

“Kazakhstan Deposit Insurance Fund” JSC is a non-commercial organization established on November 15, 1999. The KDIF's sole shareholder and founder is the National Bank of the Republic of Kazakhstan.

The KDIF's main goal is ensuring stability of the financial system, including maintenance of public confidence in the banking sector by reimbursing depositors in the event of a bank's forced liquidation.

MISSION:

- to protect depositors' interests by insuring their bank deposits and reimbursing their losses occurred in the event of the DIS member-bank's forced liquidation.

VISION:

- to comply with the international principles for the effective Deposit Insurance Systems;
- to accomplish our mission following the world's best practices.

STRATEGIC TARGETS:

- effective corporate management, including strengthening of cooperation with major partners;
- readiness for insured events (procedural readiness);
- extending public awareness about the Deposit Insurance System;
- enhancing professional qualification of the KDIF's personnel.

ABBREVIATIONS USED

AFK	Association of Financiers of Kazakhstan
APRC	Asia-Pacific Regional Committee
Contract of Adhesion	Contract of the member-banks' adhesion to the Kazakhstani mandatory deposit insurance system
DIS	Deposit Insurance System
DPS	Differential Premium System
EARC	Eurasia Regional Committee
Financial Supervision Committee, FSC	Committee for the Control and Supervision of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan
IADI	International Association of Deposit Insurers
JSC	Joint Stock Company
KDIF, the Fund	Kazakhstan Deposit Insurance Fund JSC
National Bank, NBRK	National Bank of the Republic of Kazakhstan

TABLE OF CONTENTS

Message from Chairperson	4
Calendar of Events in 2011	6
Organizational Structure	8
Banking Sector of Kazakhstan in 2011	12
Member-Banks of the Deposit Insurance System	14
Banks' Liquidation and Payouts to the Depositors	16
Special Reserve for Payouts	17
Assets Investment	18
"BATA" Differential Premium System and Information System	19
Inspection of the Member-Banks	20
Risk Management System	21
Human Resources Management	23
International Cooperation	24
Public Awareness	26
Auditor's Report and Financial Statements	28

MESSAGE FROM CHAIRPERSON

Kazakhstani economy generally enjoyed an ascending trend in 2011 as nearly all of its sectors have experienced growth. Favorable market conditions for energy carriers, as well as the economic effect from the state program measures aimed at diversifying the national economy, and expansion of domestic demand were the main growth-driving factors.





Revival of the real sector activity in the post-crisis period promoted the financial system's recovery, and particularly the banking sector. In fact, the DIS member-banks' total assets increased annually by 6.7% compared to 2010, while liabilities grew by 7.5%, which was partially caused by the increase in their total retail deposits portfolio by 22.6%.

Despite the DIS member-banks' generally positive trends detected in the reporting year, such as growth in crediting activity, increase in domestic funding, the problem of low assets quality still remains as topical and significant as in the previous period which may adversely affect the member-banks' financial standing and solvency. Some domestic banks may also face serious problems caused by such external financial risks as growing default probability on some euro zone countries' liabilities.

The state financial system's regulator has taken steps towards enhancement of the supervision and regulation of the domestic financial market and its entities. The KDIF from its part has also implemented a number of measures aimed at improving its efficiency, including its operational readiness for the banks' bankruptcy. Increase in the aggregate amount of retail deposits placed with member-banks and the adoption of amendments to the legislation maintaining the deposit coverage limit at the level of five million tenge led to the increase in the total KDIF's liabilities. However, the financial position of KDIF remained stable – its special reserve for payouts reached 161 billion tenge. At the end of the reporting year the sole shareholder, National Bank of Kazakhstan, has replenished the KDIF's authorized capital by 10%, which composed 133 billion tenge, in order to consolidate the KDIF's financial position.

Maintenance of the insured deposits' coverage limit at the level of five million tenge has largely contributed to the enhancement of depositors' confidence in the domestic banking sector and its financial stability. At present the KDIF's guarantees fully cover the balances of 99% of the individuals' accounts placed with DIS member-banks.

The KDIF's operational readiness development strategy is targeted at minimizing risks in the payouts process. Ten member-banks were inspected on-site on the compliance of their insured deposits' records and the depositors' database with the KDIF's requirements during the reporting year. We are currently developing a specialized information system that would automate and accelerate a number of KDIF's business processes related to the member-banks' inspections. Furthermore, during the year the KDIF's employees took active part in different working groups and task forces of the National Bank of Kazakhstan in order to develop recommendations for making amendments and addenda to the existing legislation. These recommendations are aimed at improving the national

deposit insurance system, as well as regulation of the banking sector's operations.

In the reporting year the KDIF has also started conducting self-assessment of its operations' compliance with the Core Principles for the Effective Deposit Insurance Systems in order to outline priority directions in the further advancement of the domestic deposit insurance system. The Core Principles were developed and adopted by IADI together with the Basel Committee on Banking Supervision. The results of such self-assessment will identify strengths and weaknesses in KDIF's activities, which will further help make necessary adjustments and improvements in certain areas.

Our membership in the International Association of Deposit Insurers (IADI) helps us continuously keep a pulse on global trends in deposit insurance sharing our experience and knowledge with foreign colleagues on an ongoing basis.

Moreover, currently heading the IADI Eurasia Regional Committee we also strive towards promoting international cooperation on the intraregional level. Thus, the KDIF held the 4th EARC Annual Meeting and Seminar "Problem Banks' Resolution Methods and Payouts of the Deposit Coverage" in Almaty which was attended by deposit insurance organizations' managers from almost all CIS countries and covered a number of topical issues in this area.

It is also important to emphasize such positive trends as the growth of public awareness about the deposits' safekeeping issues. Banks' depositors actively use the KDIF telephone call center to be consulted on a wide range of deposit insurance related matters. The number of incoming calls through the "hot line" has been annually increasing for a long time, although no insured events have taken place since 2007.

Therefore, being constantly prepared to fulfill its payout obligations if necessary, the deposit insurance system strives for ongoing self-improvement and is focused on achieving a "risk-minimizer", a higher level of DIS development.

In conclusion, on behalf of KDIF I would like to sincerely thank the National Bank of Kazakhstan, the DIS member-banks, our partners and foreign colleagues-IADI members for their support and fruitful cooperation.

With best regards,

Bakhyt Mazhenova

CALENDAR OF EVENTS in 2011

MONTH	EVENT
DURING THE YEAR	<p>Continuation of the coverage payouts to the depositors of "Nauryz Bank Kazakhstan" JSC and "Valut-Tranzit Bank" JSC, verification of the depositors' documents with respect to the timeliness, accuracy and justification</p> <p>Participation of the KDIF's representatives in the creditors' committees of "Nauryz Bank Kazakhstan" JSC and "Valut-Tranzit Bank" JSC</p> <p>Inspection of the member-banks' insured deposits automated database for its compliance with the KDIF's requirements</p> <p>Contribution to the development of researches and guidelines in light of the IADI Research and Guidance Committee's and Subcommittees' activities</p> <p>Public consultations on deposit insurance issues through a free hotline telephone number (8-800-080-10-20) by the KDIF's specialists</p> <p>Seven meetings of the KDIF's Board of Directors and four meetings of the KDIF's Advisory Council were held</p>
JANUARY	Participation of the KDIF's representative in the Ninth Annual Meeting of the IADI Asia-Pacific Regional Committee in Bangkok (Thailand)
MARCH	Adoption of the Methodology on the estimation and establishment of the recommended maximum interest rates on newly accepted individuals' deposits
APRIL	<p>Presentation on the Differential Premium System "BATA" of the KDIF's representative during the seminar-training "Assessment of the Financial Market Environment by the Deposit Insurers and their Special Reserve's Management" in Washington, USA</p> <p>KDIF Board of Directors adopted the amendments to the KDIF's investment strategy for 2011 aimed at lowering the range of the foreign currency's component of the KDIF's investment portfolio from 30%-40% to 25%-35%</p>
MAY	Adoption by the KDIF's Board of Directors of the Fund's 1) Contingency Plan on the further risk management; 2) amendments and addenda to the Rules on mandatory calendar, additional and extraordinary premiums' amounts determination and payment procedures (hereinafter - the Rules), as well as 3) addenda to the Annex 2 of the Contract of Adhesion
JUNE	<p>"Bank Kassa Nova" JSC became the DIS member</p> <p>Actualization of the "BATA" information system according to the adopted amendments to the Rules</p>
JULY	<p>Exclusion of the "Bank "Astana-Finance" JSC from the DIS members</p> <p>The FSC suspended the license of the Subsidiary Bank "Taib Kazakh Bank" JSC for accepting individuals' deposits, opening and maintaining individuals' bank accounts in national and foreign currencies for the 3 months' period</p> <p>The FSC suspended the license of the Subsidiary Bank "SENIM-BANK" JSC for accepting individuals' deposits, opening and maintaining individuals' bank accounts in national and foreign currencies, as well as for conducting operations on the equity market for the 3 months' period</p> <p>Adoption of the amendments to the Rules for inspection of the member-banks' insured deposits automated database on its compliance with the KDIF's requirements stipulated in the Contract of Adhesion by the KDIF's Board of Directors</p>
AUGUST	<p>"DANABANK" JSC was renamed to Subsidiary Bank "Punjab National Bank Kazakhstan" JSC</p> <p>"Kazincombank" JSC resumed its membership in the Kazakhstani DIS (was excluded from the DIS members in August 2010)</p>

