	(5,515,758)	(3,801,402)

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2011

CASH FLOWS FROM FINANCING ACTIVITIES		
Debt securities issued	2,965,564,404	3,295,485,087
Repayment of debt securities issued	(3,370,735,416)	(2,885,708,867)
Investments in capital of subsidiaries	(1,694,849)	-
Cash flows (used in)/from financing activities	(406,865,861)	409,776,220
Net decrease in cash and cash equivalents	(382,092,181)	(619,687,461)
Effect of changes in exchange rates on cash and cash equivalents	(4,317,051)	(24,391,657)
Cash and cash equivalents as at the beginning of the period	674,003,600	1,318,082,718
Cash and cash equivalents as at the end of the period (Note 16)	287,594,368	674,003,600

Amount of interest, paid and received during the year ended 31 December 2011, are KZT 17,362,406 thousand and KZT 85,317,109 thousand, respectively.

Amount of interest, paid and received during the year ended 31 December 2010, are KZT 18,574,325 thousand and KZT 80,282,279 thousand, respectively.

On behalf of the Management of the National Bank of the Republic of Kazakhstan

Marchenko G.A.
Governor

15 March 2012
Almaty, Kazakhstan

Abdualiyeva A.N.
Acting Chief Accountant

15 March 2012
Almaty, Kazakhstan

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NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

KZT 000

	Attributable to holders of the National Bank							Total equity		
	Share capital	Capital reserve	Reserve for general banking risks	Revaluation surplus for property and equipment	Revaluation reserve for available-for-sale financial assets	Revaluation reserve for foreign currency and precious metals	Retained earnings		Total	Non-controlling interests
Balance as at 1 January 2010	20,000,000	114,899,473	9,091,502	15,234,730	8,566,809	520,921,191	29,824,682	718,538,387	4,420,574	722,958,961
Total comprehensive income										
Profit for the year	-	-	-	-	-	-	62,728,357	62,728,357	328,858	63,057,215
Other comprehensive income										
Net change in fair value of available-for-sale financial assets	-	-	-	-	820,881	-	-	820,881	12,508	833,389
Net change in fair value of available-for-sale financial assets transferred to profit or loss	-	-	-	-	(8,277,545)	-	-	(8,277,545)	(140)	(8,277,685)
Net gain on revaluation on foreign currency and precious metals	-	-	-	-	-	93,007,889	-	93,007,889	-	93,007,889
Total other comprehensive income										
Total comprehensive income for the year										
Depreciation of property and equipment	-	-	-	(24,415)	(7,456,664)	93,007,889	-	85,551,225	12,368	85,563,593
Transactions with owners, recorded directly in equity:										
Dividends (Note 33 (b))	-	-	-	-	-	-	(18,431,621)	(18,431,621)	-	(18,431,621)
Transfer to capital reserve and reserve for general banking risks	-	18,431,621	1,061,800	-	-	-	(19,493,421)	-	-	-
Total transactions with owners										
Balance as at 31 December 2010	20,000,000	133,331,094	10,153,302	15,210,315	1,110,145	613,929,080	54,652,412	848,386,348	4,761,800	853,148,148

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2011

KZT '000

	Attributable to holders of the National Bank							Total equity		
	Share capital	Capital reserve	Reserve for general banking risks	Revaluation surplus for property and equipment	Revaluation reserve for available-for-sale financial assets	Revaluation reserve for foreign currency and precious metals	Retained earnings			
Balance as at 1 January 2011	20,000,000	133,331,094	10,153,302	15,210,315	1,110,145	613,929,080	54,652,412	848,386,348	4,761,800	853,148,148
Total comprehensive income										
Profit for the year										
Other comprehensive income										
Net change in fair value of available-for-sale financial assets										
Impairment loss transferred to profit or loss										
Net change in fair value of available-for-sale financial assets transferred to profit or loss										
Net gain on revaluation on foreign currency and precious metals										
Revaluation of property and equipment										
Total other comprehensive income										
Total comprehensive income for the year										
Depreciation of property and equipment										
Transactions with owners, recorded directly in equity:										
Dividends (Note 33 (b))										
Transfer to capital reserve and reserve for general banking risks										
Total transactions with owners										
Balance as at 31 December 2011	20,000,000	156,287,842	13,201,628	17,071,875	20,885,521	653,708,594	81,865,673	963,021,133	184,185	1,111,567,834

On behalf of the Management of the National Bank of the Republic of Kazakhstan:

Marchenko G.A.
Governor

Abduallyeva A.N.
Acting Chief Accountant

15 March 2012
Almaty, Kazakhstan

The notes on pages 11-69 form an integral part of these consolidated financial statements

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 BACKGROUND

(a) Organization and operations

These consolidated financial statements include the financial statements of the National Bank of the Republic of Kazakhstan (the "NBK") and its subsidiaries (the NBK and its subsidiaries together - the "National Bank").

The NBK was established in accordance with the Resolution of the Supreme Council of the Republic of Kazakhstan No. 2134-XII dated 13 April 1993. Pursuant to this Resolution the State Bank of Kazakh SSR was renamed as the National Bank of the Republic of Kazakhstan.

In accordance with Decree of the President of the Republic of Kazakhstan "On further improvement of the system of state regulation system on financial markets of Kazakhstan" No. 25 dated 12 April 2011 Agency of Republic of Kazakhstan on regulation of activities of Regional Financial Center of Almaty and Agency for Regulation and Supervision of Financial Market and Financial Organizations of the Republic of Kazakhstan were eliminated with the transfer of their functions and powers to NBK.

The primary role of the NBK is ensuring price stability in the Republic of Kazakhstan. The NBK has the following goals: development and implementation of the monetary policy of the state; ensuring functioning of payment systems; exchange regulation and exchange control; ensuring financial stability and further development of the financial market and financial organizations and maintaining trust in the financial system as a whole; maintaining proper level of protection of the rights and legitimate interests of the consumers of financial services.

According to its mission, the National Bank exercises the following main functions: pursuit of the monetary policy in the Republic of Kazakhstan; issue of banknotes and coins in the Republic of Kazakhstan; exercises the function of the central bank; exercises the function of the bank, financial advisor, agent of the Government of the Republic of Kazakhstan and provides other services to the Government and other state bodies in agreement therewith; organization of the functioning of payment systems; exchange regulation and exchange control in the Republic of Kazakhstan; management of the gold and currency reserves of the NBK; regulation of the activity of the financial market and financial organizations and other entities within its competence; control and supervision of the financial market, financial organizations and other entities within its competence, including checking and supervision for compliance of their activity with regulations of the National Bank; monitoring of the financial market and financial organizations in order to ensure stability of the financial system; setting standards of activity of financial organizations, creation of stimulus for improvement of corporate management of financial organizations; regulation of the activity and development of the Regional Financial Center of Almaty.

The address of the NBK's registered office is 21, Micro District Koktem-3, Almaty 050090. As at 31 December 2011 the NBK has 17 branches and 8 subsidiaries located in the Republic of Kazakhstan and 2 representative offices in other countries.

As at 31 December 2010 the NBK has 17 branches and 7 subsidiaries located in the Republic of Kazakhstan and 2 representative offices in other countries

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The majority of the subsidiaries are registered in the Republic of Kazakhstan. The principal subsidiaries are as follows:

Name	Year of establishment	Principal activities	Ownership %	
			2011	2010
RSE "Kazakhstan Mint of the National Bank of the Republic of Kazakhstan"	1994	Coin manufacture	100.00	100.00
RSE "Kazakhstan Centre of Interbanking Settlements of the National Bank of the Republic of Kazakhstan"	1996	Electronic cash transfers	100.00	100.00
RSE "Banking Service Bureau of the National Bank of the Republic of Kazakhstan"	1996	Software maintenance and development	100.00	100.00
JSC "Kazakhstan Fund of Deposits Guarantee"	1999	Individual deposit guarantee	100.00	100.00
RSE "Banknote Factory of National Bank of the Republic of Kazakhstan"	2004	Banknote manufacture	100.00	100.00
JSC "Reserve Centre of the National Bank of the Republic of Kazakhstan "Q-BRO"	2007	Ensuring the smooth functions of IT of the NBK	100.00	100.00
JSC Accumulation Pension Fund "State Accumulated Pension Fund" ("GNPF")	1997	Management of pension assets of depositors of the fund	100.00	90.01
JSC "Activity support center of National Bank of the Republic of Kazakhstan"	2011	Transportation services, Economical activity on property management	100.00	-

In accordance with Law of the Republic of Kazakhstan "On National Bank of Republic of Kazakhstan" and "On Joint-Stock Company" Management of the National Bank of the Republic of Kazakhstan:

- with Resolution of the Board No. 2 dated 31 January 2011 created a joint-stock company "Center of support of the National Bank of Kazakhstan".
- with Resolution of the Board No. 75 dated 1 July 2011 approved the purchase of NSC 9.9906% of the shares of JSC "Accumulation Pension Fund "GNPF"" belonging to the European Bank for Reconstruction and Development.
- with Resolution of the Board No. 53 dated 30 May 2011 decided to establish a joint-stock company JSC "Fund for bad loans". Share of National Bank in the share capital of the Fund is equal to 100%. JSC "Fund for bad loans" was registered in the Ministry of Justice of the Republic of Kazakhstan 11 January 2012.
- with Resolution of the Board No. 171 dated 28 October 2011 approved the creation of non-profit joint-stock company "United Registrar of Securities". The share of the founder - National Bank is 75.5%. Non-profit joint stock company "United Registrar of Securities" was registered with the Ministry of Justice of the Republic of Kazakhstan on 11 January 2012.

Operating environment

Emerging markets such as Kazakhstan are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. As has happened in the past, actual or perceived financial problems or an increase in the perceived risks associated with investing in emerging economies could adversely affect the investment climate in Kazakhstan and the Kazakhstani economy in general.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Laws and regulations affecting businesses in Kazakhstan continue to change rapidly. Tax, currency and customs legislation within Kazakhstan are subject to varying interpretations, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in Kazakhstan. The future economic direction of Kazakhstan is heavily influenced by the economic, fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Kazakhstan economy.

Because Kazakhstan produces and exports large volumes of oil and gas, the Kazakhstani economy is particularly sensitive to the price of oil and gas on the world market which has fluctuated significantly during 2011 and 2010.

2 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Statement of compliance with IFRS

In accordance with the Law of the Republic of Kazakhstan No. 2155 dated 30 March 1995 "On National Bank of the Republic of Kazakhstan" the NBK determines its accounting policies for itself based on International Financial Reporting Standards ("IFRS").

These consolidated financial statements have been designed to present fairly the financial position of the National Bank and the results of its operations and have been prepared in accordance with the accounting policy of the National Bank which was approved by the Board of Directors of the National Bank on 26 December 2006 and amended on 7 April 2011 and which the National Bank considers to be appropriate to the nature of central bank activity. The accounting policy of the National Bank is based on International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") with certain modifications as described below.

Gold is carried at market value. Gains resulting from the mark to market of gold and foreign currency assets and liabilities are recognized as other comprehensive income in equity. Losses resulting from revaluation are recognized in profit or loss in the amount exceeding previously accumulated gains on accounts of other comprehensive income in equity.

Contributions received from the participating banks in accordance with the Law of the Republic of Kazakhstan "On the obligatory insurance of deposits placed in the second tier banks of the Republic of Kazakhstan" with amendments as at 28 December 2011 are recognized as reserves of guarantee funds within liabilities.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that gold, financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value, and buildings are stated at revalued amounts.

(c) Functional and presentation currency

The functional currency of the National Bank is the Kazakhstan tenge (KZT) as, being the national currency of the Republic of Kazakhstan; it reflects the economic substance of the majority of underlying events and circumstances relevant to them. The KZT is also the presentation currency for the purposes of these consolidated financial statements.

