Subsidiary of JSC BTA Bank
JSC BTA Securities

Financial Statements

Year ended 31 December 2011
together with Independent Auditors' Report

CONTENTS

INDEPENDENT AUDITORS' REPORT

NOTES TO FINANCIAL STATEMENTS

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Independent auditors' report

To the Shareholder and Board of Directors of Subsidiary of JSC BTA Bank JSC BTA Securities -

We have audited the accompanying financial statements of Subsidiary of JSC BTA Bank JSC BTA Securities (the "Company"), which comprise the statement of financial position as at 31 December 2011 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements present fairly, in all material respects, the financial position of Subsidiary of JSC BTA Bank JSC BTA Securities as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young LLP

Zhemaletdinov Evgeny
Auditor/General Director
Ernst & Young LLP

Жемалетдинов Евгений Фидаильевич * Казакстан Республикасының аудиторы * 0553

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

Auditor Qualification Certificate No. 0000553 dated 24 December 2003

10 April 2012

Statement of financial position

As of 31 December 2011

(Thousands of Kazakhstani tenge)

	Notes	*2011*	*2010*
Assets			
Cash and cash equivalents	5	**313,123**	112,817
Amounts due from financial institutions	6	–	520,000
Trading securities	7	**1,664,688**	1,654,195
Investment securities available-for-sale	8	**33,932**	23,506
Assets held for sale	9	**23,553,893**	–
Trade accounts receivable	10	**80,053**	85,897
Investment in associate	11	–	64,105,497
Dividends receivable	11	–	551,446
Other investments		**51,400**	51,400
Property and equipment		**5,044**	7,707
Current income tax assets	12	**111,605**	113,844
Deferred income tax assets	12	**26,493**	24,840
Other assets		**20,686**	29,486
Total assets		**25,860,917**	67,280,635
Liabilities			
Accrued expenses and other liabilities	13	**24,562**	59,176
Total liabilities		24,562	59,176
Equity			
Share capital	14	**50,559,902**	50,559,902
Revaluation reserve on property and equipment		–	1,649,408
Revaluation reserve of investment securities available-for-sale		**31,036**	(587,960)
Currency translation differences		–	75,371
Other reserves		–	381,285
(Accumulated deficit) / Retained earnings		**(24,754,583)**	15,143,453
Total equity		**25,836,355**	67,221,459
Total liabilities and equity		**25,860,917**	67,280,635

Signed and autehorised for release on behalf of the Management Board of the Company:

Tsurkan Oleg Grigorevich — Chairman of the Management Board

Slipchuk Tatiana Mikhailovna — Chief Accountant

10 April 2012

The accompanying notes on pages 6 to 29 are an integral part of these financial statements.

Income statement

For the year ended 31 December 2011

(Thousands of Kazakhstani tenge)

	Notes	2011	2010
Interest income			
Trading securities		**628,898**	176,626
Cash and due from credit institutions		**9,808**	25,045
Receivables under reverse repurchase agreements		**640**	–
		639,346	201,671
Interest expense			
Repurchase agreements		**(50)**	(441)
Net interest income		**639,296**	201,230
Net fee and commission income	16	**137,749**	122,579
Net (losses)/gains from trading securities			
- dealing	17	**(363,744)**	107,170
- revaluation	17	**(557,521)**	520,235
Share in net profit of associate	11	**6,075,408**	4,483,124
Net losses from foreign currencies		**(5,314)**	(34,074)
Non-interest income		**5,286,578**	5,199,034
Personnel expenses	18	**(264,349)**	(258,797)
Other operating expenses	18	**(189,626)**	(142,450)
Other impairment	10	**(14,649)**	(36,095)
Depreciation and amortization		**(5,205)**	(8,426)
Impairment of investment in associate	11	**(45,651,429)**	–
Taxes other than income tax		**(28,492)**	(11,202)
Non-interest expenses		**(46,153,750)**	(456,970)
(Loss)/profit before income tax expense		**(40,227,876)**	4,943,294
Income tax benefit	12	**1,653**	8,115
(Loss)/profit for the year		**(40,226,223)**	4,951,409

The accompanying notes on pages 6 to 29 are an integral part of these financial statements.

Statement of comprehensive income

For the year ended 31 December 2011

(Thousands of Kazakhstani tenge)

	Note	*2011*	*2010*
(Loss)/profit for the year		**(40,226,223)**	4,951,409
Other comprehensive income			
Share in other comprehensive income of associate:			
Revaluation reserve on property and equipment		**1,583,704**	259,291
Revaluation reserve on investment securities available-for-sale		**(2,797,639)**	(632,126)
Currency translation differences		**44,628**	4,761
Other reserves		**–**	377,429
Share in other comprehensive income of associate	11	**(1,169,307)**	9,355
Revaluation reserve on investment securities available-for-sale		**10,426**	20,610
Other comprehensive (loss)/income for the year		**(1,158,881)**	29,965
Total comprehensive (loss)/income for the year		**(41,385,104)**	4,981,374

The accompanying notes on pages 6 to 29 are an integral part of these financial statements.

Statement of changes in equity

For the year ended 31 December 2011

(Thousands of Kazakhstani tenge)

	Notes	Share capital	*Share in other comprehensive income of associate:* Revaluation reserve on property and equipment	Revaluation reserve of investment securities available-for-sale	Currency translation differences	Other reserves	(Accumulated deficit)/ Retained earnings	Total equity
31 December 2009		50,559,902	1,390,117	23,556	70,610	3,856	10,192,044	62,240,085
Total comprehensive income/(loss) for the year		–	259,291	(611,516)	4,761	377,429	4,951,409	4,981,374
31 December 2010		50,559,902	1,649,408	(587,960)	75,371	381,285	15,143,453	67,221,459
Total comprehensive (Losses)/income for the year		–	**1,583,704**	**(2,787,213)**	**44,628**	–	**(40,226,223)**	**(41,385,104)**
Reclassification of accumulated gains/(losses) recognized directly in equity relating to assets held for sale		–	**(3,233,112)**	**3,406,209**	**(119,999)**	**(381,285)**	**328,187**	**–**
31 December 2011		**50,559,902**	**–**	**31,036**	**–**	**–**	**(24,754,583)**	**25,836,355**

The accompanying notes on pages 6 to 29 are an integral part of these financial statements.