MONTH	EVENT
SEPTEMBER	Holding the 4th EARC Annual Meeting and Seminar in Almaty
	"KazInComBank" JSC was renamed to "BANK RBK" JSC
	The KDIF's Board of Directors adopted the Rules on the KDIF's financial instruments accounting
OCTOBER	IADI 11th Annual General Meeting and International Conference in Warsaw (Poland)
	KDIF's work group was established to conduct self-assessment of the compliance with the IADI Core Principles for the Effective Deposit Insurance Systems
NOVEMBER	Participation of the KDIF's representative in the IADI conference "The Role of the Deposit Insurance System in the Problem Banks' Resolution Process – Lessons Learned from the Global Financial Crisis" in Jodhpur (India)
	Presentation of the KDIF's representative on the Differential Premium System "BATA" at the training "Deposit Insurers' Assessments of the Financial Conditions and Funds Management" in Taiwan
DECEMBER	According to the Law of the Republic of Kazakhstan "On Making Amendments and Addenda to Several Legal Acts of the Republic of Kazakhstan with Regard to the Risks Minimization in the Regulation of Banking Activity and Financial Organizations" the coverage limit on the individuals' deposits was maintained at five million tenge
	KDIF's Authorized Capital was increased up to 133,1 billion tenge by the Shareholder's decision
	KDIF's Contingency Plan stipulating measures to be taken in the event of withdrawal of the DIS member-bank's license for conducting all banking operations or implementation of the bank's conservatorship was worked up

SHAREHOLDER

National Bank of Kazakhstan is the KDIF's sole shareholder, founder and supreme management authority. The Deputy Governor of the National Bank of Kazakhstan, Ms. Dina Galiyeva, is empowered to make all decisions within the shareholder's competence.



Ms. Dina Galiyeva
*Deputy Governor of
the National Bank of Kazakhstan*

BOARD OF DIRECTORS



Mr. Daniyar Akishev
*Chairman of the Board,
Deputy Governor of
the National Bank of
Kazakhstan*



Ms. Bakhyt Mazhenova
*Chairperson
of the Kazakhstan
Deposit Insurance Fund*



Mr. Mukhtar Bubeyev
*Deputy Chairman
of the Financial
Supervision Committee
of the National Bank of
Kazakhstan*



**Ms. Gulfayruz
Shaykakova**
*Director of the
Research and
Statistics Department
of the National Bank of
Kazakhstan*



Mr. Vitaliy Tutushkin
*Deputy Director
of the Financial
Stability Department of
the National Bank of
Kazakhstan*



Mr. Beisenbek Ziyabekov
Independent Director



Ms. Slava Sizova
Independent Director



Mr. Zhanat Kurmanov
Independent Director

ADVISORY COUNCIL

The KDIF's Advisory Council consists of representatives from the DIS member-banks. Advisory Council's members are re-elected on an annual basis at the member-banks' general meeting through the voting process. In 2011 a representative of "Kazkommertsbank" JSC was elected as a Chairperson of the Advisory Council by its members.

DAUREN KARABAYEV, "HALYK SAVINGS BANK OF KAZAKHSTAN" JSC

AIDA DEREVYANKO, "ATFBANK" JSC

LINARA ANUARBEKOVA, "KAZKOMMERTSBANK" JSC

TATYANA BELOZERTSEVA, "ALLIANCE BANK" JSC

KAIRAT ZHANYBEKOV, "BANK RBK" JSC

(from left to right)

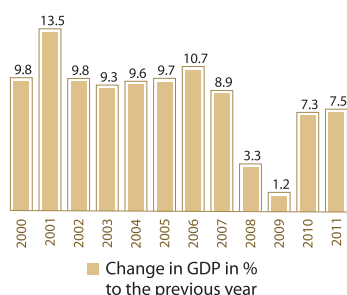


PAVEL MIRONOV, "KASPI BANK" JSC
ALIYA BERGARİPOVA, "EURASIAN BANK" JSC
IRINA PARAMONOVA, "TEMIRBANK" JSC
MURAT ABISHEV, "BANK CENTERCREDIT" JSC
SERGEI INYUSHIN, "SBERBANK OF RUSSIA" JSC SB
(from left to right)

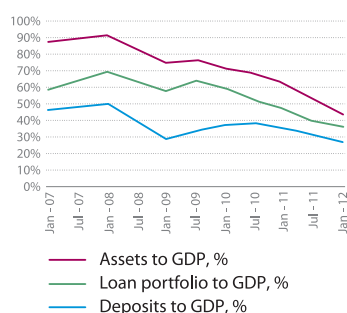


BANKING SECTOR OF KAZAKHSTAN IN 2011

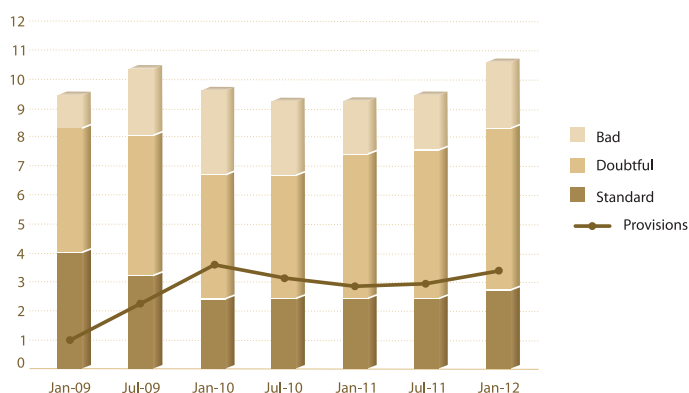
*Dynamics of the
Kazakhstan GDP*
(Source: Statistical Overview
of the National Bank of
Kazakhstan)



*Banking sector in the
economy*



*Loan portfolio and provisions,
trillion tenge*



In 2011 the economy of Kazakhstan witnessed an increase in GDP by 7.5%. To compare, in 2010 the annual GDP growth composed 7.3%, and just 1.2% in 2009. Relatively high prices for Kazakhstani raw materials' export items have mitigated the impact of external shocks during the global financial crisis and along with the foreign currency exchange policy in place has contributed to maintaining significant economic growth and competitiveness¹.

There were relatively high liquidity levels in the Kazakhstani banking system during the reporting year: share of highly liquid assets in the total bank assets' portfolio usually exceeded 20%. Such liquidity excess was caused, on the one hand, by the banks' continuous conservative lending policy, and, on the other hand, by the banks' intention to stay on the safe side and minimize the impact of possible economic turbulence. It should be noted that the excessive banks' liquidity levels and their conservatism in lending policy resulted in the general banks' profitability deterioration in the reporting year.

In general, the annual growth of the banks' assets totaled 6.5% or 787 billion tenge while the aggregate assets amount reached 12.8 trillion tenge by the end of the reporting year.

Low assets quality remains the major problem of the Kazakhstani banking sector and is even faced by the banks whose debts were restructured in 2010 ("BTA Bank" JSC, "Alliance Bank" JSC and "Temirbank" JSC). In particular, the BTA Bank's Board of Directors proposed to restructure the bank's liabilities for the second time. Completion of the BTA Bank's external debt restructuring process in the second half of 2010 has lowered the aggregate bank's debt from 12 billion US dollars to 4.4 billion US dollars, and led to the contraction of the external debt's share in the total bank's liabilities from 41% as of July 1, 2010 to 34.6% as of July 1, 2011. However, the bank still faces significant problems of low assets quality, high funding costs, substantial operational expenses and capital deficit.

