JOINT STOCK COMPANY SUBSIDIARY INSURANCE COMPANY OF HALYK BANK OF KAZAKHSTAN HALYK - KAZAKHINSTRAKH

Financial Statements
For the year ended 31 December 2011

JOINT STOCK COMPANY SUBSIDIARY INSURANCE COMPANY OF HALYK BANK OF KAZAKHSTAN HALYK-KAZAKHINSTRAKH

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JOINT STOCK COMPANY SUBSIDIARY INSURANCE COMPANY OF HALYK BANK OF KAZAKHSTAN HALYK-KAZAKHINSTRAKH

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

Management is responsible for the preparation of the financial statements that present fairly the financial position of Joint Stock Company Subsidiary Insurance Company of Halyk Bank of Kazakhstan Halyk-Kazakhinstrakh ("the Company") as at 31 December 2011 and the results of its operations, cash flows and changes in shareholders' equity for the year then ended, in compliance with International Financial Reporting Standards ("IFRS").

In preparing the financial statements, management is responsible for:

- properly selecting and applying accounting policies;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Company's financial position and financial performance; and
- making an assessment of the Company's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Company;
- Maintaining adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company, and which enable them to ensure that the financial statements of the Company comply with IFRS;
- Maintaining statutory accounting records in compliance with the Republic of Kazakhstan legislation and accounting standards;
- Taking such steps as are reasonably available to them to safeguard the assets of the Company; and
- Preventing and detecting fraud and other irregularities.

The financial statements of the Company for the year ended 31 December 2011 were approved by management on 5 March 2012.

On behalf of the Management Board:

Imangazin S.N.
Chairman of the Management Board

5 March 2012
Almaty, Kazakhstan

Халык
Казахинстрах

Tuyakbayev Y.S.
Chief Accountant

5 March 2012
Almaty, Kazakhstan

Deloitte.

Deloitte, LLP
"AFD", Building "B"
36/2, Al Farabi ave.
Almaty, 050000
Republic of Kazakhstan

Tel: +7 (727) 258 13 40
Fax: +7 (727) 258 13 41
almaty@deloitte.kz
www.deloitte.kz

INDEPENDENT AUDITOR'S REPORT

To Shareholders and Board of Directors of Joint Stock Company Subsidiary Insurance Company of Halyk Bank of Kazakhstan Halyk-Kazakhinstrakh:

Report on the financial statements

We have audited the accompanying financial statements of JSC Subsidiary Insurance Company of Halyk Bank of Kazakhstan Halyk-Kazakhinstrakh ("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 cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's 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 auditor's 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 Joint Stock Company Subsidiary Insurance Company of Halyk Bank of Kazakhstan Halyk-Kazakhinstrakh 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.

Mark Smith
Engagement Partner
Chartered Accountant
Institute of Chartered Accountants of Scotland
License #M21857
Glasgow, Scotland

Deloitte, LLP
Deloitte, LLP
State license on auditing in the Republic of Kazakhstan №0000015, type MFU-2, issued by the Ministry of Finance of the Republic of Kazakhstan dated 13 September 2006

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

5 March 2012
Almaty, Kazakhstan

JOINT STOCK COMPANY SUBSIDIARY INSURANCE COMPANY OF HALYK BANK OF KAZAKHSTAN HALYK-KAZAKHINSTRAKH

INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Kazakhstani Tenge unless otherwise indicated)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
Written insurance premiums	4, 27	24,324,253	14,755,435
Reinsurance premiums ceded	4	(14,437,594)	(6,388,783)
PREMIUMS WRITTEN, NET OF REINSURANCE		9,886,659	8,366,652
Change in unearned premium reserve, net	4	(484,358)	(88,605)
PREMIUM EARNED, NET OF REINSURANCE		9,402,301	8,278,047
Claims paid, gross	5, 27	(4,696,475)	(4,502,530)
Claims paid, reinsurers' share	5	108,128	488,542
Change in reserves for claims and claims' adjustment expenses, gross	5	3,156,683	(4,386,401)
Change in reinsurers' share of reserves for claims and claims' adjustment expenses	5	(3,460,805)	4,095,525
CLAIMS INCURRED, NET OF REINSURANCE		(4,892,469)	(4,304,864)
Reimbursement of claims		142,158	278,976
Unallocated loss adjustment expenses		(6,917)	(9,304)
Net other insurance income		135,241	269,672
Commission income	6	154,638	99,233
Commission expense	6, 27	(665,441)	(785,422)
Change in deferred acquisition costs	6	(23,978)	(20,334)
NET COMMISSION EXPENSE		(534,781)	(706,523)
Investment income	7, 27	1,087,193	989,665
Other operating expense		(59,646)	(65,752)
OTHER INCOME		1,027,547	923,913
Salaries and benefits	8, 27	(1,468,626)	(1,304,771)
Administrative and operating expenses	8, 27	(729,753)	(540,900)
Provision for impairment losses on investments available-for-sale		(22,403)	(308,131)
Depreciation and amortization		(100,717)	(98,194)
Provision for impairment losses on other operations	9	(80,869)	(88,986)
Net loss on foreign exchange operations		(21,018)	(22,698)
OPERATING EXPENSES		(2,423,386)	(2,363,680)
PROFIT BEFORE INCOME TAX EXPENSE		2,714,453	2,096,565
Income tax expense	10	(434,302)	(378,240)
NET PROFIT		2,280,151	1,718,325
EARNINGS PER SHARE			
Basic and diluted (KZT)	11	6,745.79	5,083.64

On behalf of the Management Board:

Imangazin S.N.
Chairman of the Management Board

5 March 2012
Almaty, Kazakhstan

Халык Казахинстрах

Tuyakbayev Y.S.
Chief Accountant

5 March 2012
Almaty, Kazakhstan

The notes on pages 10-48 form an integral part of these financial statements.

JOINT STOCK COMPANY SUBSIDIARY INSURANCE COMPANY OF HALYK BANK OF KAZAKHSTAN HALYK-KAZAKHINSTRAKH

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Kazakhstani Tenge)

	Note	Year ended 31 December 2011	Year ended 31 December 2010
NET PROFIT		2,280,151	1,718,325
OTHER COMPREHENSIVE INCOME:			
Net change in fair value of investments available-for-sale		(228,250)	311,372
Transfers of impairment loss reserves on investments available-for-sale to income statement		22,403	308,131
Realized loss on disposal of investments available-for-sale	7	(78,633)	-
OTHER COMPREHENSIVE (LOSS)/INCOME		(284,480)	619,503
TOTAL COMPREHENSIVE INCOME		1,995,671	2,337,828

On behalf of the Management Board:

Халык
Казахинстрах

Imangazin S.N.
Chairman of the Management Board

5 March 2012
Almaty, Kazakhstan

Tuyakbayev Y.S.
Chief Accountant

5 March 2012
Almaty, Kazakhstan

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JOINT STOCK COMPANY SUBSIDIARY INSURANCE COMPANY OF HALYK BANK OF KAZAKHSTAN HALYK-KAZAKHINSTRAKH

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2011
(in thousands of Kazakhstani Tenge)