Statement of cash flows

For the year ended 31 December 2011

(Thousands of Kazakhstani tenge)

	Notes	2011	2010
Cash flows from operating activities			
Profit/(loss) before income tax benefit		(40,227,876)	4,943,294
Adjustments for:			
Share in net profit of associate	11	(6,075,408)	(4,483,124)
Net unrealised (gains)/losses from trading securities		557,521	(520,235)
Depreciation and amortization		5,205	8,426
Net unrealized gains from foreign currencies		986	(6,540)
Net (gains)/losses on disposal of property and equipment		140	(62)
Impairment of investment in associate	11	45,651,429	–
Other impairment	10	14,649	40,718
Other operating expenses		49,635	–
Operating loss before changes in net operating assets and liabilities		(23,719)	(17,523)
(Increase)/decrease in operating assets			
Amounts due from credit institutions		520,000	(520,000)
Trading securities		(568,165)	(380,864)
Trade accounts receivables		(8,792)	11,522
Restricted cash		–	93,841
Other assets		8,162	8,070
Increase/(decrease) in operating liabilities			
Accrued expenses and other liabilities		(34,062)	6,439
Net cash flows used in operating activities before income taxes		(106,576)	(798,515)
Income tax paid		(47,395)	(12,431)
Net cash flows used in operating activities		(153,971)	(810,946)
Cash flows from investing activities			
Purchase of property and equipment		(2,043)	(3,451)
Dividends received from investment in associate	11	357,722	381,274
Net cash flows from investing activities		355,679	377,823
Effect of exchange rates changes on cash and cash equivalents		(1,402)	3,244
Net increase/(decrease) in cash and cash equivalents		200,306	(429,879)
Cash and cash equivalents, beginning of the year	5	112,817	542,696
Cash and cash equivalents, end of the year	5	313,123	112,817
Non cash transactions:			
Reclassification from investment in associate to assets held for sale	11	69,205,322	–

The accompanying notes on pages 6 to 29 are an integral part of these financial statements.

1. Principal activities

Subsidiary of JSC BTA Bank JSC BTA Securities (the "Company") provides securities' issuance and underwriting services, financial advisory services, brokerage services, trust asset management, and mutual investment fund management services. The Company was formed on 17 October 1997 under the laws of the Republic of Kazakhstan.

The Company operates under licenses issued by the Committee for Control and Supervision of Financial Market and Financial Organisations of the National Bank of the Republic of Kazakhstan (the "FMSC"):

- № 0401201983 dated 24 July 2008, issued by FMSC, for conducting broker-dealer activities in the securities market with the right to open and manage clients' accounts;
- № 0403200991 dated 24 July 2008, issued by FMSC, for conducting investment management activities.

As at 31 December 2011 the Company managed assets of 15 mutual investment funds (MIFs) (2010: 16).

The Company's registered legal and actual address is 281 Khusainova Street, Almaty 050060, Kazakhstan. As at 31 December 2011 and 2010, the sole shareholder and controlling party of the Company is JSC "BTA Bank" (the "Parent company"). The ultimate shareholder of the Company is the Government of the Republic of Kazakhstan, represented by the National Welfare Fund "Samruk-Kazyna".

2. Basis of preparation

General

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

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

These financial statements are presented in thousand of Kazakhstani tenge ("KZT" or "tenge"), unless otherwise indicated. The KZT is utilised as the functional currency as the shareholder, the managers and the regulators measure the Company's performance in KZT. Transactions in other currencies are treated as transactions in foreign currencies.

Associate accounted for under equity method

The following associate is accounted for under the equity method:

2011 Associate	*Holding, %*	*Country*	*Activities*	*Share in net income*	*Total assets*	*Total liabilities*	*Share-holders' Equity*
Sekerbank Turk Anonim Sirketi ("Sekerbank")	**33.98%**	**Turkey**	**Banking**	**6,075,408**	**1,143,265,753**	**1,028,685,639**	**114,580,114**

2010 Associate	*Holding, %*	*Country*	*Activities*	*Share in net income*	*Total assets*	*Total liabilities*	*Share-holders' equity*
Sekerbank Turk Anonim Sirketi	33.98%	Turkey	Banking	4,483,124	1,095,840,781	969,728,545	126,112,236

3. Summary of significant accounting policies

Changes in accounting policies

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

IAS 24 "Related party disclosures" (Revised)

The revised IAS 24, issued in November 2009 and effective for annual periods beginning on or after 1 January 2011, simplifies the disclosure requirements for government-related entities and clarifies the definition of a related party. Previously, an entity controlled or significantly influenced by a government was required to disclose information about all transactions with other entities controlled or significantly influenced by the same government. The revised standard requires disclosure about these transactions only if they are individually or collectively significant. The disclosure of the transactions with related parties in accordance with the revised Standard is presented in the Note 22.

3. Summary of significant accounting policies (continued)

Changes in accounting policies (continued)

Amendments to IAS 32 "Financial instruments: Presentation": Classification of Rights Issues"

In October 2009, the IASB issued amendment to IAS 32. Entities shall apply that amendment for annual periods beginning on or after 1 February 2010. The amendment alters the definition of a financial liability in IAS 32 to classify rights issues and certain options or warrants as equity instruments. This is applicable if the rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, in order to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment had no impact on the Company's financial statements.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

IFRIC Interpretation 19 was issued in November 2009 and is effective for annual periods beginning on or after 1 July 2010. The interpretation clarifies the accounting when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. This Interpretation had no impact on the Company's financial statements.

Improvements to IFRSs

In May 2010 the IASB issued the third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. Most of the amendments are effective for annual periods beginning on or after 1 January 2011. There are separate transitional provisions for each standard. Amendments included in May 2010 "Improvements to IFRS" had impact on the accounting policies, financial position or performance of the Company, as described below.

- IFRS 7 Financial instruments: Disclosures; introduces the amendments to quantitative and credit risk disclosures. The additional requirements had minor impact as information is readily available.

- Other amendments to IFRS 1, IFRS 3, IAS 1, IAS 27, IAS 34 and IFRIC 13 will have no impact on the accounting policies, financial position or performance of the Company.

The following amendments to standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Company:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters.

- IFRIC 14 Prepayments of a Minimum Funding Requirement.

Investment in associates

Associates are entities in which the Company generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but which it does not control or jointly control. Investment in associates are accounted for under the equity method and are initially recognised at cost, including goodwill. Subsequent changes in the carrying value reflect the post-acquisition changes in the Company's share of net assets of the associate. The Company's share of its associates' profits or losses is recognised in the income statement, and its share of movements in reserves is recognised in other comprehensive income. However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognise further losses, unless the Company is obliged to make further payments to, or on behalf of, the associate.

Unrealised gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dividends received from associate are recognised as changes in the Company's share of net assets of the associate.

Financial assets

Initial recognition

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

3. Summary of significant accounting policies (continued)

Financial assets (continued)

Date of recognition

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

'Day 1' profit

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

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'trading securities'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on financial assets held for trading are recognised in the income statement.