In 2011 the aggregate loan portfolio of banks increased up to 10.5 trillion tenge, or by 15.5% (1.4 trillion tenge), while the ratio of the total banks' loans to GDP dropped from 42.3% to 38.5%. Whereas in 2008-2010 the banks' total loan portfolio growth was insignificant due to the banks' conservative lending policy, in 2011 the banking lending activity gradually began to recover. Furthermore, it should be emphasized that public and corporate sector's demand for the Kazakhstani banks' loans has expanded. However, high banks' requirements towards the borrowers continue to restrain the new loans allocation process which in its turn damages quality of the banks' loan portfolio.

Thus, as of December 31, 2011 the share of standard loans in the aggregate banks' loan portfolio composed 25.7%, the share of doubtful loans – 52.3% (including doubtful loans of the 5th category – 14.0%),

¹ According to the Report on Financial Stability of the National Bank of Kazakhstan for 2011

and the share of bad loans – 22%. At the same time several medium and small banks have managed to improve their loan portfolio quality.

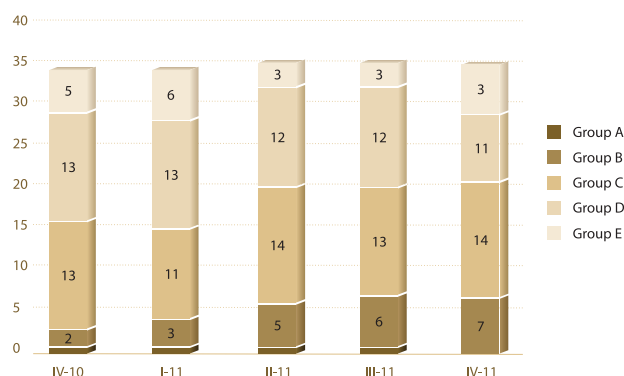
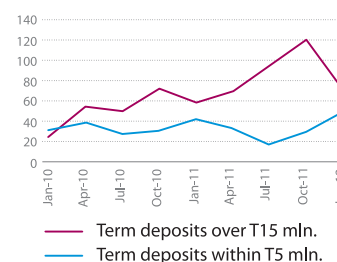
Kazakhstani banking funding structure gradually shifted from external into internal funding sources, and banks' attraction of deposits from the Kazakhstani population mainly accounted for this trend. In 2011 the aggregate amount of deposits placed with the commercial banks increased by 14.2% and composed 2/3 of the total volume of the bank's funding. State measures taken to support the domestic banking sector, including preservation of the deposit coverage limit at the level of five mln. tenge on the permanent basis, helped maintain public confidence in the banking system, which was reflected in the high internal deposits growth rate.

The annual aggregate deposits growth rate composed 14.2%, i.e. the deposits grew by 973 billion tenge in the reporting year, up to about 7.8 trillion tenge, including an increase in the retail deposits by 22.6% or 508.8 billion tenge, up to 2.8 trillion tenge. To emphasize, in each quarter of 2011 the retail deposits' inflow rate exceeded 5% which means that the retail deposits growth rates are slowly returning to the pre-crisis period levels.

Retail deposits' portfolio structure as of December 31, 2011 was represented mainly by term deposits and conditional deposits whose total share of all the retail deposits reached 86.2%, current and card accounts accounted for 12.6 %, and, finally, call deposits represented 1.2% of the aggregate individuals' deposits portfolio.

While the increase in large domestic currency deposits with the balances over 15 million tenge contributed most to the growth of the aggregate amount of retail deposits in 2010, both term and conditional deposits in national currency with the balances up to 5 million tenge and those exceeding 15 million tenge enjoyed the largest annual increases (in the amount of 113.7 billion tenge each) over 2011. The aggregate volume of term and conditional deposits whose amounts varied from 5 to 15 million tenge grew by 72 billion tenge, or by 26.8%. Also, the net annual growth of large term and conditional deposits with the balances exceeding 15 million tenge totaled 222.8 billion tenge (or 23.1 %).

Quarterly dynamics of retail deposits, billion tenge



Dynamics of the member-banks' distribution between the classification groups of the "BATA" system

In the reporting year 11 out of 35 member-banks have improved their positions within the "BATA" differential premium system based on calculation of the member-banks' key financial indicators, and were assigned better classification groups with lower quarterly premiums' rates. The "BATA" system distributes all the DIS member-banks between five classification groups – "A", "B", "C", "D" and "E" with the following respective quarterly calendar premiums rates: 0.04%, 0.08%, 0.11%, 0.19% and 0.38%. Then, the amount of quarterly premium due for payment is calculated by multiplying these differential rates by the total volume of the member-bank's insured deposits. Whereas in the fourth quarter of 2010 18 out of 34 member-banks were assigned classification groups "D" and "E", one year later, in the fourth quarter of 2011, both of these two worst groups numbered only 14 out of 35 member-banks.

MEMBER-BANKS OF THE DEPOSIT INSURANCE SYSTEM

According to the legislation all banks licensed to open and maintain individuals' bank accounts have to become members of the deposit insurance system, i.e. their membership in the DIS is mandatory. As of the beginning of the reporting year 34 banks out of 39 second-tier banks operating in Kazakhstan were the DIS members.

In June 2011 "Kassa Nova Bank" JSC, which had not accepted individuals' deposits until then, obtained a license for conducting such operations from the regulatory authority and, thus, joined the DIS.

"Kazinkombank" JSC, which had been excluded from the DIS in 2010, resumed its membership there in August 2011. In September 2011 this bank was renamed to "BANK RBK" JSC.

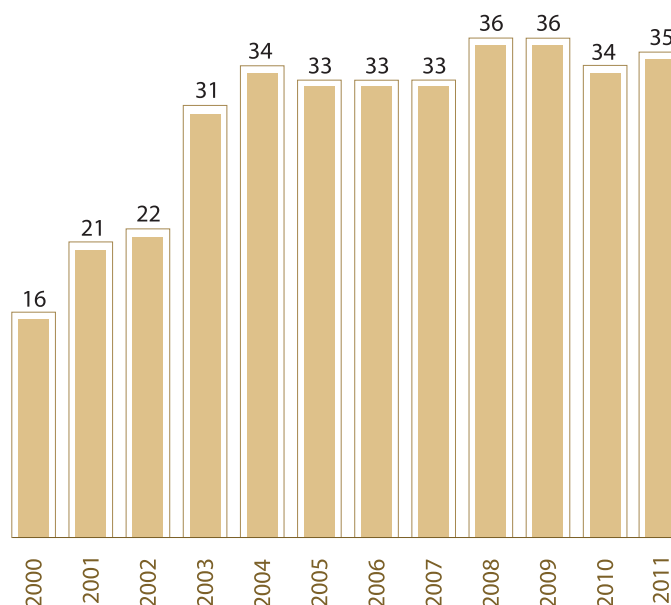
"DANABANK" JSC was also renamed to Subsidiary Bank "Punjab National Bank Kazakhstan" JSC (abbreviated designation – SB "PNB-Kazakhstan" JSC) due to the purchase of its controlling stock by the "Punjab National Bank".

In accordance with the Resolution of the National Bank of Kazakhstan's Board adopted in July the license for accepting individuals' deposits, opening and maintaining individuals' bank accounts was withdrawn from "Bank "Astana-Finance" JSC. This was done due to the bank's violations of prudential requirements set out in the Law of the Republic of Kazakhstan "On Banks and Banking Activity in the Republic of Kazakhstan". As a result this bank was excluded from the DIS.

In the same month the licenses of Subsidiary Bank "Taib Kazakh Bank" JSC and "SENIM-BANK" JSC for accepting individuals' deposits, opening and maintaining individuals' bank accounts were suspended for the 3 months' period due to their infringement of the domestic banking legislation.

Thus, on the whole, Kazakhstanian DIS numbered 35 member banks as of the end of the reporting year.