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

(d) Use of estimates and judgments

Management makes a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Actual results could differ from those estimates. In the opinion of management there are no critical areas of judgement or estimate in the preparation of these consolidated financial statements.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

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

(ii) Associates

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the National Bank's interest in the enterprise. Unrealized gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Non-controlling interests

Non-controlling interests are the equity in a subsidiary not attributable, directly or indirectly, to the NBK.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to equity holders of the NBK. Non-controlling interests in profit or loss and total comprehensive income are separately disclosed in the consolidated statement of comprehensive income.

(c) Gold

Refined gold in the consolidated financial statements is recorded at market price at the reporting date. Market price is determined by reference to the London Bullion Market Association AM fixings. Gains on revaluation of gold are recorded directly on consolidated accounts of other comprehensive income. Losses resulting from revaluation are recognized in profit or loss in the amount exceeding previously accumulated gains on accounts of other comprehensive income in equity.

(d) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the National Bank entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Gain on foreign currency differences arising on retranslation are recognized as other comprehensive income in equity. Losses resulting from revaluation are recognized in profit or loss in the amount exceeding previously accumulated gains on accounts of other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

(e) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with other banks, and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the National Bank in the management of short-term commitments.

(f) Financial instruments

(i) Classification of financial instruments

Financial instruments at fair value through profit or loss

Are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss.

The National Bank may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or,
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loan and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold it for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Loans and receivables

Are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the National Bank:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- may not recover substantially all of its initial investment, other than because of credit deterioration.

Held-to-maturity investments

Are non-derivative financial assets with fixed or determinable payments and fixed maturity that the National Bank has the positive intention and ability to hold to maturity, other than those that:

- the National Bank upon initial recognition designates as at fair value through profit or loss
- the National Bank designates as available-for-sale or,
- meet the definition of loans and receivables.

Available-for-sale financial assets

Are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition of financial instruments in the consolidated financial statements

Financial assets and liabilities are recognized in the consolidated statement of financial position when the National Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the deal date.

(iii) Measurement of financial instruments

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent to initial recognition, financial assets, including derivatives that are assets, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal, except for:

- Loans and receivables which are measured at amortized cost using the effective interest method
- Held-to-maturity investments that are measured at amortized cost using the effective interest method
- Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can not be reliably measured which are measured at cost.

All financial liabilities, other than those designated at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset carried at fair value does not qualify for derecognition, are measured at amortized cost.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortized based on the effective interest rate of the instrument.

(iv) Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arms' length transaction on the measurement date.

When available, the National Bank measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the National Bank establishes fair value using a valuation technique. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the National Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the National Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the National Bank entity and the counterparty where appropriate. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the National Bank believes a third-party market participant would take them into account in pricing a transaction.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

(v) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognized as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognized in profit or loss
- a gain or loss on an available-for-sale financial asset is recognized as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recognized in profit or loss. Interest in relation to an available-for-sale financial asset is recognized in profit or loss using the effective interest method.

For financial assets and liabilities carried at amortized cost, a gain or loss is recognized in profit or loss when the financial asset or liability is derecognized or impaired, and through the amortization process.

(vi) Derecognition

The National Bank derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the National Bank neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the National Bank is recognized as a separate asset or liability in the consolidated statement of financial position. The National Bank derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The National Bank enters into transactions whereby it transfers assets recognized on its consolidated statement of financial position, but retains both all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized.

In transactions where the National Bank neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognizes the asset if control over the asset is lost.

In transfers where control over the asset is retained, the National Bank continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the National Bank 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 included in gains or losses arising from early retirement of debt.

The National Bank writes off assets deemed to be uncollectible.

(vii) Reverse repurchase agreements

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

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

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

(viii) Derivative financial instruments

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

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

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

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

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

(ix) Offsetting

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

(g) Currency in circulation

Currency in circulation are recorded in the consolidated statement of financial position at their nominal value.

Currency in circulation are recorded as a liability when cash is issued by the NBK to second tier banks. Banknote and coins in national currency held in the vaults and cash offices is not included in the currency in circulation.

Banknotes and coins production expense include expenses for security, transportation, insurance and other expenses. Banknotes and coins production expense are recognized upon delivery to the vaults and recorded as a separate item in the consolidated income statement.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

(h) Reserves of guarantee funds

According to the Law of the Republic of Kazakhstan "On the obligatory insurance of deposits placed in the second tier banks of the Republic of Kazakhstan" (with amendments dated 28 December 2011) the subsidiary of the NBK, JSC "Kazakhstan Fund of Deposits Guarantee", is due to compensate participating banks' depositors amounts up to a certain level in case of compulsory liquidation of a participating bank. The National Bank establishes a reserve of guarantee funds to accumulate contributions of the banks that participate in the deposit guarantee scheme. In accordance with the, National Bank's accounting policy reserves of guarantee funds represent accumulated contributions received from the participating banks.

(i) Fiduciary assets

Custody and broker services were not provided by National Bank in 2011 due to absence. The National Bank provides custody services that result in holding of assets on behalf of third parties. These assets and income arising thereon are excluded from these consolidated financial statements as they are not assets of the National Bank. Commissions received from such business are shown within fee and commission income in profit or loss.

(j) Property and equipment

(i) Owned assets

Items of property and equipment are stated at revalued amounts as described below.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Revaluation

Fixed assets are subject to revaluation on a regular basis. The frequency of revaluation depends on the movements in the fair values of the fixed assets being revalued. A revaluation increase on a fixed assets is recognized as other comprehensive income directly in equity except to the extent that it reverses a previous revaluation decrease recognized in profit or loss, in which case it is recognized in profit or loss. A revaluation decrease on a fixed assets is recognized in profit or loss except to the extent that it reverses a previous revaluation increase recognized as other comprehensive income directly in equity, in which case it is recognized directly in equity.

(iii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation of the equipment of RSE "Banknote Factory of National Bank of the Republic of Kazakhstan" and RSE "Kazakhstan Mint of the National Bank of the Republic of Kazakhstan" used in production of the banknotes and coins is charged to profit and loss on a units of production method over the based on the expected output of the individual assets.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. The estimated useful lives are as follows:

Buildings and construction	7 to 50 years
Furniture and equipment	3 to 10 years
Computer equipment	3 to 5 years
Motor vehicles	5 to 25 years
Intangible assets	1 to 10 years

(k) Intangible assets

Acquired intangible assets are stated at revalued amount.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

Amortization is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives range from 1 to 10 years.

(l) Impairment

(i) Financial assets carried at amortized cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The National Bank reviews its loans and receivables to assess impairment on a regular basis. A loan or receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or receivable and that event (or events) has had an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance on terms that the National Bank would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

The National Bank first assesses whether objective evidence of impairment exists individually for loans and receivables that are individually significant, and individually or collectively for loans and receivables that are not individually significant. If the National Bank determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan in a group of loans and receivables with similar credit risk characteristics and collectively assesses them for impairment. Loans and receivables that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the National Bank uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognized.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The National Bank writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognized in profit or loss and cannot be reversed.

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by transferring the cumulative loss that is recognized in other comprehensive income to profit or loss as a reclassification adjustment. The cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortization, and the current fair value, less any impairment loss previously recognized in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

For an investment in an equity security available-for-sale, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

(iv) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognized in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount. Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. An impairment loss in respect of goodwill is not reversed.

(m) Provisions

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

(n) Taxation

In accordance with legislation of the Republic of Kazakhstan, the NBK is exempt from income tax and value-added tax.

Subsidiaries and associate organizations of the NBK are subject to all taxes.

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognized directly in equity, in which case it is recognized within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(o) Income and expense recognition in consolidated financial statements

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

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

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

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

(p) Segment reporting

An operating segment is a component of the National Bank that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the National Bank); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(q) Adoption of new and revised standards

In the previous year, the National Bank has adopted all of the new and revised Standards and Interpretations issued by the IASB and the IFRIC that are relevant to its operations and effective for annual reporting periods ending on 31 December 2011. The adoption of these new and revised Standards and Interpretations has not resulted in significant changes to the National Bank's accounting policies that have affected the amounts reported for the current or prior years.

(r) New standards and interpretations not yet adopted

At the date of authorization of this financial information, the following new standards and interpretations were in issue, but not yet effective, and which the Group has not early adopted:

- IFRS 7 "Financial Instruments: Disclosures" — amendments enhancing disclosures about transfers of financial assets¹;
- IFRS 9 "Financial Instruments"⁶;
- IFRS 10 "Consolidated Financial Statements"³;
- IFRS 11 "Joint Arrangements"³;
- IFRS 12 "Disclosure of Interest in Other Entities"³;
- IFRS 13 "Fair Value Measurement"²;
- IAS 1 "Presentation of Financial Statements" — amendments to revise the way other comprehensive income is presented⁴;
- IAS 12 "Income Taxes" — Limited scope amendment (recovery of underlying assets)⁵;
- IAS 27 - reissued as IAS 27 "Separate Financial Statements" (as amended in May 2011)³;
- IAS 28 - reissued as IAS 28 "Investments in Associates and Joint Ventures" (as amended in May 2011)³;
- IAS 32 "Financial Instruments: Presentation" and IFRS 7 – amendments which provide clarifications on the application of the offsetting rules and disclosure requirements⁷.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

- ¹ Effective for annual periods beginning on or after 1 July 2011, with earlier application permitted.
- ² Effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.
- ³ Each of the five standards becomes effective for annual periods beginning on or after 1 January 2013, with earlier application permitted if all the other standards in the 'package of five' are also early applied (except for IFRS 12 that can be applied earlier on its own).
- ⁴ Effective for annual periods beginning on or after 1 July 2012, with early adoption permitted.
- ⁵ Effective for annual periods beginning on or after 1 January 2012, with earlier application permitted.
- ⁶ Effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.
- ⁷ Amendments to IAS 32 effective for annual periods beginning on or after 1 January 2014. Respective amendments to IFRS 7 regarding disclosure requirements – for annual periods beginning on or after 1 January 2013.

Amendments to IFRS 7

The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitisations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

Retrospective application is required in accordance with IAS 8 with the exception that in the first year of application, an entity need not provide comparative information for the disclosures required by the amendments for periods beginning before 1 July 2011. The NBK is currently assessing the impact of the amended standard on its consolidated financial statements.

IFRS 9

Was issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.
- The most significant effect of IFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under IFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted. The National Bank management anticipates that IFRS 9 that will be adopted in the National Bank's consolidated financial statements for the annual period beginning 1 January 2015 and that the application of the new Standard will have a significant impact on amounts reported in respect of the NBK's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

IFRS 10 Consolidated Financial Statements

Replaces all of the guidance on control and consolidation in IAS 27 and SIC-12 by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee (i.e. whether an entity is controlled through voting rights or through other contractual arrangements as is common in special purpose entities). Under IFRS 10, the single definition of control, accompanied by extensive application guidance, is based on whether an investor has:

- power over the investee;
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect the amount of the returns.

IFRS 11 Joint Arrangements –

Replaces IAS 31 with new accounting requirements for joint arrangements by classifying them as either joint operations or joint ventures (the 'jointly controlled assets' classification exists no more).

- In recognizing their rights and obligations arising from the arrangement, the parties should no longer focus on the legal structure of the joint arrangement, but rather on how rights and obligations are shared by them.
- A joint operation gives parties to the arrangement direct rights to the assets and obligations for the liabilities. Thus, a joint operator recognizes its interest based on its involvement in the joint operation (i.e. based on its direct rights and obligations) rather than on the participation interest it has in the joint arrangement. A party to a 'joint operation' recognizes assets, liabilities, revenues and expenses arising from the arrangement.
- A joint venture gives the parties rights to the net assets or outcome (profit or loss) of the arrangement. Joint ventures are accounted for using the equity method in accordance with IAS 28 "Investments in Associates". Entities can no longer account for an interest in a joint venture using the proportionate consolidation method. A party to a 'joint venture' recognizes an investment.