Loans and receivables

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

Determination of fair value

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

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

Offsetting

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

Reclassification of financial assets

If a non-derivative financial asset classified as held for trading is no longer held for the purpose of selling in the near term, it may be reclassified out of the fair value through profit or loss category in one of the following cases:

- a financial asset that would have met the definition of loans and receivables above may be reclassified to loans and receivables category if the Company has the intention and ability to hold it for the foreseeable future or until maturity;
- other financial assets may be reclassified to available for sale or held to maturity categories only in rare circumstances.

A financial asset classified as available for sale that would have met the definition of loans and receivables may be reclassified to loans and receivables category of the Company has the intention and ability to hold it for the foreseeable future or until maturity.

Financial assets are reclassified at their fair value on the date of reclassification. Any gain or loss already recognised in profit or loss is not reversed. The fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable.

3. Summary of significant accounting policies (continued)

Cash and cash equivalents

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

Amounts due from credit institutions

In the normal course of business, the Company maintains current accounts or deposits for various periods of time with banks. Amounts due from credit institutions with a fixed maturity term are subsequently measured at amortised cost using the effective interest method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowance for impairment.

Repurchase and reverse repurchase agreements and securities lending

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

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

Leases

Operating - Company as lessee

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

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Amounts due from credit institutions, and loans and receivables

Amounts due from credit institutions, and loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of comprehensive income. The losses arising from impairment are recognised in the income statement in finance costs.

Available-for-sale financial investments

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

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

3. Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments (continued)

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

Financial liabilities

Trade and other payables

Liabilities for trade and other amounts payable are recognized at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

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

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

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

Financial liabilities

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

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

Taxation

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

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

3. Summary of significant accounting policies (continued)

Taxation (continued)

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

The Republic of Kazakhstan also has various operating taxes that are assessed on the Company's activities. These taxes other than income tax are included as a component of other operating expenses in the income statement.

Property and equipment

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

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

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

	Years
Computers and office equipment	3-6
Motor vehicles	4
Furniture and fixtures	6-7

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

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

Intangible assets

Intangible assets include computer software.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over the useful economic lives between 6 and 7 years and assessed for impairment whenever there is an indication that the intangible asset may be impaired.

Assets classified as held for sale

The Company classifies a non-current asset (or a disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the non-current asset (or disposal group) must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or disposal groups) and its sale must be highly probable.

The sale qualifies as highly probable if the Company's management is committed to a plan to sell the non-current asset (or disposal group) and an active program to locate a buyer and complete the plan must have been initiated. Further, the non-current asset (or disposal group) must have been actively marketed for a sale at price that is reasonable in relation to its current fair value and in addition the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification of the non-current asset (or disposal group) as held for sale.

The Company measures an asset (or disposal group) classified as held for sale at the lower of its carrying amount and fair value less costs to sell. The Company recognises an impairment loss for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell if events or changes in circumstance indicate that their carrying amount may be impaired.

Related parties

Related parties include the key management personnel of the Company, the Company's shareholders, and affiliated companies.

Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

3. Summary of significant accounting policies (continued)

Retirement and other benefit obligations

The Company does not have any pension arrangements separate from the State pension system of the Republic of Kazakhstan, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned. The Company has no post-retirement benefits or significant other compensated benefits requiring accrual.

Share capital

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

Dividends

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

Fiduciary assets

Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Company.

Trust activities

Assets held in trust are not reported in the financial statements, as they are not the assets of the Company.

Contingencies

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

Recognition of income and expenses

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

Interest and similar income and expense

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

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

Fee and commission income

The Company earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, other management and advisory fees.

3. Summary of significant accounting policies (continued)

Recognition of income and expenses (continued)

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognised after fulfilling the corresponding criteria.

Dividend income

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

Expenses

Expenses are recognised on an accrual basis when the service is provided.

Foreign currency translation

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

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in gains less losses from dealing in foreign currencies. The market exchange rates at 31 December 2011 and 2010, were 148.40 KZT and 147.40 KZT to 1 USD, respectively.

Future changes in accounting policies

Standards and interpretations issued but not yet effective

IFRS 9 *"Financial Instruments"*

In November 2009 and 2010 the IASB issued the first phase of IFRS 9 Financial instruments. This Standard will eventually replace IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 becomes effective for financial years beginning on or after 1 January 2013. The first phase of IFRS 9 introduces new requirements on classification and measurement of financial instruments. In particular, for subsequent measurement all financial assets are to be classified at amortised cost or at fair value through profit or loss with the irrevocable option for equity instruments not held for trading to be measured at fair value through other comprehensive income. For financial liabilities designated at fair value through profit or loss using fair value option IFRS 9 requires the amount of change in fair value attributable to changes in credit risk to be presented in other comprehensive income. The Company now evaluates the impact of the adoption of new Standard and considers the initial application date.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. In addition IFRS 10 introduces specific application guidance for agency relationships. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. It is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Currently the Company evaluates possible effect of the adoption of IFRS 10 on its financial position and performance.

3. Summary of significant accounting policies (continued)

Future changes in accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 11 *Joint Arrangements*

IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. IFRS 11 supersedes IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities—Non-monetary Contributions by Venturers and is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. The Company expects that adoption of IFRS 11 will have no effect on its financial position and performance.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. IFRS 12 is effective for annual periods beginning on or after 1 January 2013. Earlier application is permitted. Adoption of the standard will require new disclosures to be made in the financial statements of the Company but will have no impact on its financial position or performance.

IFRS 13 *Fair Value Measurement*

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

IAS 27 *Separate Financial Statements (as revised in 2011)*

As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The Company expects that adoption of revised IAS 27 will have no effect on its financial position and performance.

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

As a consequence of the new IFRS 11 and IFRS 12. IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The amendment becomes effective for annual periods beginning on or after 1 January 2013. The Company expects that adoption of revised IAS 28 will have no effect on its financial position and performance.

Amendments to IFRS 7 "Financial Instruments: Disclosures"

The Amendments were issued in October 2010 and are effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Company's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets.The amendment affects disclosure only and has no impact on the Company's financial position or performance.

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

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

3. Summary of significant accounting policies (continued)

Future changes in accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

Amendments to IAS 19 Employee Benefits

The IASB has published amendments to IAS 19 Employee Benefits, effective for annual periods beginning on or after 1 January 2013, which proposes major changes to the accounting for employee benefits, including the removal of the option for deferred recognition of changes in pension plan assets and liabilities (known as the "corridor approach"). In addition, these amendments will limit the changes in the net pension asset (liability) recognised in profit or loss to net interest income (expense) and service costs. The Company expects that these amendments will have no impact on the Company's financial position.

Amendments to IAS 1 Changes to the Presentation of Other Comprehensive Income

The amendments to IAS 1 Presentation of Financial Statements, effective for annual periods beginning on or after 1 July 2012, change the grouping of items presented in other comprehensive income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. These amendments will change presentation in the statement of comprehensive income but will have no effect on its financial position and performance.