Number of Kazakhstanian deposit insurance system's member-banks in 2000 - 2011



**LIST OF THE DEPOSIT INSURANCE SYSTEM'S MEMBER-BANKS
AS OF DECEMBER 31, 2011**

#	MEMBER-BANK'S NAME	DIS MEMBER'S CERTIFICATE NUMBER
1	"BTA BANK" JSC	№ 001
2	"BANK CENTERCREDIT" JSC	№ 002
3	"HALYK SAVINGS BANK OF KAZAKHSTAN" JSC	№ 003
4	"ATFBANK" JSC	№ 004
5	JSC SUBSIDIARY BANK "RBS (KAZAKHSTAN)"	№ 005
6	"TEMIRBANK" JSC	№ 006
7	"BANKPOSITIVE KAZAKHSTAN " JSC	№ 008
8	"KAZKOMMERTSBANK" JSC	№ 009
9	"NURBANK" JSC	№ 010
10	"KASPI BANK" JSC	№ 011
11	"CITIBANK KAZAKHSTAN" JSC	№ 012
12	"DELTA BANK" JSC	№ 013
13	"HSBC BANK KAZAKHSTAN" JSC	№ 014
14	"EURASIAN BANK" JSC	№ 015
15	"TSESNABANK" JSC	№ 016
16	"ALLIANCE BANK" JSC	№ 017
17	SUBSIDIARY BANK "ALFA-BANK" JSC	№ 018
18	SUBSIDIARY BANK "SBERBANK OF RUSSIA" JSC	№ 020
19	SUBSIDIARY BANK "TAIB KAZAKH BANK" JSC	№ 022
20	"ASIACREDIT BANK" JSC	№ 023
21	"SENIM-BANK" JSC	№ 024
22	"HOUSE CONSTRUCTION SAVINGS BANK OF KAZAKHSTAN" JSC	№ 025
23	"ZAMAN-BANK" JSC	№ 026
24	SUBSIDIARY BANK "KAZAKHSTAN-ZIRAAT INTERNATIONAL BANK" JSC	№ 028
25	SUBSIDIARY BANK "BANK OF CHINA IN KAZAKHSTAN" JSC	№ 029
26	SUBSIDIARY BANK "PUNJAB NATIONAL BANK KAZAKHSTAN" JSC	№ 030
27	"INDUSTRIAL AND COMMERCIAL BANK OF CHINA IN ALMATY" JSC	№ 032
28	"KAZINVESTBANK" JSC	№ 033
29	"HOME CREDIT BANK" JSC	№ 034
30	SUBSIDIARY BANK "NATIONAL BANK OF PAKISTAN IN KAZAKHSTAN" JSC	№ 035
31	"METROKOMBANK" JSC	№ 037
32	"SHINHAN BANK KAZAKHSTAN" JSC	№ 039
33	SUBSIDIARY BANK JSC "BANK VTB (KAZAKHSTAN)"	№ 040
34	"KASSA NOVA BANK" JSC	№ 041
35	"BANK RBK" JSC	№ 042

BANKS' LIQUIDATION AND PAYOUTS TO THE DEPOSITORS

Two banks are currently being forcibly liquidated - "Nauryz Bank Kazakhstan" JSC and "Valut-Tranzit Bank" JSC.

"Nauryz Bank Kazakhstan" JSC has been going through the liquidation process by the court's decree since November 2005. To date the KDIF has paid deposit coverage to 3 637 of this bank's depositors in the aggregate amount of 679.5 million tenge.

	"NAURYZ BANK KAZAKHSTAN" JSC	"VALUT-TRANZIT BANK" JSC
Total deposit coverage amount paid to the failed bank's depositors by the KDIF	679.5 mln. tenge	13.87 bln. tenge
Total number of depositors who received deposit coverage from the KDIF	3 637	63 191
Share of the KDIF's claims satisfied by the failed bank's liquidation commission	88%	36%

The liquidation commission of "Nauryz Bank Kazakhstan" JSC has satisfied 88% of the KDIF's claims on reimbursing its deposit coverage payouts within the third sequence of creditors' claims. At present the KDIF's representative is acting as a Chairman of the bank's creditors committee, carrying out bank's assets analysis, claims-related procedures and validity analysis of the liquidation proceedings' expenses in this capacity.

"Valut-Tranzit Bank" JSC liquidation process has been conducted since March 2007. In total the KDIF has reimbursed 63 191 bank's depositors. The aggregate amount of reimbursed deposit coverage reached 13.87 billion tenge. Over 97% of the total KDIF's liabilities to the bank's depositors were repaid during the first several months from the start of payouts. In 2011 the KDIF reimbursed 13 depositors in the total amount of 2.3 million tenge. Remaining unsettled amount of the deposit coverage liabilities for this bank is about 2% of the aggregate KDIF's liabilities to this bank's depositors.

Two KDIF's representatives are members of the failed bank's liquidation commission, and one of them is the liquidation committee's Deputy Chairman. The KDIF's representative also acts as a Vice-Chairman of "Valut-Tranzit Bank" JSC creditors' committee. By the end of the reporting year satisfied KDIF's claims on the amount of reimbursed deposit coverage by the bank's liquidation commission composed 5.09 billion tenge, or 36% of the KDIF's claims within the third creditors' claims sequence.

As a member of the liquidation commission and creditors' committee of the "Valut-Tranzit Bank" JSC, the KDIF controlled the operations of the liquidation commission's subdivisions, conducted claims-related work, disposed of the failed bank's assets, and participated in the round tables' discussions concerning problems of the liquidation proceedings and their potential solutions along with the regulatory authority's representatives, Karaganda region's law enforcement and local executive authorities, etc.

Moreover, KDIF's employees regularly met with the failed banks' depositors and with the representatives from the public association "Depositors' Initiative Group" of "Valut-Tranzit Bank" JSC, consulting them on the current bank's liquidation procedure and conducting public awareness campaign on the domestic deposit insurance system.



SPECIAL RESERVE FOR PAYOUTS

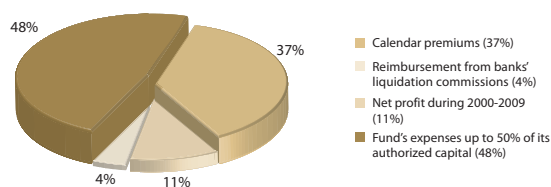
Deposit coverage payouts to the forcibly liquidated banks' depositors are financed by the KDIF's special reserve funds. According to the Core Principles for the Effective Deposit Insurance Systems KDIF's special reserve is formed on an ex-ante basis. In addition, Kazakhstani legislation also stipulates ex post funding provisions allowing for the replenishment of the KDIF's special reserve when it is insufficient to adequately reimburse all the failed bank's depositors. Thus, the KDIF's special reserve is actually accumulated on a hybrid basis.

According to the Law On Mandatory Insurance of Deposits, the KDIF's special reserve is financed by:

- mandatory quarterly and additional (one-time payments, levied only in the event of the special reserve's shortfall for the adequate deposit coverage payouts with a purpose to cover this shortage) premiums paid by the member-banks to the KDIF;
- fines applied to the member-banks failed to fulfill the Contract of Adhesion requirements;
- reimbursement of the deposit coverage being paid to the forcibly liquidated member-banks' depositors by the KDIF from the failed bank's liquidation commission;
- income from assets investment in financial instruments;
- a share of the KDIF's authorized capital not exceeding 50% (subject to the Shareholder's decision).

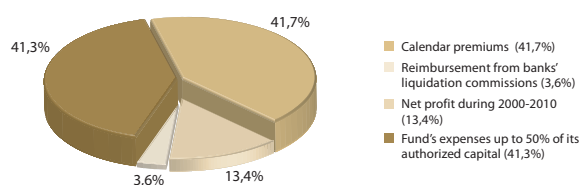
As of the year end the total amount of the KDIF's special reserve increased by 34.9 billion tenge (or by 28%) and composed 161 billion tenge. Member-banks' calendar premiums made up 67.1 billion tenge, the amount received as reimbursement from the failed banks' liquidation commissions – 5.8 billion tenge, the KDIF's net income totaled 21.6 billion tenge, and 50% of the KDIF's authorized capital amounted to 66.6 billion tenge. In 2011 the KDIF's special reserve was replenished by: 1) member-banks' calendar premiums in the amount of 20.3 billion tenge; 2) reimbursement from the failed banks' liquidation commissions in the amount of 638 million tenge; 3) the KDIF's net retained earnings over 2010 in the amount of 7.9 billion tenge.