IFRS 12 Disclosure of Interests in Other Entities

Requires enhanced disclosures about both consolidated and unconsolidated entities in which an entity has involvement, so that financial statement users are able to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. Thus, IFRS 12 sets out the required disclosures for entities reporting under the two new standards, IFRS 10 and IFRS 11 and replaces the disclosure requirements currently found in IAS 28.

IAS 27 (2011) Separate Financial Statements

Includes the provisions on separate financial statements that are left almost unchanged after the control provisions of IAS 27 have been replaced with the new IFRS 10.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

IAS 28 (2011) Investments in Associates and Joint Ventures

Now includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

IFRS 13 Fair Value Measurement

Aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements to use across IFRSs. The Standard:

- Defines fair value;
- Sets out in a single IFRS a framework for measuring fair value;
- Requires disclosures about fair value measurements.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for share-based payment transactions within the scope of IFRS 2 “Share-based Payment”, leasing transactions within the scope of IAS 17 “Leases”, and measurements that have some similarities to fair value but that are not fair value, such as net realizable value in IAS 2 “Inventories” or value in use in IAS 36 “Impairment of Assets”.

The National Bank is currently assessing the impact of the amended standard on its consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements

Revise the way other comprehensive income is presented.

The amendments to IAS 1:

- Preserve the amendments made to IAS 1 in 2007 to require profit or loss and other comprehensive income to be presented together, i.e. either as a single 'statement of profit or loss and comprehensive income', or a separate 'statement of profit or loss' and a 'statement of comprehensive income' – rather than requiring a single continuous statement as was proposed in the exposure draft
- Require entities to group items presented in other comprehensive income based on whether they are potentially reclassifiable to profit or loss subsequently. i.e. those that might be reclassified and those that will not be reclassified;
- Require tax associated with items presented before tax to be shown separately for each of the two groups of other comprehensive income items (without changing the option to present items of other comprehensive income either before tax or net of tax).

The National Bank does not expect this amendment to have a material effect on its financial position or results of operations.

Amendment to IAS 12 Income Taxes

Provide a presumption that recovery of the carrying amount of an asset measured using the fair value model in IAS 40 Investment Property will, normally, be through sale. Retrospective application is required in accordance with IAS 8.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

4 NET INTEREST INCOME

	2011 KZT'000	2010 KZT'000
Interest income		
Available-for-sale financial assets	53,892,817	48,247,720
Reverse repurchase agreements	28,773,055	40,509,507
Placements with banks and other financial institutions	1,849,051	1,530,576
Other	22,527	16,160
	<u>84,537,450</u>	<u>90,303,963</u>

For the period ended 31 December 2011 interest income on impaired investments JSC "BTA Bank", available for sale amounted to KZT 471,741 thousand.

	2011 KZT'000	2010 KZT'000
Interest expense		
Debt securities issued	(12,457,544)	(13,464,234)
Due to banks and other financial institutions	(4,409,954)	(4,838,324)
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	(412,691)	(262,042)
Other	-	(38)
	<u>(17,280,189)</u>	<u>(18,564,638)</u>
	<u>67,257,261</u>	<u>71,739,325</u>

5 FEE AND COMMISSION INCOME

	2011 KZT'000	2010 KZT'000
Pension asset management fee	5,093,673	5,803,595
Custody and trust operations fee	2,273,676	2,064,577
Transfer operations	392,323	403,560
	<u>7,759,672</u>	<u>8,271,732</u>

Fee and commission income on pension asset management consists of commission income of GNPF.

Fee and commission income on custody and trust operations consists of income for trust management services provided to the National Fund of the Republic of Kazakhstan, JSC "Social Insurance State Fund", JSC "State Guarantee Fund of deposits" and JSC "Reserve Center of National Bank "Q-BRO"". NBK renders asset management services to these organizations, or invests funds received in various financial instruments in accordance with customers' instructions.

Income on transfer operations consists of commission income from inter-banking, money transfers and clearing operations of RSE "Kazakhstan Centre of Inter-banking Settlements of the National Bank of the Republic of Kazakhstan".

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

6 FEE AND COMMISSION EXPENSE

	2011 KZT'000	2010 KZT'000
Trust management services	409,469	305,339
Custody services	141,022	106,278
Operations with foreign currencies, securities and stock exchange	117,220	120,480
Other	2,818	1,430
	<u>670,529</u>	<u>533,527</u>

7 NET GAIN/(LOSS) ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2011 KZT'000	2010 KZT'000
Net gain on operations with derivative financial instruments in foreign currency and precious metals	8,223,168	2,694,419
Net loss on operations with other derivative financial instruments	(5,761,088)	(9,964,762)
	<u>2,462,080</u>	<u>(7,270,343)</u>

8 NET GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 KZT'000	2010 KZT'000
Debt instruments	2,156,653	7,575,208
Equity instruments	-	702,477
	<u>2,156,653</u>	<u>8,277,685</u>

9 OTHER OPERATING INCOME

	2011 KZT'000	2010 KZT'000
Sale of coins for collection	2,868,415	1,541,649
Sale of printed products	1,116,961	1,455,059
Sale of medals, gems and jewellery	434,061	500,776
Rent of property and equipment	40,521	63,133
Penalties and fines	1,604	18,283
Sale of inventory	-	34,953
Transportation services	-	15,454
Collection services	-	12,765
Other	375,255	367,760
	<u>4,836,817</u>	<u>4,009,832</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

10 (LOSSES)/RECOVERIES FROM IMPAIRMENT

	2011 KZT'000	2010 KZT'000
Available-for-sale financial assets	(5,628,451)	2,109,177
Placements with banks and other financial institutions	23,651	(23,651)
Other assets	(26,716)	(61,415)
	<u>(5,631,516)</u>	<u>2,024,111</u>

11 BANKNOTES AND COINS PRODUCTION EXPENSES

	2011 KZT'000	2010 KZT'000
Coins production	4,295,198	2,743,570
Banknotes production	1,353,227	1,419,777
Other expenses	75,280	59,401
	<u>5,723,705</u>	<u>4,222,748</u>

12 FUNDING OF THIRD PARTIES

	2011 KZT'000	2010 KZT'000
Funding of the Agency of the Republic of Kazakhstan for regulation and supervision of the financial market and financial institutions	1,171,096	2,421,751
Funding of the Masters' Studies at Kazakh Economic University in the name of T.Ryskulov	109,665	98,416
Funding of academy RFCA	34,894	-
	<u>1,315,655</u>	<u>2,520,167</u>

In accordance with Decree of the President of Republic of Kazakhstan "On further improvement of the system of state regulation system on financial markets of Kazakhstan" No. 25 dated 12 April 2011 Agency of Republic of Kazakhstan on regulation of activities of Regional Financial Center of Almaty and Financial Markets Supervision Agency were eliminated with the transfer of their functions and powers to National Bank of Republic of Kazakhstan.

In accordance with agreement on cooperation No. 375 dated 24 August 2011 National Bank and Academy RFCA cooperate in realization of Master program and cover expenses on cooperation by contribution of cash and other property.

13 PERSONNEL EXPENSES

	2011 KZT'000	2010 KZT'000
Payroll	6,998,635	5,220,847
Bonuses	4,872,138	3,267,892
Social tax	1,029,902	734,856
Insurance	351,462	191,498
Training	106,131	76,514
Other	67,912	58,503
	<u>13,426,180</u>	<u>9,550,110</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

14 OTHER GENERAL ADMINISTRATIVE EXPENSES

	2011 KZT'000	2010 KZT'000
Communication	1,375,563	964,656
Taxes other than income tax	789,788	592,300
Information and other services	514,367	503,044
Repair and maintenance of property and equipment	480,348	340,102
Inventory	466,034	388,524
Business trips	232,416	150,126
Advertising expenses, announcements and presentations in mass media	225,677	127,490
Security	208,843	210,481
Rent	168,483	134,165
Utilities	148,391	166,444
Transportation	117,649	90,792
Operations related expense	104,378	125,133
Gratuitous assignment of property	53,370	68,369
Insurance of property and equipment	25,539	23,666
Other	212,541	240,283
	5,123,387	4,125,575

15 INCOME TAX EXPENSE

In accordance with legislation of the Republic of Kazakhstan, the NBK is exempt from income tax. Subsidiaries and associate organizations of the NBK are subject to income tax.

	2011 KZT'000	2010 KZT'000
Current tax expense		
Current year	960,013	1,190,219
	960,013	1,190,219
Deferred tax expense		
Origination and reversal of temporary differences	51,987	212,558
	1,012,000	1,402,777

The NBK's subsidiaries applicable tax rate in 2011 and 2010 is the income tax rate of 20% for Kazakhstan companies.

Reconciliation of effective tax rate:

	2011		2010	
	KZT'000	%	KZT'000	%
Profit of subsidiaries before tax	4,926,313	100.00	7,347,057	100.00
Income tax at the applicable tax rate	985,263	20.00	1,469,411	20.00
(Non-deductible costs)/non-taxable income	26,737	0.54	(66,634)	(0.91)
	1,012,000	20.54	1,402,777	19.09

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

16 CASH AND CASH EQUIVALENTS

	2011 KZT'000	2010 KZT'000
Cash on hand in foreign currency	21,081,881	12,859,841
Nostro accounts in foreign banks	35,898,194	493,867,546
Accounts with the Bank for International Settlements	42,869,399	125,845,986
Amounts due from foreign banks with the original maturity of less than three months	187,236,393	39,962,571
Nostro accounts in Kazakhstan banks	508,501	1,467,656
Cash and cash equivalents in the consolidated statement of cash flows	287,594,368	674,003,600

Cash and cash equivalents are not impaired or past due as at 31 December 2011.

17 GOLD

	2011 KZT'000	2010 KZT'000
Gold deposits with foreign banks:		
- rated from AA- to AA	219,015,944	190,639,400
- rated from A to A+	204,019,002	55,908,330
- not rated	-	67,537,852
	423,034,946	314,085,582
Gold bullion in NBK depository	192,975,824	136,128,824
	616,010,770	450,214,406

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

18 PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	2011 KZT'000	2010 KZT'000
Placements with foreign banks and other financial institutions		
Nostro accounts with foreign banks		
- rated AAA	-	476,249,324
- rated AA Au	2,141,804	-
- rated from AA- to AA+	7,280,937	11,476,623
- rated AA+u	12,906,632	-
- rated AA+u	124,415	-
- rated from A- to A+	11,180,935	5,078,671
- rated A*-	577,939	-
- rated A+*-	368,381	-
- rated B-	78,337	-
- rated from BBB- to BBB+	603,173	754,998
- not rated	840,627	513,116
Total nostro accounts with foreign banks	36,103,180	494,072,732
Receivables on operations in foreign currency		
- rated from AA- to AA+	18,726,764	20,088,552
- rated AA+u	52,654,745	-
- rated from A- to A+	1,369,278	8,336,932
- not rated	105	140
Total receivables on operations in foreign currency	72,750,892	28,425,624
Accounts with the Bank for International Settlements	42,869,399	125,845,986
Accounts with the International Monetary Fund	83,054,127	83,068,755
Deposits - rated A+	17,810,444	39,962,571
Deposits - rated AA+u	92,705,480	-
Deposits - rated AA-	28,767,969	-
Deposits - rated AA*-	47,952,500	-
Total placements with foreign banks and other financial institutions	422,013,991	771,375,668
Receivables from Kazakhstan banks and other financial institutions		
Nostro accounts with Kazakhstan banks		
- rated from B+	302,452	49,540
- rated below B+	14,708	1,320,334
- not rated	191,341	97,782
Total nostro accounts with Kazakhstan banks	508,501	1,467,656
Deposits with Kazakhstan banks		
- rated from B+	1,000,000	946,900
- rated below B+	3,149,778	1,235,368
- not rated	3,314,500	2,543,330
Total deposits with Kazakhstan banks	7,464,278	4,725,598
Receivables from Kazakhstan banks and insurance organizations - not rated	1,986,978	2,156,662
Receivables from the Ministry of Finance of the Republic of Kazakhstan	694,964	635,195
Total receivables from Kazakhstan banks and other financial institutions	10,654,721	8,985,111
	432,668,712	780,360,779

As at 31 December 2011 the National Bank does not have any counter-parties (2010: 2 banks and other financial institutions), whose amounts exceed 10% of equity.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

19 FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivative financial instruments

The fair values of derivative instruments of the National Bank held as at 31 December 2011 and 2010 are set out in the following table:

	2011 KZT'000	2010 KZT'000
Assets		
Forward operations	4,672,296	33,792
Swap operations	368,717	-
Futures operations	-	16,852
	<u>5,041,013</u>	<u>50,644</u>
Liabilities		
Forward operations	(4,267,768)	(1,026,983)
Futures operations	-	(3,304,421)
	<u>(4,267,768)</u>	<u>(4,331,404)</u>
	<u>773,245</u>	<u>(4,280,760)</u>

The tables below summarize, by major currencies, the contractual amounts of the National Bank's outstanding balances from derivative transactions as at 31 December 2011 and 2010 with details of the contracted weighted average exchange rates and remaining periods to maturity.