Amendment to IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters

These amendments to IFRS 1, effective for annual periods beginning on or after 1 July 2011, introduce a new deemed cost exemption for entities that have been subject to severe hyperinflation. The Company expects that these amendments will have no impact on the Company's financial position.

4. Significant accounting judgments and estimates

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimates, which have the most significant effect on the amounts recognised in the financial statements:

Estimation of uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Taxation

Kazakh tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Company may be challenged by the relevant regional and state authorities. As such, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

As at 31 December 2011, management believes that its interpretation of the relevant legislation is appropriate and that the Company's tax, currency and custom positions will be sustained.

Fair value of financial instruments

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

Allowance for receivables impairment

The Company regularly reviews receivables to assess impairment. The Company uses its experienced judgment to estimate the amount of any impairment loss in cases where a debtor is in financial difficulties and there are few available sources of historical data relating to similar debtors. Similarly, the Company estimates changes in future cash flows based on the observable data indicating that there has been an adverse change in the payment status of debtors.

4. Significant accounting judgments and estimates (continued)

Estimation of uncertainty (continued)

Going concern

Notwithstanding net loss in 2011 and accumulated losses as of 31 December 2011 the Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in the business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that my cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2011	*2010*
Current bank accounts	**95,052**	110,839
Cash on hand	**69**	1,978
Reverse repurchase agreements with initial contractual maturity up to 90 days	**218,002**	–
	313,123	112,817

As at 31 December 2011, the Company had entered into reverse repurchase agreements at KASE of KZT 218,002 thousand (2010: nil). The subject of these agreements is bonds of the Ministry of Finance of the Republic of Kazakhstan, National Bank of the Republic of Kazakhstan and common shares of JSC Kazakhtelecom with total fair value of KZT 225,951 thousand as at 31 December 2011 (31 December 2010: nil). The Company does not have right to sell or repledge these securities as at 31 December 2011.

6. Amounts due from credit institutions

In May 2010 and June 2010, the Company placed 8% and 6% per annum deposits in Eurasian Bank JSC and Halyk Bank JSC, respectively, for the total amount of KZT 520,000 thousand, which were repaid in May 2011 and February 2011, respectively.

7. Trading securities

Trading securities as at 31 December comprise:

	2011	*2010*
Equity securities:		
BTA Bank Group shares	**310,412**	650,979
Corporate shares	**75,575**	141,036
Kazakh financial institutions	**41,076**	51,711
GDRs	**2,580**	221
	429,643	843,947
Debt securities:		
Corporate bonds	**775,754**	418,286
Kazakhstani financial institutions	**291,888**	286,918
BTA Group bonds	**123,947**	89,531
Bonds of the Ministry of Finance of the Russian Federation	**23,981**	3,110
Treasury bills of the Ministry of Finance of the Republic of Kazakhstan	**19,475**	12,403
	1,235,045	810,248
	1,664,688	1,654,195

8. Investment securities available for sale

Investment securities available-for-sale as at 31 December 2011 comprise equity securities of KASE stock exchange and Central Depositary JSC in the amount of KZT 33,731 thousand and KZT 201 thousand, respectively (2010: KZT 23,305 thousand and KZT 201 thousand, respectively).

9. Assets held for sale

On 14 December 2011, management has decided to dispose its investment in Sekerbank, to its ultimate shareholder, which is due to be completed by end of April 2012. As at 31 December 2011, final negotiations with the National Welfare Fund "Samruk-Kazyna" for the sale were in progress. As at 31 December 2011, Sekerbank, was classified as assets held for sale and measured at fair value less costs to sell, which amounted to KZT 23,553,893 thousand. On 25 January 2012, the Company has signed agreement with National Welfare Fund "Samruk-Kazyna" on sale of 33.98% shares in Sekerbank (Note 24).

9. Assets held for sale (continued)

On 28 December 2011, the Istanbul Enforcement Office has blocked 15,912,460 shares of Sekerbank, owned by the Company, as a pledge under the debt of the Government of the Republic of Kazakhstan to Turgut Sera Tirali Company (Turkey) (Note 15).

On 7 February 2012, the Commercial Court of Istanbul has blocked another 101,726,214 shares of Sekerbank, owned by the Company, as a pledge under the guarantee of JSC BTA Bank issued on the loan of ELT Lojistik Ltd. Şti. (Turkey) obtained from Turkiye Vakiflar Bank T.A.O. (Turkey) (Notes 15 and 24).

10. Trade accounts receivable

Trade accounts receivable as at 31 December comprise:

	2011	*2010*
Trade accounts receivable	**198,929**	190,124
Less: Allowance for impairment	**(118,876)**	(104,227)
	80,053	85,897

Trade accounts receivable represent receivables from the Company's customers for securities trading services. The movement in the allowance for impairment was as follows:

	Trade accounts receivable
31 December 2009	(68,132)
Charge	(36,095)
31 December 2010	(104,227)
Charge	**(14,649)**
31 December 2011	**(118,876)**

11. Investment in associate

The movement in investment in associate was as follows:

	2011	*2010*
Balance, beginning of the year	**64,105,497**	60,587,127
Share in net profit of associate	**6,075,408**	4,483,124
Share in other comprehensive income of associate	**(1,169,307)**	9,355
Dividends receivable	**–**	(974,109)
Change in dividends receivable	**193,724**	–
Impairment of investment in associate	**(45,651,429)**	–
Reclassification to assets held for sale (Note 9)	**(23,553,893)**	–
Investment in associate, end of the year	**–**	64,105,497

In March 2007, BTA Securities on behalf of BTA Group acquired 33.98% ownership in Sekerbank (Turkey). Investment in associate represents pre-emptive and voting rights of 339,787,080 shares in Sekerbank.

Dividends receivable for 2010 of KZT 974,109 thousand comprises dividends received for 2009 in the amount of KZT 422,663 thousand and dividends receivable accrued for 2010 in the amount of KZT 551,446 thousand. In accordance with meeting of the Sekerbank Board of Directors dated 15 March 2011 the actual announced dividends for 2010 amounted to Turkish Lira 4,247 thousand or equivalent of KZT 357,722 thousand, which was less than the dividends accrued by the Company. As a result, the Company has corrected the accrued dividends receivable by amount of KZT 193,724 thousand.

On 14 December 2011 the Company decided to sell all its share in Sekerbank to National Welfare Fund "Samruk-Kazyna" and started taking active actions in this regard. In accordance with the above decision and the action plan, the management decided to reclassify this investment into "assets held for sale", in accordance with IFRS 5 "Non-current Assets Held for sale and Discontinued Operations" (Note 9).