	Notes	31 December 2011	31 December 2010
ASSETS:			
Cash and cash equivalents	12, 27	630,841	1,871,656
Due from banks	13, 27	1,198,207	2,551,786
Investments available-for-sale	14	13,877,244	10,686,380
Investments held-to-maturity	15, 27	910,869	594,971
Loans under reverse repurchase agreements	16	750,069	-
Insurance and reinsurance receivable	17, 27	2,996,097	1,343,666
Deferred expenses	18	282,551	204,078
Unearned premium reserve, reinsurers' share	19	8,377,184	2,537,313
Reserves for claims and claims' adjustment expenses, reinsurers' share	20	1,684,913	5,145,718
Property and equipment	21	1,096,840	1,124,564
Intangible assets		19,324	22,038
Deferred acquisition costs		91,806	115,784
Current income tax assets		-	17,871
Deferred income tax assets	10	238,355	153,055
Other assets	22	524,708	726,903
TOTAL ASSETS		32,679,008	27,095,783
LIABILITIES AND EQUITY			
LIABILITIES:			
Insurance and reinsurance payable	23, 27	2,710,294	1,114,893
Unearned premium reserve	19	11,894,862	5,570,633
Reserves for claims and claims' adjustment expenses	20	3,134,276	6,290,959
Current income tax liability		37,627	-
Other liabilities	24	436,057	679,635
Total liabilities		18,213,116	13,656,120
EQUITY:			
Share capital	25	4,587,895	4,587,895
Additional paid-in-capital		30,558	-
Investments available-for-sale fair value reserve		123,160	407,640
Other reserves	25	869,552	217,655
Retained earnings		8,854,727	8,226,473
Total equity		14,465,892	13,439,663
TOTAL LIABILITIES AND EQUITY		32,679,008	27,095,783

On behalf of the Management Board:

Imangazin S.N.
Chairman of the Management Board

5 March 2012
Almaty, Kazakhstan

Халык Казахинстрах

Tuyakbayev Y.S.
Chief Accountant

5 March 2012
Almaty, Kazakhstan

The notes on pages 10-48 form an integral part of these financial statements.

JOINT STOCK COMPANY SUBSIDIARY INSURANCE COMPANY OF HALYK BANK OF KAZAKHSTAN HALYK-KAZAKHINSTRAKH

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Kazakhstani Tenge)

	Share capital	Additional paid-in capital	Investments available-for-sale fair value reserve/ (deficit)	Other reserves	Retained earnings	Total equity
As at 31 December 2009	4,587,895	-	(211,863)	217,655	6,508,148	11,101,835
Other comprehensive income	-	-	619,503	-	-	619,503
Net profit	-	-	-	-	1,718,325	1,718,325
Total comprehensive income	-	-	619,503	-	1,718,325	2,337,828
As at 31 December 2010	4,587,895	-	407,640	217,655	8,226,473	13,439,663
Other comprehensive loss	-	-	(284,480)	-	-	(284,480)
Net profit	-	-	-	-	2,280,151	2,280,151
Total comprehensive income	-	-	(284,480)	-	2,280,151	1,995,671
Contribution of shareholder in the form of rent	-	30,558	-	-	-	30,558
Stabilization reserve (Note 25)	-	-	-	651,897	(651,897)	
Dividends paid (Note 25)	-	-	-	-	(1,000,000)	(1,000,000)
As at 31 December 2011	4,587,895	30,558	123,160	869,552	8,854,727	14,465,892

On behalf of the Management Board:

Imangazin S.N.
Chairman of the Management Board

5 March 2012
Almaty, Kazakhstan

Tuyakbayev Y.S.
Chief Accountant

5 March 2012
Almaty, Kazakhstan

The notes on pages 10-48 form an integral part of these financial statements.

JOINT STOCK COMPANY SUBSIDIARY INSURANCE COMPANY OF HALYK BANK OF KAZAKHSTAN HALYK-KAZAKHINSTRAKH

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2011

(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
CASH FLOWS FROM OPERATING ACTIVITIES:			
Profit before income tax expense		2,714,453	2,096,565
Adjustments for:			
Change in unearned premium reserve	4	484,358	88,605
Change in reserves for claims and claims' adjustment expense, net	5	304,122	290,876
Change in deferred acquisition costs	6	23,978	20,334
Provision for impairment losses on other operations		80,869	88,986
Provision for impairment losses on investments available-for-sale		22,403	308,131
Depreciation and amortization		100,717	98,194
Unrealized loss on operations with foreign currency		21,018	22,698
Loss from disposal of property and equipment and write-off of intangibles		343	4,732
Adjustments for contribution of shareholder in the form of rent		30,558	-
Net realized loss on investments available-for-sale		78,633	-
Amortization of discount on investments held-to-maturity		1,228	1,495
Change in interest accruals, net		23,343	(49,466)
Cash flows from operating activities before changes in operating assets and liabilities		3,886,023	2,971,150
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Insurance and reinsurance receivables		(1,696,073)	(45,241)
Deferred expenses		(78,473)	(23,863)
Other assets		200,311	166,518
Increase/(decrease) in operating liabilities:			
Insurance and reinsurance payable		1,537,325	(5,555)
Other liabilities		(243,752)	343,071
Cash inflow from operating activities before taxes and claims paid		3,605,361	3,406,080
Income tax paid		(464,104)	(386,648)
Net cash inflow from operating activities		3,141,257	3,019,432
CASH FLOWS FROM INVESTING ACTIVITIES:			
Cash placed as deposits in banks		(14,017,698)	(4,481,733)
Cash withdrawn from deposits in banks		15,325,445	5,170,881
Purchase of investments available-for-sale		(6,086,015)	(3,735,252)
Investment to reverse repurchase agreements		(750,000)	-
Proceeds from redemption and disposal of investments available-for-sale		2,526,171	2,561,704
Purchases of investments held-to-maturity		(584,625)	
Proceeds from redemption of investments held-to-maturity		290,000	-
Purchase of property and equipment		(70,678)	(927,643)
Proceeds from sale of property and equipment		1,480	383
Purchase of intangible assets		(1,424)	(11,504)
Net cash outflow from investing activities		(3,367,344)	(1,423,164)

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2011
(in thousands of Kazakhstani Tenge)

	Notes	Year ended 31 December 2011	Year ended 31 December 2010
CASH FLOWS FROM FINANCING ACTIVITIES:			
Dividends paid		(1,000,000)	-
Net cash outflow from financing activities		(1,000,000)	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,226,087)	1,596,268
Effect of changes in foreign exchange rate fluctuations on cash and cash equivalents		(14,728)	1,037
CASH AND CASH EQUIVALENTS, beginning of the year	12	1,871,656	274,351
CASH AND CASH EQUIVALENTS, end of the year	12	630,841	1,871,656

Interest received by the Company during the years ended 31 December 2011 and 2010, amounted to KZT 1,191,024 thousand and KZT 940,199 thousand, respectively.

On behalf of the Management Board:

Imangazin S.N.
Chairman of the Management Board

5 March 2012
Almaty, Kazakhstan

Халык
Казахинстрах

Tuyakbayev Y.S.
Chief Accountant

5 March 2012
Almaty, Kazakhstan

The notes on pages 10-48 form an integral part of these financial statements.