	Contract/notional amount KZT'000		Weighted-average contracted exchange rates	
	2011	2010	2011	2010
Forward operations – for the period of less than 3 months				
Buy USD sell Euro	19,240,060	67,861,837	1.29650	1.3145
Buy Euro sell USD	19,172,000	-	1.29650	-
Buy Euro sell USD	19,172,000	-	1.28942	-
Buy USD sell AUD	9,332,371	-	1.01430	-
Buy Euro sell CAD	3,775,445	-	1.32030	-
Buy JPY sell AUD	-	13,236,327	-	83.1010
Forward operations – for the period from 3 to 12 months				
Buy KZT sell EUR	44,000,000	-	214.00	-
Buy Euro sell KZT	39,790,943	-	212.00	-
	<u>154,482,819</u>	<u>81,098,164</u>		

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

	Contract/notional amount KZT'000		Weighted-average contracted futures prices/exchange rates	
	2011	2010	2011	2010
Futures operations - for the period from 3 to 12 months				
Purchase of securities denominated in USD	-	131,812,331	-	123,4313
Sale of securities denominated in USD	-	59,040,544	-	109,4844
Purchase of securities denominated in GBP	-	27,385,668	-	119,9600
		218,238,543		
Swap operations – less than 3 months				
Buy USD sell Euro	9,955,043	-	1,34165	-
	9,955,043	-		
	164,437,862	299,336,707		

20 REVERSE REPURCHASE AGREEMENTS

	2011 KZT'000	2010 KZT'000
Kazakhstan banks:		
- rated BBB	-	465,807,648
- not rated	430,976,777	-
	430,976,777	465,807,648

As at 31 December 2011 the fair value of the financial assets accepted as collateral under reverse repurchase agreements is KZT 305,599,089 thousand (2010: KZT 417,083,982 thousand).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2011 KZT'000	2010 KZT'000
Debt instruments		
Foreign investments		
Government bonds		
US Government Treasury bills	1,239,623,711	1,211,873,155
French Government bonds	346,485,051	153,264,050
German Government Treasury bills	342,358,927	362,323,439
Japanese Government Treasury bills	282,870,716	253,281,738
British Government Treasury bills	243,532,767	242,257,385
Australian Government Treasury bills	157,241,428	147,907,156
Canadian Government Treasury bills	147,645,628	-
Korean Government Treasury bills	143,382,718	-
Netherlands Government Treasury bills	101,484,903	62,438,195
Austrian Government bonds	55,670,562	10,886,098
Swedish Government Treasury bills	34,200,059	-
Belgian Government Treasury bills	27,603,138	43,971,312
Finnish Government bonds	4,781,517	5,051,840
Italian Government Treasury bills	-	270,377,109
Spanish Government Treasury bills	-	96,486,585
Total government bonds	3,126,881,125	2,860,118,062
Debt securities of international governmental and nongovernmental financial institutions		
- rated AAA	152,579,215	74,783,461
- rated AA+	49,827,995	-
- rated A	476,094	-
Total investments in debt securities of international governmental and nongovernmental financial institutions	202,883,304	74,783,461
Corporate bonds of international companies		
rated AA+ /*-	-	16,140,758
rated AA/*-	39,289,642	-
rated AA+	15,248,100	-
rated A+	-	24,058,204
rated A	27,402,381	-
rated AA-	5,695,832	-
rated BB	217,723	-
rated B+	9,548,791	225,677
rated B	-	9,812,035
not rated	-	10,463,972
Total corporate bonds of international companies	97,402,469	60,700,646
Total foreign investments	3,427,166,898	2,995,602,169

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 KZT'000	2010 KZT'000
Kazakhstan investments		
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	180,635,673	146,178,583
Debt securities of Kazakhstan state financial organizations	7,378,210	6,852,188
Total Kazakhstan investments	188,013,883	153,030,771
Reserve on loss of value	(4,776,749)	-
Total Kazakhstan investments net of reserve on loss of value	183,237,134	153,030,771
Total investments in debt instruments	3,610,404,032	3,148,632,940
Equity investments		
Corporate shares	1,091,614	1,085,010
Total equity investments	1,091,614	1,085,010
Reserve on loss of value	(851,702)	-
Total equity investments net of reserve on loss of value	239,912	1,085,010
Total available-for-sale financial assets	3,610,643,944	3,149,717,950

Analysis of movements in the impairment allowance

Movements in the impairment allowance on available-for-sale financial assets for the year ended 31 December 2011 are as follows:

	2011 KZT'000	2010 KZT'000
Balance at the beginning of the year	-	10,126,616
Net charge/(recovery)	5,628,451	(2,109,177)
Write-offs	-	(8,017,439)
Balance at the end of the year	5,628,451	-

As at 31 December 2011 as the result of objective evidence of impairment of investments of JSC "BTA Bank", Management of National Bank transferred the cumulative loss that had previously been recognized in other comprehensive income to profit or loss as a reclassification adjustment in the amount of KZT 5,628,451 thousand.

As at 31 December 2010 following the restructuring of investments of JSC "BTA Bank" and TuranAlem Finance BV, the NBK received new securities that were recognized at fair value. As a result, a reversal of impairment loss of KZT 2,109,177 thousand was recognized.

22 INVESTMENTS IN ASSOCIATES

As at 31 December 2011 and 2010 the share controlled by the NBK of JSC "Central securities depository" is 49.79%.

The NBK's investments in share capital of associates are KZT 810,037 thousand (2010: KZT 681,562 thousand).

The NBK's share of profit in its equity accounted investee for the year was KZT 128,475 thousand (2010: KZT 139,361 thousand).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

In 2011 and 2010 the NBK did not receive dividends from its investments in its equity accounted investee.

The following table is the summarized financial information in respect of the associate not corrected for share of the National Bank:

	<u>KZT'000</u>	<u>KZT'000</u>
Assets	1,654,068	1,391,484
Liabilities	27,297	22,725
Revenue	865,009	775,326
Profit for the year	258,034	279,898

The reporting date of the associate is 31 December.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011

23 PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

KZT'000	Land, buildings and construction	Furniture and equipment	Computer equipment	Motor vehicles	Construction in progress/equipment not yet installed	Intangible assets	Total
<i>Cost/revalued amount</i>							
Balance at 1 January 2011	19,153,989	14,314,866	2,558,891	920,162	1,861,309	3,106,897	41,916,114
Additions	254,303	853,904	167,339	16,581	4,422,177	506,841	6,221,145
Revaluation	2,984,537	19,320	-	208,689	-	-	3,212,546
Impairment	(1,036,117)	(30,606)	-	(8,719)	-	-	(1,075,442)
Disposals	(956,086)	(176,724)	(412,336)	(126,540)	(650,123)	(254,563)	(2,576,372)
Eliminated from revaluation	(2,648,039)	-	-	-	-	-	(2,648,039)
Transfers	281,726	682,021	20,672	85,067	(1,069,486)	-	-
Balance at 31 December 2011	18,034,313	15,662,781	2,334,566	1,095,240	4,563,877	3,359,175	45,049,952
<i>Depreciation and amortization</i>							
Balance at 1 January 2011	2,534,722	4,481,427	1,620,197	591,604	-	1,993,846	11,221,796
Charge	1,036,695	806,296	363,023	73,293	-	350,283	2,629,590
Revaluation	-	14,134	-	101,994	-	-	116,128
Impairment	-	(13,626)	-	(962)	-	-	(14,588)
Disposals	(696,598)	(192,150)	(431,096)	(126,540)	-	(218,910)	(1,665,294)
Eliminated from revaluation	(2,648,039)	-	-	-	-	-	(2,648,039)
Transfers	24,575	(22,987)	(1,588)	-	-	-	-
Balance at 31 December 2011	251,355	5,073,094	1,550,536	639,389	-	2,125,219	9,639,593
<i>Carrying amount</i>							
At 31 December 2011	17,782,958	10,589,687	784,030	455,851	4,563,877	1,233,956	35,410,359

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

KZT '000	Land, buildings and construction	Furniture and equipment	Computer equipment	Motor vehicles	Construction in progress/equipment not yet installed	Intangible assets	Total
<i>Cost/revalued amount</i>							
Balance at 1 January 2010	19,941,650	12,349,118	2,566,698	910,551	899,419	3,078,349	39,745,785
Additions	78	1,963,478	35,191	15,532	1,705,661	223,104	3,943,044
Disposals	(939,946)	(402,704)	(51,264)	(5,921)	(178,324)	(194,556)	(1,772,715)
Transfers	152,207	404,974	8,266	-	(565,447)	-	-
At 31 December 2010	19,153,989	14,314,866	2,558,891	920,162	1,861,309	3,106,897	41,916,114
<i>Depreciation and amortization</i>							
Balance at 1 January 2010	2,430,308	4,208,662	1,352,575	540,214	-	1,728,482	10,260,241
Charge	1,044,174	650,867	319,278	57,311	-	453,541	2,525,171
Disposals	(939,760)	(378,693)	(51,065)	(5,921)	-	(188,177)	(1,563,616)
	-	591	(591)	-	-	-	-
Balance at 31 December 2010	2,534,722	4,481,427	1,620,197	591,604	-	1,993,846	11,221,796
<i>Carrying amounts</i>							
At 31 December 2010	16,619,267	9,833,439	938,694	328,558	1,861,309	1,113,051	30,694,318

There are no capitalized borrowing costs related to the acquisition or construction of plant and equipment during 2011 and 2010.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Revalued assets

At 31 December 2011 property and equipment owned by the National Bank were recorded at revalued amount. The revaluation procedures were performed by independent appraisers: "Prime Measurement" LLP (3 objects), "Rahman-Consult" LLP (5 objects), "Ardana Consulting" LLP (5 objects), "Evaluation and Appraisal" LLP (2 objects); "Kozhakhmetov S.K." FE (6 objects); "NOC "Centeraudit" LLP (1 object); "Aysarbi" LLP (1 object), "NEOK "Megapolis Expert" LLP (1 object); LLP "Optima Petropavlovsk" (1 object); "Stella +" LLP (1 object).

The income approach with the method of realization as income capitalization and the comparative approach with application of market information were used to identify the fair value of buildings and construction in terms of an active market for items that were subject to revaluation. The cost approach was used when there was no active market for items that were subject to revaluation.

The carrying value of property and equipment as at 31 December 2011, if the property and equipment had not been revalued, would be KZT 12,494,466 thousand (2010: KZT 12,509,643 thousand).