In prior years, the Company expected that the investment in Sekerbank will be recovered mainly through Sekerbank's current and future business and not through the sale. Accordingly, all prior year tests for impairment were based on this expectation, which resulted in recoverable amount of the investment being higher than its fair value, calculated using market quotes. This allowed the Company to conclude that the investment is not impaired. However, since the Company has changed its intention to recover the investment through sale at current market price quoted at Istanbul Stock Exchange, a new assessment of the fair value of the investment resulted being significantly lower than its cost. Therefore, the Company has recognised impairment loss on its investment in associate in the amount of KZT 45,651,429 thousand, being the difference between its fair value and the carrying value, which is recorded in the income statement. Market price of Sekerbank was affected by significant depreciation of Turkish Lira and lawsuits against JSC BTA Bank from Turkish regulator.

12. Taxation

The corporate income tax expense comprises:

	2011	*2010*
Current tax charge	–	–
Deferred tax benefit – origination and reversal of temporary differences	**(1,653)**	(8,115)
Income tax benefit	**(1,653)**	(8,115)

As at 31 December 2011 the Company had current income tax assets of 111,605 thousand tenge (2010: 113,844 thousand tenge).

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on the statutory rate with actual is as follows as at 31 December:

	2011	*2010*
(Loss)/profit before income tax expense	**(40,214,918)**	4,943,294
Statutory tax rate	20%	20%
Theoretical income tax (benefit)/expense at the statutory rate	**(8,042,984)**	988,659
Share in profit of associate	**(1,215,082)**	(896,625)
Non-(deductible)/taxable (losses)/gains on qualified securities	**106,979**	(104,646)
Non-deductible operating expenses	**19,148**	4,497
Impairment of assets held for sale	**9,130,286**	–
Income tax benefit	**(1,653)**	(8,115)

Kazakhstan legal entities must file individual tax declarations. The tax rate for profits established by the tax legislation of the Republic of Kazakhstan was 20% for 2011 and 2010.

Deferred tax assets and liabilities as at 31 December and their movements for the respective years comprise:

	2009	*Origination and reversal of temporary difference in the income statement*	*2010*	*Origination and reversal of temporary difference in the income statement*	*2011*
Tax effect of deductible temporary differences:					
Trade accounts receivable	13,514	7,331	20,845	**2,348**	**23,193**
Accrued expenses and other liabilities	3,352	(427)	2,925	**(925)**	**2,000**
Property and equipment	29	1,041	1,070	**230**	**1,300**
Deferred tax assets	16,895	7,945	24,840	**1,653**	**26,493**
Tax effect of taxable temporary differences:					
Other	(170)	170	–	–	–
Deferred tax liabilities	(170)	170	–	–	–
Net deferred tax assets	16,725	8,115	24,840	**1,653**	**26,493**

Kazakhstan currently has a Tax Code that relates to various taxes imposed by governmental authorities. Applicable taxes include income tax, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges.

These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

Management believes that the Company is in substantial compliance with the tax laws affecting its operations; however, the risk remains that relevant authorities could take differing positions with regard to interpretive issues.

13. Accrued expenses and other liabilities

Accrued expenses and other liabilities comprise:

	2011	*2010*
Due to employees	**10,000**	14,623
Trade payables	**6,057**	13,740
Advances received	**1,482**	1,020
Payables arising from repurchase agreements	**–**	23,001
Other	**7,023**	6,792
	24,562	59,176

14. Equity

Shares authorised, issued and fully paid were as follows:

	Common shares		
	Number of authorized shares	*Number of shares issued and paid*	*Placement value (thousand tenge)*
As at 31 December 2009, 2010 and 2011	28,268,573	27,595,700	50,559,902

As at 31 December 2011, total number of issued and fully paid shares comprised 27,595,700 common shares (2010: 27,595,700). ISN KZ1C50590013 is assigned to all Company's common shares. All common shares are equal in voting rights and dividend rights. No dividends were declared or paid in 2011 and 2010.

15. Commitments and contingencies

Political and economic environment

Kazakhstan continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Kazakhstani economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

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

Also, deterioration of liquidity could affect the Company's customers that in return could make an impact on its ability to settle the debt to the Company. Based on currently available information, the Company reconsidered estimation of future cash flows in the course of assets impairment analysis.

While management believes it is taking appropriate measures to support the sustainability of the Company's business in the current circumstances, unexpected further deterioration in the areas described above could negatively affect the Company's results and financial position in a manner not currently determinable.

Legal actions and claims

The Company is subject to various legal proceedings related to business operations. The Company does not believe that pending or threatened claims of these types, individually or in aggregate, are likely to have any material adverse effect on the Company's financial position or results of operations.

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

As discussed in Note 9, on 28 December 2011 the Istanbul Enforcement Office has blocked 15,912,460 shares of Sekerbank, which approximated KZT 1,085,650 thousand, owned by the Company, as a pledge under the debt of the Government of the Republic of Kazakhstan to Turgut Sera Tirali Company (Turkey). The blocking was made based on the fact that the Government of the Republic of Kazakhstan is the ultimate shareholder of the Company.

On 7 February 2012 the Commercial Court of Istanbul has blocked another 101,726,214 shares of Sekerbank, which approximated KZT 8,937,563 thousand, owned by the Company, as a pledge under the guarantee of JSC BTA Bank issued under the loan obtained by ELT Lojistik Ltd. Şti. (Turkey), from Turkiye Vakiflar Bank T.A.O. (Turkey). The blocking was made based on the fact that JSC BTA Bank is a direct shareholder of the Company (Note 24).

The Company has appealed the above blocking to the higher judicial body of Turkey. As of the date of these financial statements, the appeals were in process. The Company's management is not able to forecast or estimate the possible outcome of this dispute.

15. Commitments and contingencies (continued)

Tax contingencies

Various types of legislation and regulations are not always clearly written and their interpretation is subject to the opinions of the local tax inspectors and the Ministry of Finance of the Republic of Kazakhstan. Instances of inconsistent opinions between local, regional and national tax authorities are not unusual. The current regime of penalties and interest related to reported and discovered violations of Kazakhstan laws, decrees and related regulations is severe. Penalties include confiscation of the amounts at issue (for currency law violations), as well as fines of generally 50% of the taxes unpaid.

The Company believes that it has paid or accrued all taxes that are applicable. Where legislation concerning the provision of taxes is unclear, the Company has accrued tax liabilities based on management's best estimate. The Company's policy is to recognize provisions in the accounting period in which a loss is deemed probable and the amount is reasonably determinable.

Because of the uncertainties associated with the Kazakhstan tax system, the ultimate amount of taxes, penalties and interest, if any, as a result of past transactions, may be in excess of the amount expensed to date and accrued at 31 December 2011. Although such amounts are possible and may be material, it is the opinion of the Company's management that these amounts are either not probable, not reasonably determinable, or both.