As of December 31, 2010



Structure of the KDIF's special reserve

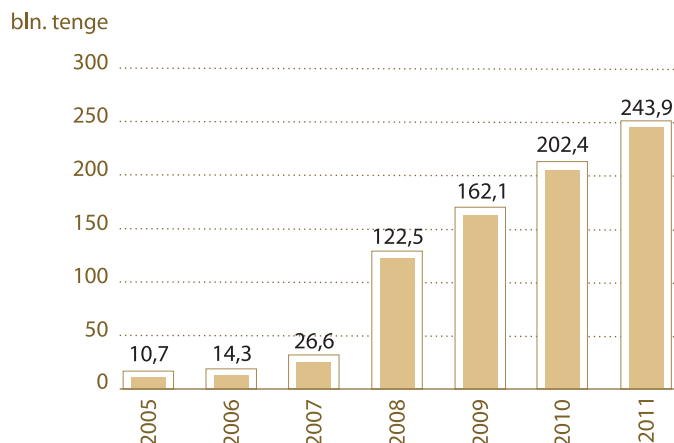
As of December 31, 2011



ASSETS INVESTMENT

At the end of the reporting year total KDIF's assets composed 243.9 billion tenge, increasing by 41.5 billion tenge over the year, or by 20,5%.

KDIF's assets

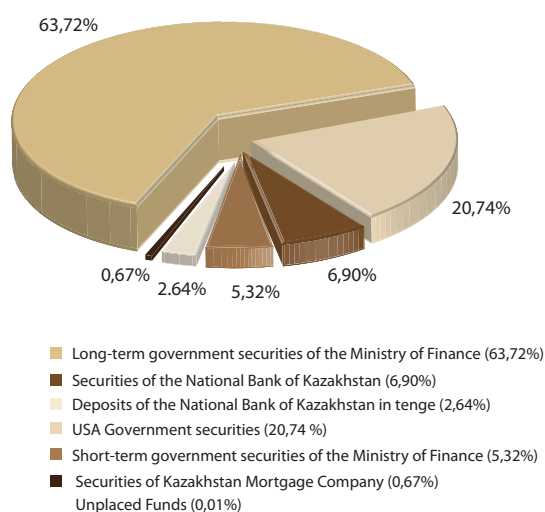


234.5 billion tenge or 96% of all the KDIF's assets were invested in various financial instruments in 2011. KDIF's assets held under the trust management grew by 40.9 billion tenge while the investment income gained in the reporting year totaled 13 billion tenge, demonstrating the annual growth rate of 59%.

National Bank of Kazakhstan acts as the official trustee of the KDIF's assets. The list of financial instruments eligible for investment, as well as the KDIF's assets investment procedures are also established by the National Bank of Kazakhstan in accordance with the legislation. As in the last several years, the KDIF's investment policy was rather conservative in the reporting period being primarily focused on safekeeping of the KDIF's assets. The KDIF's investment strategy is regularly reviewed and updated by the Board of Directors, taking into account the currency exchange market dynamics, banking sector's condition, financial instruments' profitability, and other factors.

In the end of April 2011 KDIF's Board of Directors adjusted the KDIF's investment strategy for 2011 by lowering the acceptable ranges of the foreign currency component in the KDIF's investment portfolio from 30%-40% to 25%-35%. This was done owing to the continuous national currency's appreciation against the major foreign currencies (US dollar and Euro).

KDIF's Investment Portfolio
Structure as of December 31,
2011



“BATA” DIFFERENTIAL PREMIUM SYSTEM AND INFORMATION SYSTEM

In the reporting year KDIF continued to comprehensively revise and further improve the Methodology on the differential premium rates' calculation within the framework of its “BATA” Differential Premium System (hereinafter – “BATA” DPS), taking into consideration the banking sector's condition dynamics, latest changes in the banking legislation, as well as member-banks' and regulatory authorities' recommendations. In March and April 2011 KDIF held intensive statistical testing of the shortlisted financial ratios and their threshold values and the ones validated by this testing process were included in the final Draft of the amendments and addenda to the Rules. Statistical significance of indicators, sufficiently low ratios' mutual correlation, their high dispersion levels, etc. were the main factors guiding the statistical testing process.

In May the aforementioned Draft amendments and addenda to the Rules were approved by member-banks at the KDIF's Advisory Council meeting and ratified by the KDIF's Board of Directors.

Thus, revision and modification of the “BATA” DPS were fully completed in the middle of the reporting year.

With the goal of mitigating operational risk (in particular, the personnel or human factor risk) the KDIF automated all calculation mechanisms within the “BATA” DPS by developing a specialized information system (hereinafter —“BATA” IS) in 2008. “BATA” IS currently allows to automatically download the member-banks' financial and regulatory reporting data into the system, calculate all the indicators of the “BATA” DPS with the help of the downloaded data, generate necessary reports with the indicators' and differential premiums' calculation results, as well as notification letters for each member-bank, etc.

“BATA” IS obviously needs to be regularly adjusted and improved to keep pace with the ongoing revisions of the Methodology on the differential premium rates' calculation. In May and June of the reporting year KDIF updated the “BATA” IS based on the last adopted amendments and addenda to the Rules.



INSPECTION OF THE MEMBER-BANKS

Compliance control of the member-banks' automated database on insured deposits with the KDIF's unitary requirements is conducted on a regular basis since February 2009. It is mainly aimed at minimizing risks of inadequate and untimely fulfillment of one of the KDIF's main functions - depositors' reimbursement in the event of the member-bank's forced liquidation.

During the reporting period ten member-banks were inspected by the KDIF for compliance of their automated databases on insured deposits with the Contract of Adhesion's requirements, as well as for compliance of their interest rates on individuals' deposits with the interest rates recommended by the KDIF. Although there were some discrepancies identified by the KDIF's staff in the course of the inspection process, member-banks had fixed all of them by the end of 2011.

In the reporting period KDIF started to develop a specialized information system in order to ensure timeliness, correctness and efficiency of the payouts process. This system is aimed at automating the following important business processes:

- verification of the structure and completeness compliance of the member-banks' databases on the depositors' register with the KDIF's requirements;
- loading and processing of data received from the forcibly liquidated bank's liquidation commission;
- loading and processing information on payouts received from an agent bank.

The information system is designed to significantly accelerate all the aforementioned processes and minimize errors during their implementation through the elimination of human factor risk in the accompanying mechanical tasks. This should finally help KDIF to follow the official deadlines for reimbursing the forcibly liquidated banks' depositors stipulated in the deposit insurance legislation.

Structure of the information system's database, its functional modules, software and technical architecture, user interface were designed, and the system's technical project was elaborated in the course of the information system's development process.

During the last two quarters of 2011 the system was going through the third stage of its development. It consisted in the elaboration of the technological module designed to automate verification of compliance of the member-banks' databases on the insured deposits with the KDIF's requirements. This module's functions include general control of the Information's structure on insured deposits, logical control of data, examination of the data's completeness and correctness, testing correspondence of the deposits and loans data contained in the aforementioned Information with the relevant data of the member-bank's book of original entry, and in particular with the 700-H balance sheet's data.

RISK MANAGEMENT SYSTEM

The KDIF's internal control system was established in order to enhance financial efficiency and profitability of asset management, ensure reliability, completeness and timeliness of financial and management information, compliance with the legislative requirements, as well as to determine the probability of incurring losses.

The KDIF's risk assessment procedures are regulated by the Rules on risk management adopted in 2008. The KDIF's Risk Management Committee evaluates risks of all KDIF's business processes, develops a summary risks map reflecting the data on all the KDIF's significantly high, high and medium risks, and develops measures aimed at minimizing these risks or potential losses on an annual basis.

Moreover, an independent auditor annually assesses the KDIF's operational risks and the effectiveness of the internal control system over all the KDIF's business processes. The auditor then prepares and provides KDIF with recommendations for the system's improvement. The annual report on the assessment of the KDIF's risk management system, the aforesaid recommendations, as well as the Recommended action plan on minimizing KDIF's risks are regularly submitted for the Board's consideration and ratification.