24 OTHER ASSETS

	2011 KZT'000	2010 KZT'000
Other receivables	5,370,919	2,994,951
Impairment allowance	(11,164)	(450)
Total other financial assets	5,359,755	2,994,501
Inventories	5,555,177	3,584,505
Prepayments for property and equipment	258,226	37,391
Refined and non-refined precious metals and stones	242,269	146,780
Other	35,997	20,918
Total other non-financial assets	6,091,669	3,789,594
Total other assets	11,451,424	6,784,095

Analysis of movements in the impairment allowance

Movements in the impairment allowance on other financial assets for the year ended 31 December 2011 are as follows:

	2011 KZT'000	2010 KZT'000
Balance at the beginning of the year	450	7,384
Net charge	26,716	61,415
Write-offs	(16,002)	(68,349)
Balance at the end of the year	11,164	450

25 CURRENCY IN CIRCULATION

	2011 KZT'000	2010 KZT'000
Banknotes and coins in circulation	1,549,344,117	1,307,354,502
Less banknotes and coins on hand and in vaults	(850,646)	(857,901)
	1,548,493,471	1,306,496,601

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

26 DUE TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	2011 KZT'000	2010 KZT'000
Due to foreign banks and other financial institutions		
Current accounts of international financial organizations	83,751,821	83,864,449
OECD based banks	69,247,067	30,493
Other foreign banks	147,786	145,904
Total due to foreign banks and other financial institutions	153,146,674	84,040,846
Due to Kazakhstan banks and other financial institutions		
Vostro accounts		
Largest 10 Kazakhstan banks	266,221,341	129,250,666
Other Kazakhstan banks	472,276,570	275,681,209
Deposits		
Largest 10 Kazakhstan banks	24,000,808	190,027,750
Other Kazakhstan banks	76,842,829	313,971,093
Total due to Kazakhstan banks and other financial institutions	839,341,548	908,930,718
	992,488,222	992,971,564

As at 31 December 2011 the National Bank has 2 banks (2010: 4 banks), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2011 is KZT 327,382,719 thousand (2010: KZT 368,317,045 thousand).

As at 31 December 2011 current accounts of international financial organizations include the membership quota of the Republic of Kazakhstan in the International Monetary Fund (the "IMF") in the amount of KZT 83,054,127 thousand (2010: KZT 83,068,755 thousand). A membership quota expressed in Special Drawing Rights ("SDRs") is assigned to each member of the IMF. The NBK issued promissory notes to the IMF in the amount of the quota (SDR 365,700 thousand).

27 CURRENT ACCOUNTS OF THE NATIONAL FUND OF THE REPUBLIC OF KAZAKHSTAN

Current accounts of the National Fund of the Republic of Kazakhstan (the "National Fund") equal KZT 473,186,260 thousand as at 31 December 2011 (2010: KZT 123,427,766 thousand). During 2011 and 2010 the National Bank conducted trust management activities over the assets of the National Fund. Assets and liabilities of the National Fund are not included in these consolidated financial statements, except for deposits of the National Fund in NBK.

28 CURRENT ACCOUNTS OF THE MINISTRY OF FINANCE OF THE REPUBLIC OF KAZAKHSTAN

	2011 KZT'000	2010 KZT'000
In national currency	128,936,007	202,713,646
In foreign currency	681,509	756,476
	129,617,516	203,470,122

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

29 CUSTOMER ACCOUNTS

	2011 KZT'000	2010 KZT'000
In national currency	478,490,984	470,339,164
In foreign currency	1,629,634	70,005
	<u>480,120,618</u>	<u>470,409,169</u>

During 2011 and 2010 the National Bank maintained customer accounts in foreign and national currencies. NBK customers' industry is state management, and NBK's subsidiaries customers' industries are financial agency services, insurance and liquidation of banks.

As at 31 December 2011 and 2010, the National Bank has 1 customer, whose balances exceed 10% of equity. These balances as at 31 December 2011 are KZT 434,475,592 thousand (2010: KZT 373,028,059 thousand).

30 DEBT SECURITIES ISSUED

As at 31 December 2011 debt securities issued comprise the following issues:

Emissions	Carrying amount	Issue date dd.mm.yy	Maturity date dd.mm.yy	Effective interest rate
KZW1KM063025	24,360,200	08.07.2011	06.01.2012	1.46
KZW1KM093063	59,385,104	05.08.2011	04.05.2012	1.65
KZW1KM063108	3,087,004	26.08.2011	24.02.2012	1.46
KZW1KM093113	36,983,739	02.09.2011	01.06.2012	1.75
KZW1KM063140	60,255,702	16.09.2011	16.03.2012	1.46
KZW1KM093154	9,125,376	23.09.2011	22.06.2012	1.73
KZW1KD913187	12,955,727	14.10.2011	13.01.2012	1.01
KZW1KM093204	6,294,843	28.10.2011	27.07.2012	1.75
KZW1KD913211	30,144,646	04.11.2011	03.02.2012	1.01
KZW1KD913229	5,304,165	11.11.2011	10.02.2012	1.01
KZW1KM063231	6,557,218	18.11.2011	18.05.2012	1.46
KZW1KD913252	13,154,163	02.12.2011	29.02.2012	1.01
KZW1KM093261	23,281,681	09.12.2011	07.09.2012	1.75
KZW1KM063272	35,566,185	15.12.2011	15.06.2012	1.46
KZW1KD883281	52,935,701	23.12.2011	20.03.2012	1.00
KZW1KM063298	6,952,092	23.12.2011	22.06.2012	1.46
KZW1KD913302	107,367,389	30.12.2011	30.03.2012	0.96
	<u>493,710,935</u>			

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

As at 31 December 2010 debt securities issued comprise the following issues:

Emissions	Carrying amount	Issue date dd.mm.yy	Maturity date dd.mm.yy	Effective interest rate
KZW1KM062530	41,321,168	30.07.2010	28.01.2011	1.51
KZW1KM062555	58,560,939	13.08.2010	11.02.2011	1.51
KZW1KM062613	36,421,615	24.09.2010	25.03.2011	1.51
KZW1KD912635	33,042,662	08.10.2010	07.01.2011	1.01
KZW1KD912643	21,245,570	15.10.2010	14.01.2011	1.01
KZW1KM062654	85,314,300	22.10.2010	22.04.2011	1.48
KZW1KD912668	59,241,420	29.10.2010	28.01.2011	1.01
KZW1KM062670	69,258,874	05.11.2010	06.05.2011	1.48
KZW1KD912684	45,368,831	12.11.2010	11.02.2011	1.01
KZW1KM062696	124,917,995	19.11.2010	20.05.2011	1.51
KZW1KD912700	33,652,752	26.11.2010	25.02.2011	1.01
KZW1KD912718	79,250,356	03.12.2010	04.03.2011	1.01
KZW1KD912726	11,577,424	10.12.2010	11.03.2011	1.01
KZW1KD932732	64,591,501	15.12.2010	18.03.2011	0.98
KZW1KD912742	50,594,006	24.12.2010	25.03.2011	0.96
KZW1KM062753	72,064,990	31.12.2010	01.07.2011	1.48
	886,424,403			

31 RESERVES OF GUARANTEE FUNDS

As at 31 December 2011 reserves of guarantee funds on deposits of individuals were KZT 73,458,067 thousand (2010: 52,508,963 thousand).

32 OTHER LIABILITIES

	2011 KZT'000	2010 KZT'000
Other creditors on non-banking activity	2,337,665	1,507,892
Other creditors on banking activity	401,068	303,878
General and administrative expenses payable	84,782	90,383
Other	1,440	201
Total other financial liabilities	2,824,955	1,902,354
Salaries payable	2,003,694	1,380,045
Tax payable (except for corporate income tax)	535,990	301,143
Other prepayments received	458,438	239,131
Payables on purchase of fixed assets	21,173	6,282
Total other non-financial liabilities	3,019,295	1,926,601
Total other liabilities	5,844,250	3,828,955

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

33 SHARE CAPITAL AND TREASURY SHARES

(a) Issued capital

The share capital of the National Bank is regulated by the Decree of the President of the Republic of Kazakhstan dated 30 March 1995 with subsequent amendments and alterations. In accordance with the amendments to the Decree dated 18 December 2000 the share capital shall comprise not less than KZT 20,000,000 thousand formed by appropriations of the net income as well as funding from the republican budget. As at 31 December 2011 and 2010, the share capital of the National Bank amounted to KZT 20,000,000 thousand.

In accordance with the Law of the Republic of Kazakhstan "On the National Bank of the Republic of Kazakhstan", the NBK should establish a capital reserve in the amount of not less than its share capital. As at 31 December 2011 and 2010, the capital reserve amounted to KZT 156,287,842 thousand and KZT 133,331,094 thousand, respectively. In addition, the reserve for general banking risks is formed by an annual transfer from retained earnings in the amount of 0.5% of the value of certain assets. As at 31 December 2011 and 2010, reserve for general banking risks amounted to KZT 13,201,628 thousand and KZT 10,153,302 thousand, respectively. These reserves are non-distributable.

(b) Dividends

In accordance with the Law of the Republic of Kazakhstan "On the National Bank of the Republic of Kazakhstan", the Management Board decided (according to decree of the Management Board #54 dated 20 May 2011) to transfer retained earnings of the year 2010 to the replenishment of the reserve capital of the NBK.

(c) Capital management

Retained earnings are transferred to the share and/or reserve capital in the amount determined by the Management Board. After the approval of the annual report of the National Bank by the President of the Republic of Kazakhstan the remaining part of the retained earnings is transferred to the State budget with a deferral of one year.

In case if reserve capital amount is less than the share capital amount, the entire retained earnings remain at the National Bank's disposal and is transferred to the reserve capital until the later reaches the level of the share capital. If the reserve capital is not sufficient to cover losses of a financial year the deficiency is compensated by the State budget with a deferral of one year.

34 ANALYSIS BY SEGMENT

The National Bank's operations comprise a single operating segment for the purposes of these consolidated financial statements. The National Bank has significant foreign currency financial assets as part of its Gold and Foreign Currency Assets Management activities. The National Bank is not required to report revenue and expenses by reference to the functions carried out by the National Bank, these activities do not constitute separate operating segments for the purposes of these consolidated financial statements.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

35 RISK MANAGEMENT

Risk management is fundamental to the National Bank's activities and is an essential element of the National Bank operations. The major risks faced by the National Bank are those related to market risk, which includes price, interest rate and currency risks, as well as credit risk and liquidity risk.

(a) Risk management policy and procedures

The National Bank's risk management policies aim to identify, analyze and manage the risks faced by the National Bank during its operations, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Management has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board, Board of Directors, committees, commissions and related working groups review regularly matters related to the monetary, investment and currency policies of the National Bank and set up limits on the scope of management over its assets, as well as requirements for the assessment of the NBK's counterparties.

In accordance with Investment Strategy on gold and foreign currency assets management of the NBK approved by the decision of the Board on 27 October 2006, the main goals of risk management are maintenance of liquidity and safety of the NBK's assets, saving purchasing power of assets, and profitability growth.

In accordance with these goals, gold and foreign currency assets of the NBK are separated into the following portfolios: liquidity portfolio, investment portfolio, strategic portfolio, gold portfolio and developing market portfolio.

The operations of the NBK's subsidiaries are also exposed to a number of risks, the most significant are those related to market risks. Risk management procedures of the subsidiaries are regulated by their internal instructions and their execution is monitored by various bodies, including the subsidiaries' boards of directors and internal control departments.

(b) Market risk

Market risk is the risk of changes of fair value or future cash flows of financial instrument due to movements in market prices. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on accepted risk.