The Company's operations and financial position may be affected by Kazakhstan political developments, including the application of existing and future legislation and tax regulations. The Company does not believe that these contingencies, as related to its operations, are any more significant than those of similar enterprises in Kazakhstan.

As at 31 December 2011 management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Company's tax positions will be sustained, except as provided for or otherwise disclosed in these financial statements.

Commitments

As of 31 December 2010 and 2011 the Company has no contractual commitments.

16. Net fee and commission income

Net fee and commission income comprises:

	2011	*2010*
Brokerage fee	**115,613**	93,446
Trust services commission	**100,638**	31,189
Financial advisory services	**30,117**	5,507
Commissions for Mutual Investment Fund (MIF) management	**26,870**	30,470
Securities' issuance and placement commission	**5,421**	83,674
Other	**1,569**	5,161
Fee and commission income	280,228	249,447
Custodian fee	**(130,132)**	(121,565)
Kazakhstan Stock Exchange commission fee	**(10,583)**	(3,608)
Other	**(1,764)**	(1,695)
Fee and commission expense	(142,479)	(126,868)
Net fee and commission income	137,749	122,579

17. Net gains / (losses) from trading securities

Net loss from trading securities of the Company in 2011 occurred mostly due to the decrease of fair value of debt and equity securities of JSC BTA Bank as a result of further worsening of its financial position. In December 2011 JSC BTA Bank announced new restructuring and started to form restructuring steering committee.

Net (losses)/gains from trading securities comprise the following:

	2011	*2010*
Dealing:		
Net realized (loss)/gain from JSC BTA Bank securities	**(271,473)**	25,025
Other (loss)/gain	**(92,271)**	82,145
	(363,744)	107,170
Revaluation:		
Net unrealized (loss)/gain from JSC BTA Bank securities	**(562,044)**	460,093
Other (loss)/gain	**4,523**	60,142
	(557,521)	520,235

18. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2011	*2010*
Salaries and bonuses	**(241,050)**	(235,504)
Social security costs	**(23,299)**	(23,293)
Personnel expenses	**(264,349)**	(258,797)
Withholding tax on dividends received	**(76,566)**	–
Rent	**(34,063)**	(38,682)
Professional fees	**(26,647)**	(31,518)
Fines and penalties	**(14,092)**	(15,405)
Subscriptions for periodicals	**(9,379)**	(13,317)
Advertising	**(5,629)**	(16,986)
Telecommunications	**(3,629)**	(4,654)
Bank charges	**(3,175)**	(3,028)
Repairs and maintenance	**(2,755)**	(1,352)
Transportation	**(2,429)**	(360)
Office expenses	**(1,579)**	(1,792)
Business travel	**(1,568)**	(2,818)
Electricity	**(1,206)**	(1,188)
Personnel training	**(703)**	(1,051)
Other	**(6,206)**	(10,299)
Other operating expenses	**(189,626)**	(142,450)

19. Risk management

Introduction

Risk is inherent in the Company's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Company's continuing profitability and each individual within the Company is accountable for the risk exposures relating to his or her responsibilities. The Company is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into currency, interest rate and equity price risks. It is also subject to operating risks.

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

Risk management structure

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

Board of Directors

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

Management Board

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

Risk Management

The Risk Management Unit has the overall responsibility for the development of the risk strategy, implementing and maintaining risk related procedures to ensure an independent control process. This unit is also responsible for monitoring risks associated with the Company's compliance with risk principles, frameworks, policies and limits.

Investment Management

Investment Committee is responsible for effective investment portfolio management of the Company's own assets and assets held in fiduciary capacity, including the overall diversification of financial structure to reduce risk concentration.

Internal audit

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

19. Risk management (continued)

Introduction (continued)

Risk measurement and reporting systems

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

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

Information compiled from all the businesses is examined and processed in order to analyse, control and identify early risks. This information is presented and explained to the Management Board, the Investment Committee, and the head of each business division. The report includes aggregate credit exposure, credit metric forecasts, excess of limit exceptions, value at risk (VaR), liquidity ratios and risk profile changes. On a monthly basis detailed reporting of risks, compliance with limits, and potential losses takes place. The Board of Directors receives a comprehensive risk report once a month which is designed to provide all the necessary information to assess and conclude on the risks of the Company.

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

Excessive risk concentration

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

In order to avoid excessive concentrations of risks, the Company's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Management of risk is fundamental to the business and is an essential element of the Company's operations.

The main risks inherent to the Company's operations are those related to market movements in interest rates and fair value. The Company's exposure to the liquidity risk is minimised as its assets are substantially funded by its equity. A summary description of the Company's risk management policies in relation to those risks is as follows.

Credit risk

Financial assets, which potentially subject the Company to credit risk, consist principally of cash and cash equivalents, amount due from credit institutions, trading securities and commission receivable. While the Company may be subject to losses in the event of non-performance by its counterparties, the management of the Company does not expect such losses to occur in the selection of counterparties.

At the year end, leading international rating agencies lowered their long-term counterparty ratings for a large number of Kazakhstani banks and corporations. In the management's view, the maximum exposure to the credit risk arising from the cash and cash equivalents, amount due from credit institutions held with local banks is equal to the carrying amounts of these assets.

Trading securities comprise Government and corporate bonds and corporate equity instruments which are actively traded on local and foreign stock exchange and can be easily converted into cash within a short period of time.

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

19. Risk management (continued)

Credit risk (continued)

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

2011	*Kazakhstan*	*OECD*	*CIS and other non OECD countries*	*Total*
Assets:				
Cash and cash equivalents	313,123	–	–	313,123
Trading securities (excluding equity securities)	1,211,064	–	23,981	1,235,045
Trade accounts receivable	55,589	24,360	104	80,053
	1,579,776	24,360	24,085	1,628,221
Liabilities:				
Accrued expenses and other liabilities	(24,562)	–	–	(24,562)
Net position	1,555,214	24,360	24,085	1,603,659

2010	*Kazakhstan*	*OECD*	*CIS and other non OECD countries*	*Total*
Assets:				
Cash and cash equivalents	112,817	–	–	112,817
Amounts due from credit institutions	520,000	–	–	520,000
Trading securities	807,138	–	3,110	810,248
Trade accounts receivable	85,735	13	149	85,897
Dividends receivable	–	551,446	–	551,446
	1,525,690	551,459	3,259	2,080,408
Liabilities:				
Accrued expenses and other liabilities	(56,032)	(3,129)	(15)	(59,176)
Net position	1,469,658	548,330	3,244	2,021,232

Liquidity risk and funding management

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.

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

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices. The market risk for the trading portfolio is managed and monitored based on a VaR methodology.