(in thousands of Kazakhstani Tenge unless otherwise indicated)

1. ORGANIZATION

Joint Stock Company Subsidiary Insurance Company of Halyk Bank of Kazakhstan Halyk-Kazakhinstrakh ("the Company") was initially incorporated in the Republic of Kazakhstan in 1995 as Closed Joint Stock Company Kazakhinstrakh under the laws of the Republic of Kazakhstan. In 1998 it was registered as an Open Joint Stock Company. On 20 October 2003, due to a change in legislation introduced in 2003, the Company was registered as a Joint Stock Company. On 20 June 2008, the Company was registered under its current name.

The Company possesses insurance (reinsurance) license #11-12/1 dated 21 August 2008 for voluntary and compulsory general insurance issued by the Committee for control and supervision of financial market and financial organizations of the National Bank of Republic of Kazakhstan ("the FMSC"). The Company offers various general insurance products in property, casualty, liability, personal insurance and reinsurance.

The Company's legal address is 109V, Abai Ave., Almaty, Republic of Kazakhstan.

As at 31 December 2011 and 2010, the following shareholders owned more than 5% of the outstanding shares of the Company:

Shareholders	31 December 2011, %	31 December 2010, %
JSC Halyk Bank of Kazakhstan	99.75	99.75
Other	0.25	0.25
Total	100.00	100.00

As at 31 December 2011 and 2010, the number of employees of the Company was 593 and 534, respectively.

As at 31 December 2011 and 2010, the Company had 18 branches in the Republic of Kazakhstan.

2. BASIS OF PRESENTATION

Accounting basis

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC").

These financial statements have been prepared on the assumption that the Company is a going concern and will continue in operation for the foreseeable future. The management and shareholders have the intention to further develop the business of the Company in the Republic of Kazakhstan both in corporate and retail segments. The Management believes that the going concern assumption is appropriate for the Company due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business.

The Company maintains its accounting records in accordance with IFRS and requirements of law of the Republic of Kazakhstan. These financial statements are presented in thousands of Kazakhstani Tenge (“KZT thousand”), unless otherwise indicated. These financial statements were prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments.

Functional currency

The functional currency of these financial statements is the Kazakhstani Tenge.

Operating environment

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

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

The global financial system continues to exhibit signs of deep stress and many economies around the world are experiencing lesser or no growth than in prior years. Additionally there is increased uncertainty about the creditworthiness of some sovereign states in the Eurozone and financial institutions with exposure to the sovereign debt of such states. These conditions could slow or disrupt the Kazakhstani economy, adversely affect the Company’s access to capital and cost of capital for the Company and, more generally, its business, results of operations, financial condition and prospects.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Recognition and measurement of financial instruments

The Company recognizes financial assets and liabilities in its statement of financial position when it becomes a party to the contractual obligation of the financial instrument. Regular way purchase and sale of the financial assets and liabilities are recognized using settlement date accounting. Regular way purchases of financial instruments that will be subsequently measured at fair value between trade date and settlement date are accounted for in the same way as for acquired instruments.

Financial assets and liabilities are initially recognized at fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

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 derecognized where:

- 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.

Where 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 recognized to the extent of the Company's continuing involvement in the asset.

Financial liabilities

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

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

Cash and cash equivalents

Cash and cash equivalents include cash on hand, unrestricted current and deposit accounts with banks with an original maturity of less than three months.

Due from banks

In the normal course of business, the Company maintains deposits for various periods of time with the banks. Due from banks are initially recognized at fair value and subsequently measured at amortised cost using the effective interest method. Due from banks are carried net of any allowance for impairment losses.

Securities repurchase and reverse repurchase agreements

In the normal course of business, the Company enters into financial assets sale and purchase back agreements ("repos") and financial assets purchase and sale back agreements ("reverse repos") in the normal course of its business. Repos and reverse repos are utilized by the Company as an element of its treasury management.

A repo is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest. These agreements are accounted for as financing transactions. Financial assets sold under repo are retained in the financial statements and consideration received under these agreements is recorded as collateralized loan received.

Assets purchased under reverse repos are recorded in the financial statements as cash placed on deposit collateralized by securities.

Any related income or expense arising from the pricing difference between purchase and sale of the underlying assets is recognized as interest income or expense in the income statement.

Reinsurance

The Company cedes insurance risks in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Recoverable amounts are estimated in a manner consistent with the unearned premium reserve and reserves for claims and claims' adjustment expenses and are in accordance with the reinsurance contract.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Company may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Company will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the income statement.

Ceded reinsurance arrangements do not relieve the Company from its obligations to policyholders.

The Company also assumes reinsurance risks in the normal course of business for certain non-life insurance contracts. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct written business, taking into account the product classification of the reinsured business.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Insurance receivables

Insurance receivables are recognized when related income is earned and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, any insurance receivable is measured at amortized cost, using the effective interest rate method. The carrying value of the insurance receivable is the present value of estimated future cash flows discounted at the original effective interest rate. The carrying value of the insurance receivable is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognized when derecognition criteria for financial assets has been met.

Investments available-for-sale

Investments available-for-sale represent debt and equity securities that are intended to be held for an indefinite period of time. Investments available-for-sale are initially recorded at fair value and subsequently measured at fair value, with such re-measurement recognized directly in equity, except for impairment losses, foreign exchange gains/(losses) and interest income accrued using the effective interest method, which are recognised directly in the income statement. When sold, the gain/(loss) previously recorded in equity is recorded in the income statement. The Company uses quoted market prices to determine the fair value of the Company's investments available-for-sale. Dividends received on investments available-for-sale are included in investment income in the income statement.

Non-marketable equity securities are stated at cost, less impairment losses, if any, unless fair value can be reliably measured.

When there is objective evidence that such securities have been impaired, the cumulative loss previously recognized in equity is removed from equity and recognized in the income statement for the year. These financial assets are recognized at net of impairment loss.

Allowance for impairment losses

The Company accounts for impairment of financial assets not recorded at fair value when there is objective evidence of impairment of a financial asset or a group of financial assets. The impairment of financial assets represents a difference between the carrying value of the asset and current value of estimated future cash flows including amounts which can be received on guarantees and security discounted using an initial effective interest rate on financial assets recorded at amortized value. If in a subsequent period the impairment amount decreases and such a decrease can be objectively associated with an event occurring after recognition of the impairment then the previously recognized impairment loss is reversed with an adjustment of the provision account.

For financial instruments recorded at cost the impairment represents the difference between the carrying value of the financial asset and current value of the estimated future cash flows discounted using the current market interest rate for a similar financial instrument. Such impairment losses are not reversed.

The impairment is calculated based on the analysis of assets subject to risks and reflects the amount sufficient, in the opinion of the management, to cover relevant losses. The provisions are created as a result of an individual evaluation of assets subject to risks regarding financial assets being material individually and on the basis of an individual or joint evaluation of financial assets not being material individually.