The National Bank manages its market risk mainly by conducting regular assessment of all open positions. In addition, the National Bank continuously monitors open position limits in relation to financial instruments, interest rate, maturity and currency positions and stop-loss limits.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The National Bank utilizes Tracking Error methodology. Tracking Error indicator reflects how actual performance of current portfolio differs from the performance of the benchmark portfolio. In accordance with Investment Strategy, Tracking Error limit is 2% for the years ended 31 December 2011 and 2010.

Tracking Error can be used only when investor manages portfolio against the benchmark portfolio on comparative basis.

As at 31 December 2011 the benchmark portfolio for investment portfolio of gold and foreign currency assets is a composite index of:

- Merrill Lynch United States Treasuries 0-3 years – 34%,
- Merrill Lynch European Economic and Monetary Union Direct Governments 0-3 years AAA – 35%;
- Merrill Lynch United Kingdom Gilts 0-3 years – 10%;
- Merrill Lynch Japanese Governments 0-3 years – 10%;
- Merrill Lynch Australian Governments 0-3 years – 5%;
- Merrill Lynch Canadian Governments 0-3 years – 5%; and
- Merrill Lynch South Korean Governments 0-3 years – 5%.

As at 31 December 2010 the benchmark portfolio for investment portfolio of gold and foreign currency assets is a composite index of:

- Merrill Lynch United States Treasuries 1-3 years – 40%,
- Merrill Lynch European Economic and Monetary Union Direct Governments 1-3 years - 35%;
- Merrill Lynch United Kingdom Gilts 1-3 years – 10%;
- Merrill Lynch Japanese Governments 1-3 years – 10%; and
- Merrill Lynch Australian Governments 1-3 years – 5%.

(i) Interest rate risk

Interest rate risk is the risk of change in fair value or future cash flows of financial instruments portfolios due to change in interest rates. The National Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may also reduce or create losses in the event that unexpected movements arise.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Average interest rates

The table below summarizes the National Bank's average interest rates on interest bearing assets and liabilities as at 31 December 2011 and 2010. These interest rates are an approximation of the yields to maturity of appropriate assets and liabilities.

	2011 KZT'000 Book value	Weighted average effective interest rate, %	2010 KZT'000 Book value	Weighted average effective interest rate, %
Interest bearing assets				
Gold				
<i>Gold deposits with foreign banks</i>	423,034,946	0.07	314,085,582	0.02
Placements with banks and other financial institutions				
<i>Nostro accounts</i>				
- USD	16,570,247	0.01	118,335,739	0.20
- KRW	9,199,643	0.11	-	-
- AUD	8,324,665	4.25	568,997	3.85
- GBP	1,508,739	0.24	552,420	0.15
- EUR	1,368,548	0.37	10,108,728	0.18
- JPY	187,705	0.01	965,110	0.01
- KZT	1,929	1.50	1,916	1.50
- other foreign currency	3,101,974	0.20	252,965	0.67
<i>Deposits</i>				
- USD	110,515,924	0.26	-	-
- EUR	76,720,470	0.59	-	-
- KZT	7,603,660	7.05	4,725,598	7.77
- GBP	-	-	39,962,571	0.60
Reverse repurchase agreements				
- KZT	330,213,991	7.50	465,807,648	7.00
- USD	100,762,786	3.00	-	-
Available-for-sale financial assets				
- EUR	1,009,987,658	3.09	1,058,946,904	3.42
- USD	922,850,914	0.89	1,159,278,947	1.23
- GBP	292,944,937	3.77	242,257,385	4.84
- JPY	282,870,716	1.17	253,281,738	1.67
- AUD	157,241,428	5.58	147,875,779	5.84
- CAD	147,645,628	3.53	-	-
- KRW	143,382,718	4.04	-	-
- KZT	437,461	4.30	3,975,204	5.68
Due to banks and other financial institutions				
<i>Term deposits</i>				
- KZT	100,843,637	0.68	503,998,843	0.74
Debt securities issued				
- KZT	493,710,935	1.31	886,424,403	1.27

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity to changes in interest rate repricing risk based on a simplified scenario of a 300 basis point (bp) symmetrical fall or rise in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2011 and 2010 is as follows:

	2011		2010	
	Profit or loss KZT'000	Equity KZT'000	Profit or loss KZT'000	Equity KZT'000
300 bp parallel fall	38,039,006	38,039,006	15,617,494	15,617,494
300 bp parallel rise	(38,039,006)	(38,039,006)	(15,617,494)	(15,617,494)

An analysis of sensitivity of equity as a result of changes in the fair value of financial assets available-for-sale due to changes in the interest rates based on positions existing as at 31 December 2011 and 2010 and a simplified scenario of a 300 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2011 KZT'000	2010 KZT'000
300 bp parallel fall	83,033,959	139,758,656
300 bp parallel rise	(160,154,100)	(189,448,545)

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the National Bank's assets and liabilities are actively managed. Additionally, the financial position of the National Bank may vary at the time that any actual market movement occurs. For example, the National Bank's financial risk management strategy aims to manage the exposure to market fluctuations. In case of sharp negative fluctuations, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the consolidated statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in equity.

(ii) Currency risk

The National Bank has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The National Bank does not hedge its exposure to currency risk.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The National Bank's exposure to foreign currency exchange rate risk by currencies as at 31 December 2011 is presented in the table below:

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
Assets									
Cash on hand in foreign currency	-	-	20,267,282	791,788	7,506	-	103	15,202	21,081,881
Gold	-	616,010,770	-	-	-	-	-	-	616,010,770
Placements with banks and other financial institutions	10,654,721	-	184,885,238	103,618,127	14,465,757	83,259,112	2,359,682	33,426,075	432,668,712
Financial instruments at fair value through profit or loss	5,039,489	-	1,524	-	-	-	-	-	5,041,013
Reverse repurchase agreements	330,213,991	-	100,762,786	-	-	-	-	-	430,976,777
Available-for-sale financial assets	182,225,975	-	1,331,473,099	1,038,659,384	282,870,716	-	292,944,937	482,469,833	3,610,643,944
Investments in associates	810,037	-	-	-	-	-	-	-	810,037
Property, equipment and intangible assets	35,410,359	-	-	-	-	-	-	-	35,410,359
Current tax asset	1,007,631	-	-	-	-	-	-	-	1,007,631
Deferred tax asset	112,867	-	-	-	-	-	-	-	112,867
Other assets	11,451,424	-	-	-	-	-	-	-	11,451,424
Total assets	576,926,494	616,010,770	1,637,389,929	1,443,069,299	297,343,979	83,259,112	295,304,722	515,911,110	5,165,215,415

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
LIABILITIES									
Currency in circulation	1,548,493,471	-	-	-	-	-	-	-	1,548,493,471
Due to banks and other financial institutions	488,849,814	-	399,058,753	4,429,972	3,108	83,054,127	5,154	17,087,294	992,488,222
Financial instruments at fair value through profit or loss	4,267,768	-	-	-	-	-	-	-	4,267,768
Current accounts of the National Fund of the Republic of Kazakhstan	473,186,260	-	-	-	-	-	-	-	473,186,260
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	128,936,007	-	-	-	-	-	-	681,509	129,617,516
Reserves of guarantee funds	73,458,067	-	-	-	-	-	-	-	73,458,067
Customer accounts	478,490,984	-	1,629,634	-	-	-	-	-	480,120,618
Debt securities issued	493,710,935	-	-	-	-	-	-	-	493,710,935
Current tax liability	50,304	-	-	-	-	-	-	-	50,304
Deferred tax liability	956,871	-	-	-	-	-	-	-	956,871
Other liabilities	5,844,250	-	-	-	-	-	-	-	5,844,250
Total liabilities	3,696,244,731	-	400,688,387	4,429,972	3,108	83,054,127	5,154	17,768,803	4,202,194,282
Net balance sheet position	(3,119,318,237)	616,010,770	1,236,701,542	1,138,639,327	297,340,871	204,985	295,299,568	498,142,307	963,021,133
Net balance sheet and off balance sheet positions	(3,119,318,237)	616,010,770	1,236,701,542	1,138,639,327	297,340,871	204,985	295,299,568	498,142,307	963,021,133

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The following table shows the currency structure of assets and liabilities at 31 December 2010:

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
Assets									
Cash on hand in foreign currency	-	-	12,560,959	263,793	-	-	-	35,089	12,859,841
Gold	-	450,214,406	-	-	-	-	-	-	450,214,406
Placements with banks and other financial institutions	8,961,461	-	605,942,328	12,101,750	4,915,290	83,273,941	42,621,022	22,544,987	780,360,779
Financial instruments at fair value through profit or loss	33,792	-	16,852	-	-	-	-	-	50,644
Reverse repurchase agreements	465,807,648	-	-	-	-	-	-	-	465,807,648
Available-for-sale financial assets	147,606,976	-	1,299,717,792	1,058,946,904	253,281,738	-	242,257,385	147,907,155	3,149,717,950
Investments in associates	681,562	-	-	-	-	-	-	-	681,562
Property, equipment and intangible assets	30,694,318	-	-	-	-	-	-	-	30,694,318
Current tax asset	700,386	-	-	-	-	-	-	-	700,386
Deferred tax asset	84,188	-	-	-	-	-	-	-	84,188
Other assets	6,784,095	-	-	-	-	-	-	-	6,784,095
Total assets	661,354,426	450,214,406	1,918,237,931	1,071,312,447	258,197,028	83,273,941	284,878,407	170,487,231	4,897,955,817

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

KZT'000	KZT	Gold	USD	EUR	JPY	SDR	GBP	Other	Total
LIABILITIES									
Currency in circulation	1,306,496,601	-	-	-	-	-	-	-	1,306,496,601
Due to banks and other financial institutions	856,475,966	-	45,416,046	7,989,629	1,121	83,068,755	19,907	140	992,971,564
Financial instruments at fair value through profit or loss	1,026,983	-	3,197,125	-	-	-	107,296	-	4,331,404
Current accounts of the National Fund of the Republic of Kazakhstan	123,427,766	-	-	-	-	-	-	-	123,427,766
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	202,713,646	-	-	-	-	-	-	-	202,713,646
Customer accounts	468,387,444	-	1,863,107	156,651	-	-	369	756,476	203,470,122
Debt securities issued	886,424,403	-	-	-	-	-	-	1,598	470,409,169
Reserves of guarantee funds	52,508,963	-	-	-	-	-	-	-	886,424,403
Current tax liability	20,506	-	-	-	-	-	-	-	52,508,963
Deferred tax liability	918,216	-	-	-	-	-	-	-	20,506
Other liabilities	3,828,935	-	-	-	-	-	-	-	918,216
Total liabilities	3,902,229,429	-	50,476,298	8,146,280	1,121	83,068,755	127,572	758,214	3,828,955
Net balance sheet position	(3,240,875,003)	450,214,406	1,867,761,633	1,063,166,167	258,195,907	205,186	284,750,835	169,729,017	853,148,148
Net balance sheet and off balance sheet positions	(3,240,875,003)	450,214,406	1,867,761,633	1,063,166,167	258,195,907	205,186	284,750,835	169,729,017	853,148,148

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

Management of the National Bank believes that given the current economic conditions in Kazakhstan that 10% appreciation and 15% depreciation is a realistic movement in KZT exchange rates against US Dollar. This is the sensitivity rate used in the National Bank when reporting foreign currency risk internally to key management personnel of the National Bank and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only amounts in foreign currency as at 31 December 2011 and adjust their translation for 10% for appreciation and 15% for depreciation in currency rates as at 31 December 2010, respectively.

Appreciation of KZT, as indicated in table below, against following currencies as at 31 December 2011 and 31 December 2010 would have given a rise to the below increase (decrease) of equity and other comprehensive income. The given analysis is based on the change of exchange rates, which, according to the National Bank's opinion, are reasonably possible as at the end of reporting period. The given level of sensitivity is used within the National Bank for preparation of report on currency risk for the key management of the National Bank. The analysis implies that all other variables, especially interest rates, are constant.