Objectives and limitations of the VaR Methodology

The Company uses simulation models to assess possible changes in the market value of the trading securities based on historical data from the past one year. The VaR models are designed to measure equity price risk in a normal market environment. The models assume that any changes occurring in the risk factors affecting the normal market environment will follow a normal distribution. The distribution is calculated based on actual historical data. The use of VaR has limitations because it is based on historical correlations and volatilities in market prices and assumes that future price movements will follow a statistical distribution. Due to the fact that VaR relies heavily on historical data to provide information and may not clearly predict the future changes and modifications of the risk factors, the probability of large market moves may be underestimated if changes in risk factors fail to align with the normal distribution assumption. Even though positions may change throughout the day, the VaR only represents the risk of the portfolios at the close of each business day, and it does not account for any losses that may occur beyond the 95% confidence level.

In practice the actual trading results will differ from the VaR calculation and, in particular, the calculation does not provide a meaningful indication of profits and losses in stressed market conditions. To determine the reliability of the VaR models, actual outcomes are monitored regularly to test the validity of the assumptions and the parameters used in the VaR calculation. Market risk positions are also subject to regular stress tests to ensure that the Company would withstand an extreme market event.

19. Risk management (continued)

Market risk (continued)

VaR assumptions

The VaR that the Company measures is an estimate, using a confidence level of 95% of the potential loss that is not expected to be exceeded if the current market risk positions were to be held unchanged for one day. The use of a 95% confidence level means that, within a one day horizon, losses exceeding the VaR figure should occur, on average, not more than once every twenty days.

Since VaR is an integral part of the Company's market risk management, VaR limits have been established for all trading operations and exposures are reviewed daily against the limits by management.

Equity price risk

	Change in equity price in %	*Effect on income statement*
2011 – 31 December	**(1.87%)**	**(1,547)**
2010 – 31 December	(2.00%)	(2,084)

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The sensitivity of the income statement is the effect of the assumed changes in interest rates on the net interest income for one year, based on the change in the fair value of debt security instruments held as trading securities at 31 December.

The following tables demonstrate the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's income statement.

Increase in basis points	*Sensitivity of net interest income 2011*	*Sensitivity of net interest income 2010*
+100	**(41,573)**	(17,495)
+200	**(83,146)**	(34,990)
+300	**(124,719)**	(52,485)
+400	**(166,293)**	(69,980)
+500	**(207,866)**	(87,475)

Decrease in basis points	*Sensitivity of net interest income 2011*	*Sensitivity of net interest income 2010*
-100	**41,573**	17,495
-200	**83,146**	34,990
-300	**124,719**	52,485
-400	**166,293**	69,980
-500	**207,866**	87,475

Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. For assessment of currency risk the Company uses a one year Historical Simulation VaR model, with 95% confidence level. The table below illustrates currency risk to which the Company had significant exposure at 31 December on its monetary assets and liabilities and its forecast cash flows. The analysis calculates the effect of potential losses in the case of the currency rate movement against the Tenge, with all other variables held constant on the income statement. A negative amount in the table reflects a potential net reduction in the income, while a positive amount reflects a net potential increase.

	Change in exchange rates in %	*Effect on income statement*
2011 – 31 December	**+/-10.72%**	**+/-7,012**
2010 – 31 December	+/-11.56%	+/-422

Operational risk

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

20. Fair values of financial instruments (continued)

Fair value of financial assets and liabilities not carried at fair value (continued)

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

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, savings accounts without a specific maturity and variable rate financial instruments.

Liquidity risk and funding management

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. The Company manages assets with liquidity in mind, and monitors future cash flows and liquidity on a daily basis.

The maturity of Company's financial assets and liabilities is as follows.

	2011			*2010*		
Financial assets	*Up to 3 months*	*3 to 12 months*	*Total*	*Up to 3 months*	*3 to 12 months*	*Total*
Cash and cash equivalents	**313,123**	**–**	**313,123**	112,817	–	112,817
Amounts due from credit institutions	**–**	**–**	**–**	–	520,000	520,000
Trading securities	**1,664,688**	**–**	**1,664,688**	1,654,195	–	1,654,195
Investment securities available-for-sale	**–**	**33,932**	**33,932**	–	23,506	23,506
Trade accounts receivable	**76,502**	**3,551**	**80,053**	79,302	6,595	85,897
Assets held for sale	**–**	**23,553,893**	**23,553,893**	–	–	–
Dividends receivable	**–**	**–**	**–**	–	551,446	551,446
Other assets	**–**	**20,687**	**20,687**	–	29,486	29,486
Total	**2,054,313**	**23,612,063**	**25,666,376**	1,846,314	1,131,033	2,977,347
Financial liabilities						
Accrued expenses and other liabilities	**10,627**	**13,935**	**24,562**	56,647	2,529	59,176
Total	**10,627**	**13,935**	**24,562**	56,647	2,529	59,176
Net position	**2,043,686**	**23,598,128**	**25,641,814**	1,789,667	1,128,504	2,918,171

Fixed rate financial instruments

For quoted debt instruments the fair values are determined based on quoted market prices. The fair values of unquoted debt instruments are estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

21. Trust activities

The Company provides asset management services for mutual funds and other companies, which involve the Company making allocation and purchase and sales decisions in relation to securities. Those securities and assets that are held in a fiduciary capacity are not included in these financial statements. As at 31 December 2011 such securities and assets held in this capacity were 32,617,630 thousand tenge (2010 – 30,978,012 thousand tenge).

As at 31 December total assets of investment funds managed by the Company comprised:

	2011	*2010*
Securities held in fiduciary capacity	**29,256,161**	27,145,625
Cash received from customers for securities trading	**13,616,313**	2,803,504
Assets of investment funds	**2,441,132**	2,432,099
Real estate portfolio	**879,453**	934,123
	46,193,059	33,315,351

During 2011 the Company received funds from entities under common control of the Parent company to be held in a fiduciary capacity for the total amount of 29,257,903 thousand tenge (2010: 27,611,790 thousand tenge) (Note 22).

21. Trust activities (continued)

Cash received from customers for securities trading represents customers' non-interest bearing cash with restriction in use under contractual terms. The Company could use these facilities for trading transactions with securities on behalf of customers only if appropriate customers' instructions are available.