The change in the impairment is included into the income statement using the provision account (financial assets recorded at amortized cost) or by a direct write-off (financial assets recorded at cost). Assets recorded in the statement of financial position are reduced by the amount of the impairment. The factors the Company evaluates in determining the presence of objective evidence of occurrence of an impairment loss include information on liquidity of the debtor or issuer, their solvency, business risks and financial risks, levels and tendencies of default on obligations on similar financial assets, national and local economic tendencies and conditions, and fair value of the security and guarantees. These and other factors individually or in the aggregate represent, to a great extent, an objective evidence of recognition of the impairment loss on the financial asset or group of financial assets.

It should be noted that the evaluation of losses includes a subjective factor. The management of the Company believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is probable that in certain periods the Company can incur losses greater than recorded impairment.

Investments held-to-maturity

Investments held-to-maturity are debt securities with determinable or fixed payments, and where the Company has a positive intent and the ability to hold such investments to maturity. Investments held-to-maturity are carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized discounts and premiums are recognized in interest income over the period to maturity using the effective interest method.

Prepayments

Prepayments include advance payments made by the Company, which are charged to expenses in the period when services are provided. Prepayments are accounted for at historical cost.

Property, equipment and intangible assets

Property, equipment and intangible assets are carried at historical cost less accumulated depreciation and amortization.

Depreciation and amortization is charged on the carrying value of property, equipment and intangible assets and is designed to write off assets over their useful economic lives. It is calculated on a straight line basis at the following annual prescribed rates:

Buildings and other real estate	2%
Vehicles	25%
Computers	40%
Other	15%
Intangible assets	15%

The carrying amounts of property, equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. Where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the income statement.

Taxation

Income tax expense represents the sum of the current and deferred tax expense.

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's current tax expense is calculated using tax rates that have been enacted during the reporting period.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is recorded in the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred income tax assets and deferred income tax liabilities are offset and reported net in the statement of financial position if:

- The Company has a legally enforceable right to set off current income tax assets against current income tax liabilities; and
- Deferred income tax assets and the deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Kazakhstan where the Company operates also has various other taxes, which are assessed on the Company's activities. These taxes are included as a component of operating expenses in the income statement.

Underwriting income and expense

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium provision, claims paid, the provision for losses, and policy acquisition costs.

Net written insurance premiums represent gross written premiums less premiums ceded to reinsurers. Upon inception of a contract, premiums are recorded as written and are earned on a pro rata basis over the term of the related policy coverage. The unearned premium provision represents the portion of the premiums written relating to the unexpired terms of coverage and is included as a liability in the accompanying statement of financial position.

Claims paid and the change in provisions for losses are charged to the income statement as incurred through the reassessment of the provision for losses.

Commissions earned on ceded reinsurance contracts are recorded as income at the date the reinsurance contract is signed and deemed enforceable.

Acquisition costs, comprising commissions paid to insurance agents and brokers, which vary and are directly related to the production of new business, are deferred and recorded in the accompanying statement of financial position net provision for unearned premium, and are amortized over the period in which the related written premiums are earned.

Liability adequacy test

The Company applies a liability adequacy test at each reporting date to ensure that the insurance liabilities are adequate considering the estimated future cash flows. This test is performed by comparing the carrying value of the liability and the discounted projections of future cash flows (including premiums, claims, expenses, investment return and other items), using best estimate assumptions.

If a deficiency is found in the liability (i.e. the carrying value amount of its insurance liabilities is less than the future expected cash flows) that deficiency is fully recognized in the income statement.

Reserves for claims and claims' adjustment expenses

Reserves for claims and claims' adjustment expenses are a summary of estimates of ultimate losses, and include both claims reported but not settled (RBNS) and claims incurred but not reported (IBNR).

RBNS is created for significant reported claims not settled at the reporting date. Estimates are made on the basis of information received by the Company during its investigation of insured events. IBNR is estimated by the Company based on its previous history of claims/indemnification of claims using actuarial methods of calculation, which include loss triangulation for insurance classes for which there is statistical data. For lines of insurance that do not have statistical data, IBNR is calculated according to the FMSA requirements as 5% of the written premiums for the last twelve months prior reporting date.

The reinsurers' share in the provision for losses is calculated in accordance with the reinsurers' share under the reinsurance contracts. The reinsurers' share in RBNS is recorded in reinsurance assets of RBNS until full insurance payment by a reinsurer is received.

Insurance and reinsurance payable

Payables on insurance business comprise advances received, amounts payable to insured (claims and premium refund payable) and amounts payable to agents and brokers, and advances received from insurers and reinsurers.

Payables on reinsurance business comprise net amounts payable to reinsurers. Amounts payable to reinsurers include ceded reinsurance premiums, assumed premium refunds and claims on assumed reinsurance. Insurance and reinsurance payable are accounted for at amortized cost.

Commission income, broker and agent commission

Commission income, broker and agent commissions are recognized at the commencement of insurance (reinsurance) contracts, charged to income and expenses proportionally during the term when the insurance contract is effective and are included into calculation of the unearned premium reserve.

Provisions

Provisions are recognized 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 obligation can be made.

Share capital

Contributions to share capital are recognized at cost. Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 "Events after the Balance Sheet Date" ("IAS 10") and disclosed accordingly.

Recognition of income

Interest income includes income earned on investment securities. Interest income is recognized on an accrual basis calculated using the effective interest method. Commission and other income and expenses are recognized on an accrual basis on the applicable contract.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into KZT at the appropriate spot rates of exchange ruling at the reporting date. Foreign currency transactions are accounted for at the exchange rates prevailing at the date of the transaction. Profits and losses arising from these translations are included in net gain/(loss) on foreign exchange operations.

Rates of exchange

The exchange rates at the year-end used by the Company in the preparation of the financial statements are as follows:

	31 December 2011	**31 December 2010**
KZT/1 US Dollar	148.40	147.50
KZT/1 Euro	191.72	196.88
KZT/1 Russian Rouble	4.61	4.83

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net in the statement of financial position when the Company has a legally enforceable right to offset the recognised amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Segment reporting

Operating segments are identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Company measures information about reportable segments in accordance with IFRS. Information about reportable operating segment meets one of the following quantitative thresholds:

- its reported revenue, from both external customers and intersegment sales or transfers, is 10 per cent or more of the combined revenue, internal and external, of all operating segments; or
- the absolute measure of its reported profit or loss is 10 per cent or more of the greater, in absolute amount, of (i) the combined reported profit of all operating segments that did not report a loss and (ii) the combined reported loss of all operating segments that reported a loss; or
- its assets are 10 per cent or more of the combined assets of all operating segments.

If the total external revenue reported by operating segments constitutes less than 75 per cent of the Company's revenue, additional operating segments are identified as reportable segments (even if they do not meet the quantitative thresholds set out above) until at least 75 per cent of the Company's revenue is included in reportable segments (Note 28).

Adoption of new and revised standards

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

Standards and interpretations issued and not yet adopted

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9 *Financial Instruments* issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

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

IFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

The directors anticipate that IFRS 9 that will be adopted in the Company's financial statements for the annual period beginning 1 January 2015 and that the application of the new Standard will have a significant impact on amounts reported in respect of the Company's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to IAS 32 titled *Classification of Rights Issues* address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Company has not entered into any arrangements that would fall within the scope of the amendments. However, if the Company does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to IAS 32 will have an impact on the classification of those rights issues.