	Equity, KZT'000	
	2011	2010
10% appreciation of USD against KZT	123,670,154	186,776,163
15% depreciation of USD against KZT	(185,505,231)	(280,164,245)
10% appreciation of EUR against KZT	113,863,933	106,316,617
15% depreciation of EUR against KZT	(170,795,899)	(159,474,925)
10% appreciation of Troy ounce of gold against KZT	61,601,077	45,021,441
15% depreciation of Troy ounce of gold against KZT	(92,401,615)	(67,532,161)
10% appreciation of Japanese yen against KZT	29,734,087	25,819,591
15% depreciation of Japanese against KZT	(44,601,131)	(38,729,386)
10% appreciation of GBP against KZT	29,529,957	28,475,084
15% depreciation of GBP against KZT	(44,294,935)	(42,712,625)
10% appreciation of SDR against KZT	20,499	20,519
15% depreciation of SDR against KZT	(30,748)	(30,778)
10% appreciation of other currencies against KZT	49,814,231	16,972,902
15% depreciation of other currencies against KZT	(74,721,346)	(25,459,353)

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the National Bank's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

(iii) Other price risks

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the National Bank takes a long or short position in a financial instrument.

As at 31 December 2011 and 2010 the National Bank was not exposed to price risk.

(c) Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the National Bank. The National Bank has developed policies and procedures for the management of credit exposures, including guidelines to limit portfolio concentration and establishment of an Investment Committee, which is responsible for monitoring of credit risks. The National Bank's credit policy is reviewed and approved by the Board.

The National Bank's credit policy establishes:

- Methodology for credit assessment calculation and determination of maximum limit on the National Bank's counterparties;
- Procedures for ongoing monitoring and review of the limit of the National Bank's counterparties.

Requests for inclusion in the list of counterparties are received by the National Bank's analysts. Analysts' report on potential counterparty is based on a financial performance and financial position ratios analysis with use of international rating agencies' data. On the basis of this report Investment Committee approves counterparty.

The National Bank analysts conduct daily monitoring of compliance with limits imposed on each individual counterparty. Apart to individual counterparty analysis, the National Bank performs valuation of portfolios in relation to concentration of credit risks.

The National Bank's maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2011 KZT'000	2010 KZT'000
ASSETS		
Gold	423,034,946	314,085,582
Placements with banks and other financial institutions	432,668,712	780,360,779
Financial instruments at fair value through profit or loss	5,041,013	50,644
Reverse repurchase agreements	430,976,777	465,807,648
Available-for-sale financial assets	3,610,643,944	3,149,717,950
Other financial assets	5,359,755	2,994,501
Total maximum exposure	4,907,725,147	4,713,017,104

NATIONAL BANK OF THE REPUBLIC OF KAZAKHSTAN

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The maximum exposure to credit risk from unrecognized contractual commitments at the reporting date is presented in Note 36.

(d) Liquidity risk

Liquidity risk is the risk that the National Bank will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities of assets and liabilities is fundamental to the management of financial institutions, including the National Bank. It is unusual for financial institutions ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The National Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The National Bank's liquidity policy is reviewed and approved by the Management Board.

The National Bank seeks to actively support a diversified and stable funding base in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Since the National Bank carries out the issue of national currency, the default risk on fulfillment its obligations in national currency is minimal, and the liquidity risk is more applicable for obligations denominated in foreign currency.

The liquidity management policy consist of:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto;
- maintaining a diverse range of funding sources;
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow;
- maintaining liquidity and funding contingency plans;
- monitoring balance sheet liquidity ratios against regulatory requirements.

The department of Monetary Operations obtains information from the Department of Monetary Operations Accounting related to the liquidity of assets and liabilities and performs analysis of the liquidity position. After this the Department of Monetary Operations maintains the liquidity level by purchasing highly liquid assets. To meet liquidity management goals the liquidity portfolio is invested to assets that can be sold as soon as it possible if required.

According to the Investment Strategy of the National Bank the liquidity portfolio has to comply with the following parameters:

- duration of the portfolio should not exceed 1 year.
- base currency of the liquidity portfolio is USD.
- the volume of liquidity portfolio should comply with the following parameters:
- should not fall below USD 1 billion without considering current liabilities
- should not be less than the volume of payments on state external debt service for the next 6 months. This limitation is checked once in a calendar quarter (on the 10 working day of each quarter).

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If the market value of the liquidity portfolio does not comply with the given parameters, it is replenished through the transfer of assets from the investment portfolio during 5 working days after the observance of non-compliance.

The assets of the liquidity portfolio can be invested cash currency, state (sovereign) debt securities of countries with credit rating not lower than A- (Standard & Poor's) and/or A3 Moody's, agency debt securities, debt securities of international financial institutions with credit rating not less than AAA (Standard & Poor's) and/or Aaa (Moody's), certificates of deposit (CD), commercial paper (CP) with short-term credit rating not lower than A1 - Standard & Poor's or P1 - Moody's. The maximum term for the deposit should not exceed 1 month.

The following tables show the undiscounted cash flows on financial assets and liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The maturity analysis for financial liabilities as at 31 December 2011 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	No maturity	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Due to banks and other financial institutions	909,308,624	-	-	-	83,201,912	992,510,536	992,488,222
Current accounts of the National Fund of the Republic of Kazakhstan	473,186,260	-	-	-	-	473,186,260	473,186,260
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	129,617,516	-	-	-	-	129,617,516	129,617,516
Customer accounts	480,120,618	-	-	-	-	480,120,618	480,120,618
Debt securities issued	37,325,232	272,876,677	155,576,101	29,963,596	-	495,741,606	493,710,935
Other financial liabilities	2,824,955	-	-	-	-	2,824,955	2,824,955
Derivative liabilities							
- Inflow	(164,437,863)	-	-	-	-	(164,437,863)	-
- Outflow	167,939,446	-	-	-	-	167,939,446	4,267,768
Total liabilities	2,035,884,788	272,876,677	155,576,101	29,963,596	83,201,912	2,577,503,074	2,576,216,274

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The maturity analysis for financial liabilities as at 31 December 2010 is as follows:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	No maturity	Total gross amount outflow/(inflow)	Carrying amount
Non-derivative liabilities							
Due to banks and other financial institutions	910,052,981	-	-	-	83,068,755	993,121,736	992,971,564
Current accounts of the National Fund of the Republic of Kazakhstan	123,427,766	-	-	-	-	123,427,766	123,427,766
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	203,470,122	-	-	-	-	203,470,122	203,470,122
Customer accounts	470,409,169	-	-	-	-	470,409,169	470,409,169
Debt securities issued	154,953,735	380,745,137	280,939,535	72,592,000	-	889,230,407	886,424,403
Other financial liabilities	1,902,354	-	-	-	-	1,902,354	1,902,354
Derivative liabilities							
- Inflow	(81,098,164)	-	-	-	-	(81,098,164)	-
- Outflow	82,120,320	3,287,566	-	-	-	85,407,886	4,331,404
Total liabilities	1,865,238,283	384,032,703	280,939,535	72,592,000	83,068,755	2,685,871,276	2,682,936,782

The tables above show the undiscounted cash flows of non-derivative financial liabilities, including issued financial guarantee contracts, and unrecognized loan commitments on the basis of their earliest possible contractual maturity. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The table below shows an analysis, by expected maturities, of the amounts recognized in the consolidated statement of financial position as at 31 December 2011:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash on hand in foreign currency	21,081,881	-	-	-	-	-	21,081,881
Gold	241,695,200	181,339,746	-	-	-	192,975,824	616,010,770
Placements with banks and other financial institutions	343,227,418	1,072,667	3,314,500	2,000,000	-	83,054,127	432,668,712
-Foreign	338,959,864	-	-	-	-	83,054,127	422,013,991
-Kazakhstan	4,267,554	1,072,667	3,314,500	2,000,000	-	-	10,654,721
Financial instruments at fair value through profit or loss	5,041,013	-	-	-	-	-	5,041,013
Reverse repurchase agreements	330,213,991	-	100,762,786	-	-	-	430,976,777
Available-for-sale financial assets	7,217,903	185,516,798	1,121,636,234	2,158,245,921	137,787,176	239,912	3,610,643,944
Investments in associates	-	-	-	-	-	810,037	810,037
Other financial assets	5,359,735	-	-	-	-	-	5,359,735
Total assets	953,837,161	367,929,211	1,225,713,520	2,160,245,921	137,787,176	277,079,900	5,122,592,889
Liabilities							
Currency in circulation	-	-	-	-	-	1,548,493,471	1,548,493,471
Due to banks and other financial institutions	909,434,095	-	-	-	-	83,054,127	992,488,222
-Foreign	70,092,547	-	-	-	-	83,054,127	153,146,674
-Kazakhstan	839,341,548	-	-	-	-	-	839,341,548
Financial instruments at fair value through profit or loss	4,267,768	-	-	-	-	-	4,267,768
Current accounts of the National Fund of the Republic of Kazakhstan	473,186,260	-	-	-	-	-	473,186,260
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	129,617,516	-	-	-	-	-	129,617,516
Customer accounts	480,120,618	-	-	-	-	-	480,120,618
Debt securities issued	37,315,928	272,248,769	184,146,238	-	-	-	493,710,935
Reserves of guarantee funds	73,458,067	-	-	-	-	-	73,458,067
Other financial liabilities	2,824,955	-	-	-	-	-	2,824,955
Total liabilities	2,110,225,207	272,248,769	184,146,238	-	-	1,631,547,598	4,198,167,812
Net position	(1,156,388,046)	95,680,442	1,041,567,282	2,160,245,921	137,787,176	(1,354,467,698)	924,425,077

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The table below shows an analysis, by expected maturities, of the amounts recognized in the consolidated statement of financial position as at 31 December 2010:

KZT'000	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 1 to 5 years	More than 5 years	No maturity	Total
Assets							
Cash on hand in foreign currency	12,859,841	-	-	-	-	-	12,859,841
Gold	164,836,779	127,612,177	21,636,626	-	-	136,128,824	450,214,406
Placements with banks and other financial institutions	693,792,024	1,150,000	2,350,000	-	-	83,068,755	780,360,779
-Foreign	688,306,913	-	-	-	-	83,068,755	771,375,668
-Kazakhstan	5,485,111	1,150,000	2,350,000	-	-	-	8,985,111
Financial instruments at fair value through profit or loss	33,792	16,852	-	-	-	-	50,644
Reverse repurchase agreements	465,807,648	-	-	-	-	-	465,807,648
Available-for-sale financial assets	27,238,027	92,841,322	376,389,866	2,379,555,661	273,276,652	416,422	3,149,717,950
Investments in associates	-	-	-	-	-	681,562	681,562
Other financial assets	2,994,501	-	-	-	-	-	2,994,501
Total assets	1,367,562,612	221,620,351	400,376,492	2,379,555,661	273,276,652	220,295,563	4,862,687,331
Liabilities							
Currency in circulation	-	-	-	-	-	-	-
Due to banks and other financial institutions	909,902,809	-	-	-	-	1,306,496,601	1,306,496,601
-Foreign	972,091	-	-	-	-	83,068,755	992,971,564
-Kazakhstan	908,930,718	-	-	-	-	83,068,755	84,040,846
Financial instruments at fair value through profit or loss	3,304,421	1,026,983	-	-	-	-	908,930,718
Current accounts of the National Fund of the Republic of Kazakhstan	123,427,766	-	-	-	-	-	4,331,404
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	203,470,122	-	-	-	-	-	123,427,766
Customer accounts	470,409,169	-	-	-	-	-	203,470,122
Debt securities issued	154,849,368	380,014,482	351,560,553	-	-	-	470,409,169
Reserves of guarantee funds	52,508,963	-	-	-	-	-	886,424,403
Other financial liabilities	1,902,354	-	-	-	-	-	52,508,963
Total liabilities	1,919,774,972	381,041,465	351,560,553	-	-	1,389,565,356	4,041,942,346
Net position	(552,212,360)	(159,421,114)	48,815,939	2,379,555,661	273,276,652	(1,169,269,793)	820,744,985

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

36 COMMITMENTS

The National Bank has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The National Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years. The National Bank also provides guarantees by acting as settlement agent in securities borrowing and lending transactions.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed completely to perform as contracted.