TYPES OF EXTREMELY HIGH, HIGH AND MEDIUM-LEVEL RISKS	MEASURES TAKEN BY THE KDIF TO AVOID OR MITIGATE THE RISK IN 2011
SYSTEMIC RISKS:	
1) Risk of failure to adequately fulfill the payout function	Establishment of the unitary requirements on the insured deposits' register formation in the member-banks' Automated Banking Information System (ABIS). Compliance control of the automated database on insured deposits with the Fund's requirements was conducted onsite in 10 member-banks. Development of the specialized software aimed at automating inspection of the depositors' register, received from the failed bank's liquidation commission, as well as of the Information on depositors generated by the second-tier banks, has begun. A model Agent agreement with an agent bank was prepared. Detailed procedures for the entry and processing of data on the deposit coverage payouts from the agent-bank were also developed for the KDIF's part-time temporary employees.
2) Risk of the special reserve's insufficiency	Increase of the KDIF's authorized capital from 121 billion tenge to 133.1 billion tenge by its shareholder. In addition, the KDIF's investment strategy was revised and appropriate monitoring and control over the completeness and timeliness of the member-banks' premiums payment were implemented.
3) Risk of unsatisfied Fund's claims by the failed bank's liquidation commission	KDIF's participation in the liquidation commission and creditors' committee of the forcibly liquidated member-banks. By the end of the reporting year the liquidation commission of "Nauryz Bank Kazakhstan" JSC has satisfied the KDIF's claims on reimbursing the amounts of deposit coverage paid out to the depositors by 88% and liquidation commission of "Valut-Tranzit Bank" JSC has satisfied the KDIF's claims on reimbursing the amounts of deposit coverage paid out to the depositors by 36%. Furthermore, recommendations on the liquidation process optimization and reduction of the current expenses, selling of the failed bank's assets, as well as the claims-related work of the failed bank's liquidation commission were elaborated.
4) Risk of the non-deliverance, untimely deliverance or deliverance of incorrect information by the KDIF's partners	Detailed description of all the required information content and terms of its provision to the KDIF in the contracts and agreements with the KDIF's partners. Implementation of continuous control over the obtained information's correctness and terms of its deliverance to the KDIF.

TYPES OF EXTREMELY HIGH, HIGH AND MEDIUM-LEVEL RISKS	MEASURES TAKEN BY THE KDIF TO AVOID OR MITIGATE THE RISK IN 2011
OPERATIONAL RISKS:	
1) Legal risk	Monitoring of the regulatory legal acts' drafts under consideration via the AFK's e-mail distribution. Participation in the working groups and task forces of the AFK and the NBRK.
2) Information security risk	Implementation of the information security policy by the information systems' administrators, information archiving and its further file back-uping on the server and data storehouse on a regular basis. Technical support and maintenance of the KDIF's corporate website by competent service providers, continuous monitoring of the KDIF's website and web-portal for state purchases by responsible KDIF's employees.
3) Technology risk	Making file backups on a regular basis, including all the data received/transmitted through the FASTI secured information channel. KDIF officially requested a separate space in the Astana Reserve Centre from the National Bank. Exercising continuous control by the "BATA" IS administrator and further verification of correctness of the draft amendments and addenda to the "BATA" IS by the Head of the Methodology and Assessment of Differential Premiums Department.
4) Personnel risk	Providing necessary training to the KDIF's staff and improving their professional qualifications through their participation in the international seminars and conferences organized by IADI, as well as by other educational means.
FINANCIAL MARKET RISKS (currency, pricing and interest rate risks)	Thorough currency market analysis. Acquiring currencies of foreign countries having no lower than "AA" by Standard & Poor's and Aa2 by Moody's sovereign default ratings. Acquisitions of highly liquid and secured by the state securities. Regular consultations with the KDIF's trustee.



HUMAN RESOURCES MANAGEMENT

The KDIF's personnel numbered 25 full-time employees by the end of the reporting year. Nine KDIF's employees possessed PhD and Master's academic degrees in Economics or Finance.

Staff turnover indicator over 2011 reached 23%, increasing by 2% compared to 2010.

One of the KDIF's major priority activities is the enhancement of professional qualification and expertise of its personnel by means of:

- holding special introductory seminars and presentations for new hires;
- sending its representatives to attend specialized seminars, conferences and trainings organized by the IADI and its members;
- encouraging its staff to take educational courses placed on the Financial Stability Institute Connect's website, an online electronic informational resource designed for the financial market's regulators and deposit insurers containing instruction material on deposit insurance, banking and financial regulation and supervision.

During the reporting year six KDIF's employees participated in seminars and conferences held by foreign deposit insurers - IADI members, on such topics as assessment of the financial market's condition, deposit insurers' funding and special reserve management, problem banks' resolution methods, as well as payouts of the deposit coverage to the failed banks' depositors. In addition, all the KDIF's employees were either speakers or attendees at the seminar "Problem Banks' Resolution Methods and Payouts of the Deposit Coverage" in the context of the 4th IADI Eurasia Regional Committee Annual Meeting.

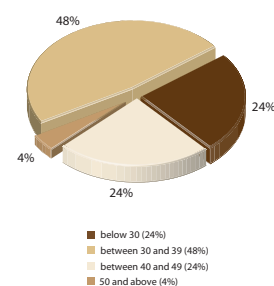
Furthermore, in 2011 KDIF's employees attended business Kazakh classes in order to improve their respective skills of keeping official correspondence in the Kazakhstani state language.

The KDIF makes considerable efforts aimed at maintaining favorable ambiance and corporate spirit within the organization by holding regular corporate teambuilding activities. Sound social benefits are also provided for all the KDIF's employees, including medical insurance at the employer's expense.

Main characteristics of the KDIF's staff

	AT THE END OF 2009	AT THE END OF 2010	AT THE END OF 2011
Total number of the KDIF's employees	25	26	25
Employees with PhD and Master's academic degrees	5	8	9
Average age of the employees	36 years	34 years	35 years
Number of males/number of females ratio	28% 72%	31% 69%	24% 76%

Age structure of the KDIF's staff (at the end of 2011)



INTERNATIONAL COOPERATION

As a member of the International Association of Deposit Insurers (IADI) since 2003 KDIF can permanently keep pulse of all the global trends in deposit insurance.

KDIF's collaboration with its foreign colleagues through the IADI platform enables it to use the international organizations' guidance and recommendations, as well as data from the jointly conducted researches in the efficient procedures' implementation in its day-to-day operations, thereby constantly improving and advancing domestic deposit insurance system.

In the reporting year KDIF took an active part in the development of different research papers and guidelines initiated by the IADI. These documents included, among others, guidance on early detection of financial institutions' problems and deposit insurers' timely reactions to them; researches on the effective deposit coverage payouts systems development, on measures aimed at mitigating consequences of the systemic financial crisis, on the deposit insurance systems' funding mechanisms in the Asia-Pacific Region, on the issues and specifics of transfer from a blanket guarantee to the limited guarantee deposit insurance system; on the extension of public access to various financial services and others.

KDIF's representatives participated in many events, organized by IADI, such as the 9th Annual Meeting of the Asia-Pacific Regional Committee (Bangkok, Thailand), 11th Annual General Meeting of IADI and conference in Warsaw (Poland), IADI Executive Council's meetings. They also lectured and gave presentations at the trainings-seminars "Assessment of the Financial Market Environment by the Deposit Insurers and their Special Reserve's Management" (Washington DC, USA and Taipei, Taiwan), the conference "Role of the Deposit Insurance Systems in Overcoming Financial Crises" (Basel, Switzerland) and seminar on the problem bank resolution issues (Jodhpur, India), the seminar on enhancing effectiveness of the deposit insurer's function in assessing and monitoring banking risks (Kuala-Lumpur, Malaysia).

As a Chair of the IADI Eurasia Regional Committee, the KDIF held the 4th Eurasia Regional Committee Annual Meeting and Seminar "Problem Bank Resolution Methods and Payouts of the Deposit Insurance Coverage" in Almaty in September to strengthen cooperation and experience sharing, and foster further DIS development within the Eurasian region. Apart from the representatives of the EARC members – Azerbaijan Deposit Insurance Fund, Deposit Insurance Agency of Russian Federation, and Deposit Guarantee Fund of



The International Association of Deposit Insurers (IADI) was founded in May 2002 to enhance the deposit insurance systems' effectiveness by promoting experience sharing and international cooperation among different national deposit insurers. IADI members conduct research and produce guidance on different topical issues concerning the deposit insurance systems' functioning mechanisms, problem banks' resolution methods, and containment of banking crises' expansion. Members also share their knowledge and expertise through participation in international conferences and other forums. By the end of 2011 IADI included 64 deposit insurers-members from 63 jurisdictions. For more information please see www.iadi.org



Participants of the 11th IADI Annual General Meeting, Warsaw, Poland, October 2011



Participants of the 4th IADI Eurasia Regional Committee Annual Meeting Almaty, Kazakhstan, September 2011

Ukraine, top managers of the CIS deposit insurance organizations not being members of IADI – Armenia, Belorussia, Kyrgyz Republic, Tajikistan, and Uzbekistan – also attended the events. Furthermore, IADI's Secretary General Carlos Isoard, Chairman of the KDIF's Board and Deputy Governor of the National Bank of Kazakhstan Mr. Daniyar Akishev, as well as several experts in deposit insurance from Poland, Switzerland, and the USA were speakers at these events.