IFRS 13 *Fair Value Measurement* – aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements to use across IFRSs. The Standard:

- defines fair value;
- sets out in a single IFRS a framework for measuring fair value;
- requires disclosures about fair value measurements.

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

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

All other Standards and Interpretations issued are not applicable to the Company’s operations. Management believes the adoption of these Standards and Interpretations will not have a significant impact on the results of the Company’s operations.

4. PREMIUM EARNED, NET OF REINSURANCE

Premium earned, net of reinsurance, for the year ended 31 December 2011, comprised the following:

	Property	Entrepre-neurship risk	Cargo	Individuals CR	Air transport owners CR	Motor owners CR	Individual insurance	Medical insurance	Indemnifi-cation CR	Employer's CR	Crop insurance	Other voluntary insurance	Total
Direct insurance premiums	6,773,036	7,573,234	141,627	158,435	836,139	2,098,710	137,197	3,475,467	779,576	1,297,856	240,351	447,174	23,958,802
Assumed reinsurance premiums	61,143	86	1,298	-	1,067	5,171	16,080	1,010	17,779	261,823	-	(6)	365,451
Written insurance premiums	6,834,179	7,573,320	142,925	158,435	837,206	2,103,881	153,277	3,476,477	797,355	1,559,679	240,351	447,168	24,324,253
Reinsurance premiums ceded	(5,342,641)	(7,307,119)	(74,143)	-	(835,342)	(34,589)	(3,597)	(75,475)	(482,945)	(30,607)	-	(251,136)	(14,437,594)
Premiums written, net of reinsurance	1,491,538	266,201	68,782	158,435	1,864	2,069,292	149,680	3,401,002	314,410	1,529,072	240,351	196,032	9,886,659
Change in unearned premium reserve, gross	(1,871,060)	(4,431,400)	11,492	451	(21,666)	112,979	46,931	52,857	(38,727)	(174,820)	(23,850)	12,584	(6,324,229)
Change in unearned premium reserve, reinsurers' share	1,654,056	4,301,623	(5,957)	(1,391)	24,455	(41,496)	(5,181)	(84,632)	25,937	(20,885)	(2,827)	(3,831)	5,839,871
Change in unearned premium reserve, net	(217,004)	(129,777)	5,535	(940)	2,789	71,483	41,750	(31,775)	(12,790)	(195,705)	(26,677)	8,753	(484,358)
Premium earned, net of reinsurance	1,274,534	136,424	74,317	157,495	4,653	2,140,775	191,430	3,369,227	301,620	1,333,367	213,674	204,785	9,402,301

*CR- civil responsibility

Premium earned, net of reinsurance, for the year ended 31 December 2010, comprised the following:

	Property	**Entrepre-neurship risk**	**Cargo**	**CR* of individuals**	**CR of air transport owners**	**CR of motor owners**	**Individual insurance**	**Medical insurance**	**CR for indemnifi-cation**	**Employer's CR**	**Crop insurance**	**Other voluntary insurance**	**Total**
Direct insurance premiums	3,385,674	2,150,753	146,091	151,475	941,370	2,201,869	201,214	2,847,392	705,710	1,092,314	220,813	444,047	14,488,722
Assumed reinsurance premiums	19,028	9,069	2,442	72	6,693	14,979	24,851	152,455	5,457	17,221	-	14,446	266,713
Written insurance premiums	3,404,702	2,159,822	148,533	151,547	948,063	2,216,848	226,065	2,999,847	711,167	1,109,535	220,813	458,493	14,755,435
Reinsurance premiums ceded	(2,423,263)	(2,020,122)	(68,301)	-	(902,574)	(26,373)	2,490	(233,896)	(412,363)	(33,347)	-	(271,034)	(6,388,783)
Premiums written, net of reinsurance	981,439	139,700	80,232	151,547	45,489	2,190,475	228,555	2,765,951	298,804	1,076,188	220,813	187,459	8,366,652
Change in unearned premium reserve, gross	238,805	(458,689)	8,483	1,637	(85,407)	(50,794)	32,389	27,145	29,198	(55,965)	40,283	(61,276)	(334,191)
Change in unearned premium reserve, reinsurers' share	(227,715)	429,019	(12,710)	-	74,331	(6,930)	(8,105)	(19,979)	3,894	(2,985)	-	16,766	245,586
Change in unearned premium reserve, net	11,090	(29,670)	(4,227)	1,637	(11,076)	(57,724)	24,284	7,166	33,092	(58,950)	40,283	(44,510)	(88,605)
Premium earned, net of reinsurance	992,529	110,030	76,005	153,184	34,413	2,132,751	252,839	2,773,117	331,896	1,017,238	261,096	142,949	8,278,047

*CR- civil responsibility

5. CLAIMS INCURRED, NET OF REINSURANCE

Claims incurred, net of reinsurance, for the year ended 31 December 2011, comprise the following:

	Property	Entrepre-neurship risk	Cargo	Individuals CR	Air transport owners CR	Motor owners CR	Individual insurance	Medical insurance	Indemnifi-cation CR	Employer's CR	Crop insurance	Other voluntary insurance	Total
Claims paid on direct insurance	(248,460)	(24,065)	(4,133)	(3,132)	(1,906)	(596,880)	(30,173)	(3,146,546)	(392)	(402,329)	(118,798)	(89,903)	(4,666,717)
Claims paid on assumed reinsurance	(2,012)	-	-	-	(6,809)	(1,707)	-	-	-	(19,136)	-	(94)	(29,758)
Claims paid, gross	(250,472)	(24,065)	(4,133)	(3,132)	(8,715)	(598,587)	(30,173)	(3,146,546)	(392)	(421,465)	(118,798)	(89,997)	(4,696,475)
Claims paid, reinsurers' share	104	-	1,210	-	1,909	24,582	-	(1,251)	-	22,303	-	59,271	108,128
Claims paid, net	(250,368)	(24,065)	(2,923)	(3,132)	(6,806)	(574,005)	(30,173)	(3,147,797)	(392)	(399,162)	(118,798)	(30,726)	(4,588,347)
Change in reserves for claims and claims' adjustment expenses, gross	(787,119)	3,741,535	5,153	3,797	63,541	314,470	27,437	(17,312)	(25,309)	(103,383)	(14,054)	(52,073)	3,156,683
Change in reinsurers' share of reserves for claims and claims' adjustment expenses	697,358	(4,087,741)	(1,331)	-	(69,193)	(61)	-	(32)	-	4,887	-	(4,692)	(3,460,805)
Net change in reserves for claims and claims' adjustment expenses	(89,761)	(346,206)	3,822	3,797	(5,652)	314,409	27,437	(17,344)	(25,309)	(98,496)	(14,054)	(56,765)	(304,122)
Claims incurred, net of reinsurance	(340,129)	(370,271)	899	665	(12,458)	(259,596)	(2,736)	(3,165,141)	(25,701)	(497,658)	(132,852)	(87,491)	(4,892,469)