	2011 KZT'000	2010 KZT'000
Contracted amount		
Loan and credit line commitments	78,143,770	96,947
Guarantees and letters of credit	227,732	-
	78,371,502	96,947

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

37 CONTINGENCIES

(a) Insurance

The insurance industry in the Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The National Bank does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the National Bank obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

(b) Litigation

Management is unaware of any significant actual, pending or threatened claims against the National Bank.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

(c) Taxation contingencies

The taxation system in the Republic of Kazakhstan is relatively new and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Republic of Kazakhstan suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in the Republic of Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

38 FUNDS MANAGEMENT, TRUST AND CUSTODY ACTIVITIES

(a) Funds management and trust activities

The National Bank provides trust services to trusts, retirement benefit plans and other institutions, whereby it holds and manages assets or invests funds received in various financial instruments at the direction of the customer. The National Bank receives fee income for providing these services. Trust assets are not assets of the National Bank and are not recognized in the consolidated statement of financial position. The National Bank is not exposed to any credit risk relating to such placements, as it does not guarantee these investments.

As at 31 December 2011 and 2010, the total amount of assets that National Bank holds and manages for its customers is KZT 582,712,635 thousand and KZT 446,011,091 thousand, respectively.

As at 31 December 2011 and 2010, the total amount of assets that National Bank holds and manages for the National Fund is KZT 7,383,624,933 thousand and KZT 5,098,527,845 thousand, respectively. A portion of these funds is managed by external managers in accordance with the investment policies set by the NBK.

(b) Custody activities

Custody and broker services were not provided by the National Bank in 2011. In 2010 the National Bank provided custody services to its customers, whereby it held securities on behalf of customers and received fee income from providing these services. These securities were not assets of the National Bank and were not recognized in the consolidated statement of financial position.

39 RELATED PARTY TRANSACTIONS

(a) Transactions with the members of the Board of Directors and the Management Board

The remuneration to the members of the National Bank's Management Board and the Board of Directors for the years ended 31 December 2011 and 2010, comprised KZT 483,952 thousand and KZT 374,551 thousand, respectively. The remuneration consists of salary and other payments.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

(b) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2011 and related profit or loss amounts of transactions for the year ended 31 December 2011 with other related parties are as follows:

	Associates		State companies and organizations		Total KZT'000
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	
Consolidated statement of financial position					
ASSETS					
Placements with banks and other					
financial institutions	-	-	694,965	-	432,668,712
Reverse repurchase agreements	-	-	430,976,777	7.00	430,976,777
Financial instruments at fair value through profit or loss	-	-	4,567,087	-	5,041,013
Available-for-sale financial assets	-	-	183,441,981	6.65	3,610,643,944
Investments in associates	810,037	-	-	-	810,037
Property, equipment and intangible assets	-	-	6,421	-	35,410,359
Current tax asset	-	-	1,007,631	-	1,007,631
Deferred tax asset	-	-	112,867	-	112,867
Other assets	1,240	-	2,124,631	-	11,451,424
LIABILITIES					
Due to banks and other financial institutions	-	-	126,329,187	0.88	992,488,222
Current accounts of the National Fund of the Republic of Kazakhstan	-	-	473,186,260	-	473,186,260
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	-	129,617,516	-	129,617,516
Customer accounts	69	-	480,039,562	-	480,120,618
Debt securities issued	-	-	52,258,967	-	493,710,935
Current tax liability	-	-	50,304	-	50,304
Deferred tax liability	-	-	956,871	-	956,871
Other liabilities	-	-	1,287,191	-	5,844,250
Consolidated income statement					
Interest income	-	-	38,532,816	-	84,537,450
Interest expense	-	-	(1,354,599)	-	(17,280,189)
Fee and commission income	9,494	-	2,566,027	-	7,759,672
Fee and commission expense	(17)	-	(419,463)	-	(670,529)
Net gain on with financial instruments at fair value through profit or loss	-	-	4,567,087	-	2,462,080
Income from associates	128,475	-	-	-	128,475
Other operating income	5,916	-	1,589,911	-	4,836,817
Banknotes and coins production expenses	-	-	(29,826)	-	(5,723,705)
Funding of third parties	-	-	(1,315,655)	-	(1,315,655)
Personnel expenses	-	-	(1,000,603)	-	(13,426,180)
Other general administrative expenses	2	-	(914,921)	-	(5,123,387)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The outstanding balances and the related average interest rates as at 31 December 2010 and related profit or loss amounts of transactions for the year ended 31 December 2010 with other related parties are as follows:

	Associates		Other		Total KZT'000
	KZT'000	Average interest rate, %	KZT'000	Average interest rate, %	
Consolidated statement of financial position					
ASSETS					
Placements with banks and other financial institutions	-	-	635,195	-	780,360,779
Reverse repurchase agreements	-	-	465,807,648	7.0	465,807,648
Available-for-sale financial assets	-	-	154,083,684	6.6	3,149,717,950
Held-to-maturity investments	681,562	-	-	-	681,562
Investments in associates	-	-	2,760	-	30,694,318
Current tax asset	-	-	700,386	-	700,386
Deferred tax asset	-	-	84,188	-	84,188
Other assets	1,578	-	1,840,214	-	6,784,095
LIABILITIES					
Due to banks and other financial institutions	-	-	179,408,784	0.8	992,971,564
Current accounts of the National Fund of the Republic of Kazakhstan	-	-	123,427,766	-	123,427,766
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	-	203,470,122	-	203,470,122
Customer accounts	101	-	470,331,907	-	470,409,169
Debt securities issued	-	-	36,499,902	-	886,424,403
Current tax liability	-	-	20,506	-	20,506
Deferred tax liability	-	-	918,216	-	918,216
Other liabilities	-	-	903,296	-	3,828,955
Consolidated income statement					
Interest income	-	-	49,180,184	-	90,303,963
Interest expense	-	-	(1,444,686)	-	(18,564,638)
Fee and commission income	10,138	-	2,405,649	-	8,271,732
Fee and commission expense	(482)	-	(322,574)	-	(533,527)
Net gain on available-for-sale financial assets	-	-	1,416	-	8,277,685
Income from associates	139,361	-	-	-	139,361
Other operating income	4,835	-	2,509,105	-	4,009,832
Banknotes and coins production expenses	-	-	(24,035)	-	(4,222,748)
Funding of third parties	-	-	(2,520,167)	-	(2,520,167)
Personnel expenses	-	-	(716,194)	-	(9,550,110)
Other general administrative expenses	392	-	(976,490)	-	(4,125,575)

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40 FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS

(a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2011:

	KZT*000					
	Designated at fair value	Loans and receivables	Available- for-sale	Other at amortized cost	Total carrying amount	Fair value
Cash on hand in foreign currency	-	21,081,881	-	-	21,081,881	21,081,881
Gold	-	616,010,770	-	-	616,010,770	616,010,770
Placements with banks and other financial institutions	-	432,668,712	-	-	432,668,712	432,668,712
Financial instruments at fair value through profit or loss	5,041,013	-	-	-	5,041,013	5,041,013
Reverse repurchase agreements	-	430,976,777	-	-	430,976,777	305,599,089
Available-for-sale financial assets	-	-	3,610,643,944	-	3,610,643,944	3,610,643,944
Investments in associates	-	810,037	-	-	810,037	810,037
Other financial assets	-	5,359,755	-	-	5,359,755	5,359,755
	5,041,013	1,506,907,932	3,610,643,944	-	5,122,592,889	4,997,215,201
Currency in circulation	-	-	-	-	-	-
Due to banks and other financial institutions	-	-	-	1,548,493,471	1,548,493,471	1,548,493,471
Financial instruments at fair value through profit or loss	4,267,768	-	-	992,488,222	992,488,222	992,488,222
Current accounts of the National Fund of the Republic of Kazakhstan	-	-	-	-	4,267,768	4,267,768
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	-	-	473,186,260	473,186,260	473,186,260
Customer accounts	-	-	-	129,617,516	129,617,516	129,617,516
Debt securities issued	-	-	-	480,120,618	480,120,618	480,120,618
Reserves of guarantee funds	-	-	-	493,710,935	493,710,935	493,710,935
Other financial liabilities	-	-	-	73,458,067	73,458,067	73,458,067
	4,267,768	-	-	4,193,900,044	4,198,167,812	4,198,167,812

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2011

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2010:

KZT'000	Designated at fair value	Loans and receivables	Available-for-sale	Other amortized cost	Total carrying amount	Fair value
Cash on hand in foreign currency	-	12,859,841	-	-	12,859,841	12,859,841
Gold	-	450,214,406	-	-	450,214,406	450,214,406
Placements with banks and other financial institutions	-	780,360,779	-	-	780,360,779	780,360,779
Financial instruments at fair value through profit or loss	50,644	-	-	-	50,644	50,644
Reverse repurchase agreements	-	465,807,648	-	-	465,807,648	417,083,982
Available-for-sale financial assets	-	-	3,149,717,950	-	3,149,717,950	3,149,717,950
Investments in associates	-	681,562	-	-	681,562	681,562
Other financial assets	-	2,994,501	-	-	2,994,501	2,994,501
	50,644	1,712,918,737	3,149,717,950	-	4,862,687,331	4,813,963,665
Currency in circulation	-	-	-	1,306,496,601	1,306,496,601	1,306,496,601
Due to banks and other financial institutions	-	-	-	992,971,564	992,971,564	992,971,564
Financial instruments at fair value through profit or loss	4,331,404	-	-	-	4,331,404	4,331,404
Current accounts of the National Fund of the Republic of Kazakhstan	-	-	-	123,427,766	123,427,766	123,427,766
Current accounts of the Ministry of Finance of the Republic of Kazakhstan	-	-	-	203,470,122	203,470,122	203,470,122
Customer accounts	-	-	-	470,409,169	470,409,169	470,409,169
Debt securities issued	-	-	-	886,424,403	886,424,403	887,259,610
Reserves of guarantee funds	-	-	-	52,508,963	52,508,963	52,508,963
Other financial liabilities	-	-	-	1,902,354	1,902,354	1,902,354
	4,331,404	-	-	4,037,610,942	4,041,942,346	4,042,777,553

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

(b) Fair value hierarchy

The National Bank measures fair values for financial instruments recorded on the consolidated statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2011, by the level in the fair value hierarchy into which the fair value measurement is categorized:

KZT'000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss:			
- Derivative assets	-	5,041,013	5,041,013
- Derivative liabilities	-	(4,267,768)	(4,267,768)
Available-for-sale financial assets:			
- Debt and other fixed income instruments	3,357,365,278	253,038,754	3,610,404,032
- Equity investments	-	239,912	239,912
	<u>3,357,365,278</u>	<u>254,051,911</u>	<u>3,611,417,189</u>

The table below analyses financial instruments measured at fair value at 31 December 2010, by the level in the fair value hierarchy into which the fair value measurement is categorized:

KZT'000	Level 1	Level 2	Total
Financial instruments at fair value through profit or loss:			
- Derivative assets	-	50,644	50,644
- Derivative liabilities	-	(4,331,404)	(4,331,404)
Available-for-sale financial assets:			
- Debt and other fixed income instruments	2,934,565,835	214,067,105	3,148,632,940
- Equity investments	-	1,085,010	1,085,010
	<u>2,934,565,835</u>	<u>210,871,355</u>	<u>3,145,437,190</u>