At 31 December such facilities comprise:

	2011	*2010*
Current accounts with:		
Central Depositary (KZT)	**9,106,606**	1,005,905
Central Depositary (USD)	**4,379,453**	1,022,453
Kazakh banks (USD)	**74,086**	115,044
Kazakh banks (GBP)	**14,254**	191,983
Kazakh banks (KZT)	**41,479**	466,752
Kazakh banks (EUR)	**364**	1,366
Kazakh banks (CAD)	**71**	1
	13,616,313	2,803,504

As at 31 December 2011 and 2010, assets of investment funds, cash and securities are held with following custodians:

	2011	*2010*
Assets of investment funds:		
ATF Bank	**2,441,132**	2,432,099
Cash received from customers for securities trading:		
Central Depositary	**13,486,139**	2,028,437
Kazkommerts Bank	**92,511**	737,589
BTA Bank	**37,113**	36,925
Alianz Bank	**550**	553
Securities held in fiduciary capacity:		
Kazkommerts Bank	**29,229,455**	27,120,846
ATF Bank	**26,706**	24,779
Real estate portfolio:		
ATF Bank	**879,453**	934,123
	46,193,059	33,315,351

22. Related party disclosures

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

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

22. Related party disclosures (continued)

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

	2011			2010		
	Shareholder	*Associate*	*Entities under common control*	*Shareholder*	*Associate*	*Entities under common control*
Statement of financial position:						
Cash and cash equivalents as at 1 January	**69,255**	–	–	175,716	4,506	–
Cash and cash equivalents received	**667,240**	–	–	2,120,547	(4,506)	–
Cash and cash equivalents paid	**(720,247)**	–	–	(2,227,008)	–	–
Cash and cash equivalents as at 31 December	**16,248**	–	–	69,255	–	–
Trading securities as at 1 January	**620,652**	–	**119,858**	–	–	240,748
Trading securities purchased	**106,386**	–	**142,815**	3,342,737	–	2,328
Revaluation gains/(losses) from trading securities	**(562,044)**	–	**418,425**	385,765	–	73,918
Trading securities sold	**(53,922)**	–	**(64,149)**	(3,107,850)	–	(197,136)
Trading securities as at 31 December	**111,072**	–	**616,949**	620,652	–	119,858
Trade accounts receivables as at 1 January	**241**	**13**	**33,451**	105,122	–	20,592
Trade accounts receivables accrued	**8,988**	**664,310**	**97,265**	130,123	769,645	71,784
Trade accounts receivables paid	**(7,979)**	**(639,963)**	**(98,141)**	(235,004)	(769,632)	(58,925)
Trade accounts receivables as at 31 December	**1,250**	**24,360**	**32,575**	241	13	33,451
Investment in associate as at 1 January	–	**64,105,497**	–	–	60,587,127	–
Increase for the year	–	**6,269,132**	–	–	4,492,479	–
Decrease for the year	–	**(70,374,629)**	–	–	(974,109)	–
Investment in associate as at 31 December	–	–	–	–	64,105,497	–
Restricted cash as at 1 January	–	–	–	93,841	–	–
Restricted cash returned	–	–	–	(93,841)		
Restricted cash placed	–	–	–	–	–	–
Restricted cash as at 31 December	–	–	–	–	–	–
Accrued expenses and other liabilities as at 1 January	–	**3,129**	**450**	657	–	886
Accrued expenses and other liabilities accrued	**3,027**	**46,168**	**450**	–	49,107	1,550
Accrued expenses and other liabilities paid	**(2,523)**	**(43,039)**	**(450)**	(657)	(45,978)	(1,986)
Accrued expenses and other liabilities as at 31 December	**504**	**6,258**	**450**	–	3,129	450
Income statement:						
Interest income	**507,031**	**5,761**	**42,583**	–	3,414	–
Fee and commission income	**6,682**	–	**74,338**	8,461	–	33,759
Fee and commission expense	–	**43,039**	–	–	(49,107)	2
Net gains/(losses) from trading securities	**(833,517)**	–	**11,014**	380,552	–	3,221
Share in net profit of associate	–	**6,075,408**	–	–	4,483,124	–
Impairment of investment in associate	–	**(45,651,430)**	–	–	–	–
Other operating expenses	**(15,782)**	**(150)**	–	(19,603)	(269)	–
Statement of comprehensive income:						
Share in other comprehensive income of associate	–	**(1,169,307)**	–	–	9,355	–
Trust activities:						
Cash received from customers for securities trading	–	–	**28,448**	–	–	466,165
Securities held in fiduciary capacity	–	–	**29,229,455**	–	–	27,145,625
			29,257,903			27,611,790

22. Related party disclosures (continued)

Compensation of key management personnel was comprised of the following:

	2011	*2010*
Salaries and other short-term benefits	**88,527**	87,215
Social security costs	**8,576**	8,573
Total key management personnel compensation	**97,103**	95,788

23. Capital adequacy

The Company maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Company's capital is monitored using, among other measures, the ratios established by the FMSC in supervising the Company.

During the past year, the Company had complied in full with all its externally imposed capital requirements.

The primary objectives of the Company's capital management are to ensure that the Company complies with externally imposed capital requirements and that the Company maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

FMSC capital adequacy ratio

The FMSC requires management companies to maintain a capital adequacy ratio of not less than 1 of the minimum capital required by FMSC. Liquid assets and liabilities calculated in accordance with FMSC requirements were derived from the Company's financial statements modified by FMSC regulations. As at 31 December, the Company's capital adequacy ratio on this basis was as follows:

	2011	*2010*
Liquid assets	**14,989,964**	4,560,067
Liabilities	**(14,051,534)**	(3,302,854)
Net liquid assets	**938,430**	1,257,213
Minimum capital	**259,200**	259,200
Capital adequacy ratio	**3.62**	4.85

24. Subsequent events

On 25 January 2012 the Company has signed an agreement with National Welfare Fund "Samruk-Kazyna" on sale of 33.98% its share in Sekerbank. The price per share is calculated using the average market price for the last 30 calendar days, published by Bloomberg information system. In accordance with the agreement, National Welfare Fund "Samruk-Kazyna" is obliged to purchase immediately 323,874,620 shares that are free from encumbrances. The remaining 15,912,460 shares that are encumbered, National Welfare Fund "Samruk-Kazyna" is obliged to purchase as soon as the encumbrance is removed (Note 9).

On 7 February 2012, the Commercial Court of Istanbul has blocked another 101,726,214 shares of Sekerbank, owned by the Company, as a pledge under the guarantee of JSC BTA Bank issued on the loan of ELT Lojistik Ltd. Şti. (Turkey), obtained from Turkiye Vakiflar Bank T.A.O. (Turkey). The blocking was made based on the fact that JSC BTA Bank is a direct shareholder of the Company. The Company has appealed the blocking to the higher judicial body of Turkey (Notes 9 and 15).

On 27 February 2012 the Banking Regulation and Supervision Agency of Turkey has approved the transfer of 222,148,406 Bank shares owned by the Company to Samruk- Kazyna. On 23 March 2012 National Welfare Fund "Samruk-Kazyna" has completed the purchase of 222,148,406 shares of Sekerbank that are free from encumbrances.