Claims incurred, net of reinsurance, for the year ended 31 December 2010, comprise the following:

	Property	**Entrepre-neurship risk**	**Cargo**	**Individuals CR**	**Air transport owners CR**	**Motor owners CR**	**Individual insurance**	**Medical insurance**	**Indemnifi-cation CR**	**Employer's CR**	**Crop insurance**	**Other voluntary insurance**	**Total**
Claims paid on direct insurance	(47,400)	(486,425)	(6,958)	(1,405)	-	(563,137)	(101,552)	(2,323,658)	(500)	(444,234)	(357,225)	(24,679)	(4,357,173)
Claims paid on assumed reinsurance	(181)	-	(613)	-	(113,822)	(421)	-	-	-	(30,056)	-	(264)	(145,357)
Claims paid, gross	(47,581)	(486,425)	(7,571)	(1,405)	(113,822)	(563,558)	(101,552)	(2,323,658)	(500)	(474,290)	(357,225)	(24,943)	(4,502,530)
Claims paid, reinsurers' share	7,802	462,127	-	-	-	216	350	12,849	-	5,198	-	-	488,542
Claims paid, net	(39,779)	(24,298)	(7,571)	(1,405)	(113,822)	(563,342)	(101,202)	(2,310,809)	(500)	(469,092)	(357,225)	(24,943)	(4,013,988)
Change in reserves for claims and claims' adjustment expenses, gross	(1,028,732)	(3,570,880)	(10,925)	(1,096)	158,842	(162,391)	37,071	102,138	2,035	96,758	(4,977)	(4,244)	(4,386,401)
Change in reinsurers' share of reserves for claims and claims' adjustment expenses	669,816	3,576,069	3,088	(20)	(124,740)	2,806	(16,536)	(20,000)	(154)	5,646	-	(450)	4,095,525
Net change in reserves for claims and claims' adjustment expenses	(358,916)	5,189	(7,837)	(1,116)	34,102	(159,585)	20,535	82,138	1,881	102,404	(4,977)	(4,694)	(290,876)
Claims incurred, net of reinsurance	(398,695)	(19,109)	(15,408)	(2,521)	(79,720)	(722,927)	(80,667)	(2,228,671)	1,381	(366,688)	(362,202)	(29,637)	(4,304,864)

6. NET COMMISSION EXPENSE

Net commission expense for the year ended 31 December 2011, comprises the following:

	Property	Entrepre-neurship risk	Cargo	CR of individuals	CR of air transport owners	CR of motor owners	Individual insurance	Medical insurance	CR for indemnifi-cation	Employer's CR	Crop insurance	Other voluntary insurance	Total
Commission income	76,232	16,784	8,776	-	1,975	2,341	376	15,378	4,692	2,281	-	25,803	154,638
Commission expense	(173,544)	(34,011)	(16,150)	(8,028)	(32,146)	(154,838)	(27,693)	(9,305)	(61,979)	(109,275)	(21,935)	(16,537)	(665,441)
Change in deferred acquisition costs	(5,956)	(395)	(304)	(522)	(260)	(9,155)	(4,526)	(230)	199	(849)	1,550	(3,530)	(23,978)
	(103,268)	(17,622)	(7,678)	(8,550)	(30,431)	(161,652)	(31,843)	5,843	(57,088)	(107,843)	(20,385)	5,736	(534,781)

Net commission expense for the year ended 31 December 2010, comprises the following:

	Property	Entrepre-neurship risk	Cargo	CR of individuals	CR of air transport owners	CR of motor owners	Individual insurance	Medical insurance	CR for indemnifi-cation	Employer's CR	Crop insurance	Other voluntary insurance	Total
Commission income	21,180	12,847	3,147	-	1,490	1,340	911	18,753	-	2,542	-	37,023	99,233
Commission expense	(178,990)	(28,982)	(11,494)	(10,264)	(29,841)	(234,601)	(31,740)	(31,663)	(20,158)	(87,580)	(23,262)	(96,847)	(785,422)
Change in deferred acquisition costs	(3,527)	947	270	(684)	247	(22,085)	(1,170)	(15)	(1,235)	6,367	(3,727)	4,278	(20,334)
	(161,337)	(15,188)	(8,077)	(10,948)	(28,104)	(255,346)	(31,999)	(12,925)	(21,393)	(78,671)	(26,989)	(55,546)	(706,523)

7. INVESTMENT INCOME

	Year ended 31 December 2011	Year ended 31 December 2010
Investment income:		
Interest income	1,165,826	989,665
Net realized loss on disposal of investments available-for-sale	(78,633)	-
	1,087,193	989,665
Interest income:		
Interest income on financial assets at fair value	961,303	745,301
Interest income on financial assets recorded at amortized cost:		
interest income on unimpaired financial assets	204,523	244,364
	1,165,826	989,665
Interest income on financial assets recorded at amortized cost comprises:		
Interest on due from banks	158,639	203,704
Interest on investments held-to-maturity	45,795	40,660
Interest on loans under reverse repurchase agreements	89	-
	204,523	244,364
Interest income on financial assets at fair value comprises:		
Interest income on investments available-for-sale	961,303	745,301
	961,303	745,301
	1,165,826	989,665

8. SALARIES AND BENEFITS, ADMINISTRATIVE AND OPERATING EXPENSES

	Year ended 31 December 2011	Year ended 31 December 2010
Salaries and benefits	1,336,726	1,184,963
Social tax	131,900	119,808
	1,468,626	1,304,771

Administrative and operating expenses comprise:

	Year ended 31 December 2011	Year ended 31 December 2010
Professional services	211,935	79,723
Rent expenses	132,696	92,670
Property and equipment maintenance	52,714	52,440
Communication expenses	48,236	41,962
Payments to JSC Insurance Payments Guarantee Fund	47,345	76,644
Marketing and advertising costs	36,137	65,315
Utilities	31,263	6,591
Stationery	32,133	24,994
Bank commissions	30,391	25,017
Insurance expenses	26,585	23,575
Business trip and related expenses	25,465	22,630
Taxes other than income tax	17,368	7,611
Security expenses	6,302	6,929
Training	3,108	3,891
Other	28,075	10,908
	729,753	540,900

9. PROVISION FOR IMPAIRMENT LOSSES ON OTHER OPERATIONS

	Insurance and reinsurance receivables	Other assets	Total
31 December 2009	64,645	598	65,243
Additional provisions recognized	88,986	-	88,986
Write-off of assets	(27,468)	-	(27,468)
31 December 2010	126,163	598	126,761
Additional provisions recognized	75,135	5,734	80,869
Write-off of assets	(9,935)	(485)	(10,420)
31 December 2011	191,363	5,847	197,210

10. INCOME TAXES

The Company performs its tax calculation on the basis of tax regulations in accordance with the legislation of the Republic of Kazakhstan, which can differ from IFRS.