In October of the reporting year the KDIF started to self-assess its activities' compliance with the Core Principles for the Effective Deposit Insurance Systems. These Core Principles were developed and adopted by the IADI together with the Basel Committee on Banking Supervision in 2009.

The assessment's final objective consists in the identification of strengths and weaknesses in the deposit insurer's operations. This will help develop necessary recommendations on the elimination or mitigation of the existing significant shortcomings revealed and also on taking appropriate measures designed to improve the DIS' functional processes.

The KDIF established a special working group which assessed all the necessary preconditions (including a range of the domestic financial system's interconnected constituents) prior to conducting the above self-assessment. Later on, a detailed analysis of the national DIS' compliance with the 18 Core Principles is planned to be conducted, and also a recommended action plan for the improvement of DIS' operations is going to be developed on this basis.

KDIF carefully studied the best international experience in different deposit insurers' operations during the year. This analysis gave grounds for developing and submitting several proposals on improving the current banking and deposit insurance legislation for the Kazakhstani financial regulators' consideration.



*Participants of the IADI training seminar,
Taiwan, November 2011*

PUBLIC AWARENESS

One of the KDIF's main functions – ensuring the banking sector's stability by maintaining public confidence in member-banks – is mainly fulfilled through the KDIF's public awareness campaign.

KDIF TOLL-FREE NUMBER



The “hot line” toll-free telephone call center is becoming more and more popular among the depositors - in 2011 the total number of its users consulted on different deposit insurance issues doubled compared to the previous year. During 2011 the KDIF's employees received about 2500 depositors' calls through the “hot line”. The majority of calls were received in the second half of the year as people mainly wanted to know if the deposit coverage limit would be maintained at the level of 5 million tenge after January 1, 2012.

PERIODIC PRINTED PUBLICATIONS



A number of articles, informational announcements, and interviews with the KDIF's representatives explaining the domestic deposit insurance system's functioning principles were published in the national and regional newspapers, as well as in several specialized magazines during the reporting year. Moreover, a complete list of the Kazakhstani DIS' member-banks and the KDIF's audited annual financial statements are regularly published in the national newspapers on the quarterly and annual basis, respectively. Also, informational announcements covering significant amendments to the rules and functioning mechanisms of DIS are published in printed media if necessary.



To comprehensively cover Kazakhstan's financial system's development in the international media, KDIF, along with other national financial institutions, regularly publishes articles in foreign newspapers and magazines in English language. Two articles were published in British specialized financial magazines “Central Asia Finance” and “World Finance Review” in the reporting year.

As a whole the KDIF published nearly 40,000 sq cm of different printed materials in 2011.



TELEVISION AND RADIO

The KDIF's representatives answered different deposit insurance related questions in the specialized "ABC of Capital" TV program of the National Bank of Kazakhstan.

"Khabar" national news agency shot and released a special video commercial about the KDIF's operations on the occasion of the 20th anniversary of the Independence of the Republic of Kazakhstan. Also, KDIF popularized and advertized its "hot line" telephone call center by placing a new video commercial on air of the national TV channels "Khabar", "El Arna", "Kazakhstan" and by distributing an appropriate audio commercial through "Kazakh radio" and "Tengri FM" radio stations.



BROCHURES FOR DEPOSITORS

The KDIF published specially designed leaflets to inform depositors about the latest legislative amendments providing for maintenance of the deposit coverage limit at the level of five million tenge after January 1, 2012. These leaflets were distributed among the depositors-clients of DIS member-banks. Also, KDIF issues informational brochures "What you should know about deposit insurance" for the domestic depositors on an annual basis. The brochures contain the most frequently asked deposit insurance related questions received via different communication channels, and answers to them.



INTERNET

The most important information about the KDIF and the deposit insurance system in general is provided on the KDIF's official website www.kdif.kz in three languages – Kazakh, Russian and English. The website includes information about the history of the KDIF, its organizational structure and main functions, analytical reports on the condition and dynamics of the retail deposits market, legislative and regulatory legal acts, news about the major events in the KDIF's activities, complete list of the DIS member-banks, and other useful information for the member-banks and their depositors. Moreover, depositors can ask the KDIF's specialists any deposit insurance-related question through the feedback system.

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

Director
IAC Centeraudit –Kazakhstan LLP
(State audit license # 0000017
dated 27 December 1999)
V. Radostovets
20 February 2012

To the Shareholder of Kazakhstan Deposit Insurance Fund JSC

INDEPENDENT AUDITOR'S REPORT

We have audited accompanying financial statements of Kazakhstan Deposit Insurance Fund JSC which comprise the statement of financial position as at 31 December 2011 and the 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 notes.

Management's responsibility for the financial statements

Management of the Company is responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards and for such internal control as management of the Company determines necessary to enable the preparation of these 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 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 auditor's judgement, 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 Company's preparation of the financial statements that give a true and fair view 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 Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Company's management, as well as evaluating the overall presentation of the financial statements of the Company.

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 of the Company present fairly, in all material respects, the financial position of Kazakhstan Deposit Insurance Fund JSC as of 31 December 2011 and of its financial performance and its cash flows for the year then ended and have been prepared in accordance with International Financial Reporting Standards.

I.Pyatkova

Auditor

IAC Centeraudit – Kazakhstan LLP

(Auditor Qualifying Certificate No. 0000320

issued on 02.05.1997)

19, Al -Farabi Avenue, block “1 B”

Business Center Nurly Tau

Off. 301-302, 050059, Almaty

Republic of Kazakhstan.

STATEMENT OF FINANCIAL POSITION
for the year ended 31 December 2011

in thousands tenge

	<i>At 31 December 2011</i>	<i>At 31 December 2010</i>
ASSETS		
<i>Cash and cash equivalents</i>	9,477,107	17,092,242
<i>Available for sale financial assets</i>	231,633,677	182,464,426
<i>Corporate income tax prepaid</i>	775,234	645,458
<i>Other financial assets</i>	1,981,518	2,156,622
<i>Other assets</i>	16,347	4,128
<i>Deferred tax assets</i>	5,987	3,301
<i>Property, plant and equipment</i>	4,868	4,951
<i>Intangible assets</i>	2,103	5,943
TOTAL ASSETS:	243,896,841	202,377,071
EQUITY AND LIABILITIES		
EQUITY		
<i>Share capital</i>	133,100,000	121,000,000
<i>Retained earnings</i>	8,337,541	8,007,627
<i>Revaluation reserve</i>	6,759,410	6,500,063
<i>Surplus reserve</i>	1,210,000	1,100,000
<i>Special guarantee reserve</i>	94,458,425	65,611,693
TOTAL EQUITY:	243,865,376	202,219,383
LIABILITIES		
<i>Other taxes and payments liabilities, except tax on income</i>	-	56
<i>Other financial liabilities</i>	1,611	142,440
<i>Other liabilities</i>	29,854	15,192
TOTAL LIABILITIES:	31,465	157,688
TOTAL EQUITY AND LIABILITIES:	243,896,841	202,377,071