The Company's permanent tax differences arise mainly due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. As at 31 December 2011 and 2010, temporary differences relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

Effective 1 January 2012, an amendment to the Tax Code was enacted on the calculation of corporate income tax for insurance companies. Due to the absence of transition rules issued by the tax authorities, the Company calculated its deferred tax in accordance with Tax Code rules effective during 2011. The Company has recognized a deferred tax asset in the financial statements, to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Management believes the change in tax legislation will not impact their ability to recover the deferred tax asset.

Temporary differences as at 31 December 2011 and 2010 comprise:

		31 December 2011	
	Affiliated insured	**Non-affiliated insured**	**Total**
Deductible temporary differences:			
Unearned premium reserve	49,232	11,845,630	11,894,862
Reinsurance payable	16,158	2,484,635	2,500,793
Total deductible temporary differences	65,390	14,330,265	14,395,655
Taxable temporary differences:			
Unearned premium reserve, reinsurers' share	(33,173)	(8,344,011)	(8,377,184)
Deferred acquisition costs	-	(91,806)	(91,806)
Net deductible temporary differences	32,217	5,894,448	5,926,665
Net deferred tax assets at the statutory rate (4% for non-affiliated insured and 8% for affiliated insured)	2,577	235,778	238,355

	Affiliated Insured	31 December 2010 Non-affiliated insured	Total
Deductible temporary differences:			
Unearned premium reserve	38,263	5,532,370	5,570,633
Reinsurance payable	27,605	768,086	795,691
Total deductible temporary differences	65,868	6,300,456	6,366,324
Taxable temporary differences:			
Unearned premium reserve, reinsurers' share	(24,246)	(2,513,067)	(2,537,313)
Deferred acquisition costs, reinsurer's share	-	(44,260)	(44,260)
Net deductible temporary differences	41,622	3,743,129	3,784,751
Net deferred tax assets at the statutory rate (4% for non-affiliated and 8% for affiliated insured)	3,330	149,725	153,055

Relationships between tax expenses and taxable income for the years ended 31 December 2011 and 2010 are explained as follows:

	Affiliated insured	Year ended 31 December 2011 Non-affiliated insured	Total
Premium earned, net of reinsurance	317,793	9,084,508	9,402,301
Change in deferred acquisition costs	-	(23,978)	(23,978)
Income from regress of claims related to agriculture insurance	-	59,331	59,331
Commission income	-	154,638	154,638
Adjustments to insurance income	-	(1,121)	(1,121)
Expense on payments to Joint Stock Company Insurance Payments Guarantee Fund	-	(56,304)	(56,304)
Net taxable insurance income	317,793	9,217,074	9,534,867
Tax at the statutory rate (4% for non-affiliated and 8% for affiliated insured)	25,424	368,683	394,107
Income tax expense for non-insurance activity	-	40,195	40,195
Income tax expense	25,424	408,878	434,302

	Year ended 31 December 2010		
	Affiliated insured	Non-affiliated insured	Total
Premium earned, net of reinsurance	66,913	8,211,134	8,278,047
Change in deferred acquisition costs	-	(20,334)	(20,334)
Income from regress of claims related to agriculture insurance	-	176,884	176,884
Commission income	-	99,233	99,233
Adjustments to insurance income	-	37,980	37,980
Commission paid to Joint Stock Company Insurance Payments Guarantee Fund	(148)	(68,329)	(68,477)
Net taxable insurance income	66,765	8,436,568	8,503,333
Tax at the statutory rate (4% for non-affiliated and 8% for affiliated insured)	5,341	337,463	342,804
Current income tax expense for non-insurance activity	-	35,436	35,436
Income tax expense	5,341	372,899	378,240

	Year ended 31 December 2011	Year ended 31 December 2010
Current income tax expense	519,602	382,091
Deferred income tax benefit	(85,300)	(3,851)
Income tax expense	434,302	378,240

Deferred income tax asset comprised:

	2011	2010
Beginning of the year	153,055	149,204
Change in deferred income tax asset	85,300	3,851
End of the year	238,355	153,055

11. EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing net profit for the year attributable to equity holders of the parent by the weighted average number of participating shares outstanding during the year.

	Year ended 31 December 2011	Year ended 31 December 2010
Net profit	2,280,151	1,718,325
Weighted average number of ordinary shares for purposes of basic and diluted earnings per share	338,011	338,011
Earnings per share – basic and diluted (KZT)	6,745.79	5,083.64

As at 31 December 2011 and 2010, the book value of one ordinary share, calculated in accordance with the methodology provided by KASE, amounted to KZT 43 thousand and KZT 40 thousand, respectively.

12. CASH AND CASH EQUIVALENTS

	31 December 2011	31 December 2010
Balances with banks in Kazakhstani tenge	561,379	787,081
Balances with banks in foreign currencies	64,608	1,078,167
Cash on hand	4,854	6,408
	630,841	1,871,656

13. DUE FROM BANKS

	31 December 2011	31 December 2010
Long-term deposits	755,565	-
Short-term deposits	409,672	2,542,567
Restricted deposit	32,970	9,219
	1,198,207	2,551,786

As at 31 December 2011 and 2010, accrued interest income on due from banks comprised KZT 12,704 thousand and KZT 58,537 thousand, respectively.

As at 31 December 2011 and 2010, interest rates on long-term deposits and short-term deposits were 5%-7%.

14. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2011	31 December 2010
Debt securities	13,075,067	10,636,937
Equity securities	802,177	49,443
	13,877,244	10,686,380

	Interest to nominal	31 December 2011	Interest to nominal	31 December 2010
Debt securities:				
Corporate bonds	5.89%-12.00%	7,451,931	6.50%-12%	5,319,305
Bonds of Kazakhstan banks	8.00%-14.00%	2,982,678	5.50%-9.30%	1,464,630
Treasury bonds of the Ministry of Finance of the Republic of Kazakhstan	0.06%-8.75%	2,640,458	0.06%-8.75%	3,853,002
		13,075,067		10,636,937

	Ownership interest	31 December 2011	Ownership interest	31 December 2010
Equity securities:				
Equity securities of Kazakhstan corporations	0.012%- 3.3%	506,925	3.3%	17,666
Equity securities of Kazakhstan banks	0.027%	42,632	0.0036%	31,777
Equity securities of foreign corporations	0.003%	252,620	-	-
		802,177		49,443

As at 31 December 2011 and 2010, included in investments available-for-sale is accrued interest amounting to KZT 292,892 thousand and KZT 276,356 thousand, respectively.

As at 31 December 2011 and 2010, provision for impairment losses on certain investments available-for-sale amounted to KZT 1,056,881 thousand and KZT 1,170,778 thousand, respectively.

15. INVESTMENTS HELD-TO-MATURITY

	Interest to nominal	31 December 2011	Interest to nominal	31 December 2010
Corporate bonds	7.50%-8.50%	761,813	6.70%-7.09%	448,233
Bonds of Kazakhstan banks	7.50%-9.60%	149,056	7.50%-8.00%	146,738
		910,869		594,971

As at 31 December 2011 and 2010, included in investments held-to-maturity is accrued interest amounting to KZT 13,042 thousand and KZT 9,012 thousand, respectively.