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2011

in thousands tenge

	2011	2010
Interest income	8,370,462	8,199,588
Interest expense	(55,700)	(91,680)
NET INTEREST INCOME	8,314,762	8,107,908
Net income from contribution of participating banks and proceeds from the liquidation committee	20,949,105	18,966,177
Foreign exchange translation gains less losses	280,435	98,965
Gains less losses from sale of financial assets available for sale	-	5,205
Gains less losses from revaluation during sale of financial assets available for sale	-	462
Other operating revenue	4,194	59
General and administrative expenses	(230,665)	(198,457)
PROFIT (LOSS) BEFORE TAX	29,317,831	26,980,319
Income tax expense	(31,185)	(6,515)
PROFIT (LOSS) FOR THE YEAR	29,286,646	26,973,804
Mandatory allocation of net income from contribution of participating banks and proceeds from the liquidation committee to the special guarantee reserve	(20,949,105)	(18,966,177)
PROFIT AFTER MANDATORY ALLOCATION	8,337,541	8,007,627
OTHER COMPREHENSIVE INCOME:		
Gain less losses from revaluation of financial assets available for sale	259,347	3,390,758
Reclassification of profit (loss) from revaluation from other comprehensive income into profit (loss) of the period during sale of financial assets available for sale	-	(462)
TOTAL OTHER COMPREHENSIVE INCOME	259,347	3,390,296
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, LESS CORPORATE INCOME TAX, ATTRIBUTABLE TO SHAREHOLDERS	8,596,888	11,397,923

STATEMENT OF CASH FLOWS
for the year ended 31 December 2011 (direct method)

in thousands tenge

	2011	2010
I. CASH AND CASH EQUIVALENTS FROM OPERATING ACTIVITY		
CASH AND CASH EQUIVALENTS INFLOW, TOTAL	28,578,646	25,958,292
<i>Receipt of mandatory premiums to calendar</i>	<i>20,346,703</i>	<i>17,370,697</i>
<i>Proceeds from liquidation committee</i>	<i>638,000</i>	<i>962,000</i>
<i>Deposit interests placed with the banks</i>	<i>12,933</i>	<i>97,974</i>
<i>Received interest on financial assets available for sale</i>	<i>7,576,638</i>	<i>7,521,474</i>
<i>Received interest on reverse REPO transactions</i>	<i>-</i>	<i>2,250</i>
<i>Refund of the unused amount on compensation to depositors</i>	<i>-</i>	<i>1,485</i>
<i>Other proceeds</i>	<i>4,372</i>	<i>2,412</i>
CASH AND CASH EQUIVALENTS OUTFLOW, TOTAL	(385,247)	(1,723,417)
<i>Payments to suppliers for goods and services</i>	<i>(89,859)</i>	<i>(80,577)</i>
<i>Travel expenses</i>	<i>(5,495)</i>	<i>(7,284)</i>
<i>Employees compensation</i>	<i>(91,759)</i>	<i>(80,724)</i>
<i>Corporate income tax paid-in</i>	<i>(161,364)</i>	<i>(1,512,781)</i>
<i>Other taxes and other compulsory payments to budget</i>	<i>(34,434)</i>	<i>(36,130)</i>
<i>Individuals deposit coverage pay-outs</i>	<i>(2,336)</i>	<i>(2,894)</i>
<i>Other disposal</i>	<i>-</i>	<i>(3,027)</i>
NET CASH AND CASH EQUIVALENTS FROM OPERATING ACTIVITY	28,193,399	24,234,875
II. CASH AND CASH EQUIVALENTS FROM INVESTMENT ACTIVITY		
CASH AND CASH EQUIVALENT INFLOW, TOTAL	145,276,724	101,682,081
<i>Income from sale of financial assets available for sale</i>	<i>145,276,724</i>	<i>74,806,057</i>
<i>Income from reverse REPO transactions</i>		<i>26,876,024</i>
CASH AND CASH EQUIVALENT OUTFLOW, TOTAL	(193,271,916)	(162,761,003)
<i>Acquisition of property, plant and equipment</i>	<i>(2,481)</i>	<i>(1,443)</i>

<i>Acquisition of intangible assets</i>		(1,260)
<i>Acquisition of financial assets available for sale</i>	(193,269,435)	(135,882,276)
<i>Disposal from reverse REPO transactions</i>		(26,876,024)
<i>NET CASH AND CASH EQUIVALENTS FROM INVESTMENT ACTIVITY</i>	(47,995,192)	(61,078,922)
<i>III. CASH FROM FINANCIAL ACTIVITY</i>		
<i>CASH AND CASH EQUIVALENT INFLOW, TOTAL</i>	12,100,000	11,000,000
<i>Issue of ordinary shares</i>	12,100,000	11,000,000
<i>NET CASH AND CASH EQUIVALENTS FROM FINANCIAL ACTIVITY</i>	12,100,000	11,000,000
<i>NET CHANGE IN CASH AND CASH EQUIVALENTS FOR THE PERIOD</i>	(7,701,793)	(25,844,047)
<i>Net change in cash and cash equivalents in revaluation of foreign currency</i>	86,658	8,883
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD</i>	17,092,242	42,927,406
<i>CASH AND CASH EQUIVALENTS, END OF THE PERIOD</i>	9,477,107	17,092,242

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2011

in thousands tenge

	Share capital	Revaluation reserve	Surplus reserve	Special guarantee reserve	Retained earnings (loss)	Total equity
<i>BALANCE AT 31 DECEMBER 2010</i>	121,000,000	6,500,063	1,100,000	65,611,693	8,007,627	202,219,383
<i>Comprehensive income</i>		259,347			8,337,541	8,596,888
<i>Issuance of shares</i>	12,100,000					12,100,000
<i>Allocation to the surplus reserve</i>			110,000		(110,000)	
<i>Allocation to the special guarantee reserve</i>				7,897,627	(7,897,627)	
<i>Mandatory allocation of net income from contribution of participating banks and proceeds from the liquidation to the special guarantee reserve</i>				20,949,105		20,949,105
<i>BALANCE AT 31 DECEMBER 2011</i>	133,100,000	6,759,410	1,210,000	94,458,425	8,337,541	243,865,376
<i>BALANCE AT 31 DECEMBER 2009</i>	110,000,000	3,109,767	1,000,000	36,203,432	10,542,084	160,855,283
<i>Comprehensive income</i>	-	3,390,296	-	-	8,007,627	11,397,923
<i>Issuance of shares</i>	11,000,000	-	-	-	-	11,000,000
<i>Allocation to the surplus reserve</i>	-	-	100,000	-	(100,000)	-
<i>Allocation to the special guarantee reserve</i>	-	-	-	10,442,084	(10,442,084)	-
<i>Mandatory allocation of net income from contribution of participating banks and proceeds from the liquidation to the special guarantee reserve</i>	-	-	-	18,966,177	-	18,966,177
<i>BALANCE AT 31 DECEMBER 2010</i>	121,000,000	6,500,063	1,100,000	65,611,693	8,007,627	202,219,383

EXPLANATORY NOTE to the Financial Statements

Kazakhstan Deposit Insurance Fund (hereinafter - KDIF) was founded on the basis of the Resolution of the Governing Board of the National Bank of the Republic of Kazakhstan №393 as of November 15, 1999.

The KDIF's accounting policy was developed in accordance with the legislation of the Republic of Kazakhstan and IFRS requirements.

The KDIF's assets composed 243 865 376,09 thousand tenge as of December 31, 2011.

Direct method was used in the process of calculating the fixed assets' depreciation. Fixed assets in the total amount of 2 480 505 tenge were purchased in the reporting period. There were no fixed assets rented on long-term lease, nor any construction in progress.

There were no subsidiary or dependent organizations, nor any investments in the real estate.

Inventory holdings were assessed according to the weighted average cost method.

Accounts receivable composed 6 106 710 116,88 tenge. Accounts payable totaled 31 464 310,04 tenge.

There were no doubtful claims.

Financial investments are classified as vendible (suitable for sale). KDIF's financial investments are placed in government securities (securities of the Ministry of Finance, bonds of the Kazakhstan Mortgage Company JSC, notes of the National Bank of the Republic of Kazakhstan, United States Government securities). Financial investments totaled 228 287 327,18 thousand tenge as of December 31, 2011.

Flows in the own capital item occurred due to the discrepancies between two different methods of calculating member-banks' calendar premiums amounts used: method based on the premiums actually paid by member-banks to the KDIF and the accrual concept, as well as due to the reimbursement of the Fund's claims on its deposit coverage payout expenses from the failed banks' liquidation mass.

There were no loans.

Dividends were not calculated because of being absent.

Total revenues in 2011 composed 12 976 584 063,81 tenge. Other and general administrative expenses over the reporting period reached 4 607 857 671,66 tenge.

Net income amounted to 8 337 541 506,30 tenge in the reporting period.

Total amount of the deferred income tax composed 5 986 718,00 tenge as of January 1, 2012.

Chairperson

B. Mazhenova

Chief accountant

A. Pichitayeva