16. LOANS UNDER REVERSE REPURCHASE AGREEMENTS

As at 31 December 2011, loans under reverse repurchase agreements included Notes of the National Bank of the Republic of Kazakhstan with carrying value of KZT 750,069 thousand and fair value of KZT 789,474 thousand. Interest accrued for the loans under reverse repurchase agreements amounted to KZT 69 thousand.

17. INSURANCE AND REINSURANCE RECEIVABLE

	31 December 2011	31 December 2010
Amounts due from policyholders	3,083,501	1,327,543
Amounts due from reinsured	79,744	119,448
Amounts due from agents and brokers	24,215	22,838
	3,187,460	1,469,829
Less provision for impairment losses (Note 9)	(191,363)	(126,163)
	2,996,097	1,343,666

18. DEFERRED EXPENSES

During 2011 and 2010, the Company concluded various medical insurance contracts. In accordance with the legislation of the Republic of Kazakhstan the Company cannot render medical services as it does not possess the required license. In order to fulfill its obligations under the policies, the Company signed agreements with medical assistance companies and transferred on average 80%-90% of premiums received under the agreement to the assistance companies. Amounts transferred to assistance companies are recognized as deferred expenses and are amortized over the term of the policies.

As at 31 December 2011 and 2010, deferred expenses amounted to KZT 282,551 thousand and KZT 204,078 thousand, respectively.

19. UNEARNED PREMIUM RESERVE

	31 December 2011	**31 December 2010**	**Change in unearned premium reserve**
Gross unearned premium reserve (Note 4)	11,894,862	5,570,633	6,324,229
Unearned premium reserve, reinsurers' share (Note 4)	(8,377,184)	(2,537,313)	(5,839,871)
Unearned premium reserve, net of reinsurers' share	3,517,678	3,033,320	484,358

	31 December 2010	**31 December 2009**	**Change in unearned premium reserve**
Gross unearned premium reserve (Note 4)	5,570,633	5,236,442	334,191
Unearned premium reserve, reinsurers' share (Note 4)	(2,537,313)	(2,291,727)	(245,586)
Unearned premium reserve, net of reinsurers' share	3,033,320	2,944,715	88,605

20. RESERVES FOR CLAIMS AND CLAIMS' ADJUSTMENT EXPENSES, NET OF REINSURERS' SHARE

Reserves have been established on the basis of information currently available, including potential outstanding loss notifications and experience with similar claims in the preceding periods. IBNR is actuarially determined by lines of business and is based on statistical claims data for the period typical for loss development of the classes and sub-classes of business, the Company's previous experience and the availability of data. While management believes that the gross reserve for claims and claims' adjustment expenses and the related reinsurance recoveries are fairly stated on the basis of the information available to them, the ultimate liability may vary as a result of subsequent information and events and may result in adjustments to the amounts provided. Any adjustments to the amount of reserves will be reflected in the financial statements in the period in which the necessary adjustments become known and estimable.

The movements in reserves for claims and claims' adjustment expenses during 2011 and 2010 were as follows:

	2011			2010		
	Gross	**Reinsurers' share**	**Net reserves**	**Gross**	**Reinsurers' share**	**Net reserves**
1 January	6,290,959	(5,145,718)	1,145,241	1,904,558	(1,050,194)	854,364
Plus claims incurred (Note 5)	1,539,792	3,352,677	4,892,469	8,888,931	(4,584,066)	4,304,865
Less claims paid (Note 5)	(4,696,475)	108,128	(4,588,347)	(4,502,530)	488,542	(4,013,988)
31 December	3,134,276	(1,684,913)	1,449,363	6,290,959	(5,145,718)	1,145,241

21. PROPERTY AND EQUIPMENT

	Land and buildings	**Vehicles**	**Computers and computer equipment**	**Construction in progress**	**Other**	**Total**
At cost						
31 December 2009	200,442	109,022	77,156	26,217	101,392	514,229
Additions	6,352	29,766	102,096	773,132	16,297	927,643
Transfers	760,473	-	-	(760,473)	-	-
Disposals	(160)	(6,815)	(6,730)	-	(12,048)	(25,753)
31 December 2010	967,107	131,973	172,522	38,876	105,641	1,416,119
Additions	9,011	21,055	20,318	6,542	13,752	70,678
Transfers	150	-	(41,636)	(150)	41,636	-
Disposals	(34)	(6,797)	(10,356)	-	(6,128)	(23,315)
31 December 2011	976,234	146,231	140,848	45,268	154,901	1,463,482
Accumulated depreciation						
31 December 2009	(45,122)	(60,622)	(62,270)	-	(48,630)	(216,644)
Charge for the year	(19,936)	(27,321)	(34,579)	-	(13,713)	(95,549)
Disposals	92	6,275	6,657	-	7,614	20,638
31 December 2010	(64,966)	(81,668)	(90,192)	-	(54,729)	(291,555)
Charge for the year	(18,816)	(29,318)	(31,595)	-	(16,850)	(96,579)
Transfers	-	-	16,837	-	(16,837)	-
Disposals	22	6,085	10,322	-	5,063	21,492
31 December 2011	(83,760)	(104,901)	(94,628)	-	(83,353)	(366,642)
Net book value						
As at 31 December 2011	892,474	41,330	46,220	45,268	71,548	1,096,840
As at 31 December 2010	902,141	50,305	82,330	38,876	50,912	1,124,564

As at 31 December 2011 and 2010, construction in progress included office premises in Kostanai.

As at 31 December 2011 and 2010, included in property and equipment were fully depreciated assets of KZT 90,626 thousand and KZT 70,290 thousand, respectively.

22. OTHER ASSETS

	31 December 2011	31 December 2010
Other financial assets:		
Receivable from reimbursement of claims	316,603	413,942
Guarantee payments to clients for participation in tenders	12,838	9,405
	329,441	423,347
Less: provision for impairment losses (Note 9)	(5,847)	(598)
Total other financial assets	323,594	422,749
Other non-financial assets:		
Advances paid for materials and services	160,891	252,104
Inventory	17,794	24,633
Prepaid insurance premiums	14,716	10,097
Broker settlements	4,427	6,119
Prepaid taxes	2,154	10,514
Other	1,132	687
Total other non-financial assets	201,114	304,154
	524,708	726,903

23. INSURANCE AND REINSURANCE PAYABLE

	31 December 2011	31 December 2010
Amounts payable to reinsurers	2,500,793	795,691
Amounts payable to insured	94,028	156,162
Amounts payable to agents and brokers	61,485	36,018
Advances received for the insurance activity	53,988	63,713
Amounts payable to reinsured	-	63,309
	2,710,294	1,114,893

24. OTHER LIABILITIES

	31 December 2011	31 December 2010
Other financial liabilities:		
Accrued reserves for bonuses	171,664	208,782
Amounts payable to employees	23,895	21,821
Amounts payable for materials and services	21,710	11,262
Payable to JSC Insurance Payments Guarantee Fund	10,542	19,502
Other advances received	4,107	2,871
Total other financial liabilities	231,918	264,238
Other non-financial liabilities:		
Taxes payable other than income tax	75,404	29,662
Deferred income from insurance activity	66,459	329,169
Unused vacation reserves	47,245	31,806
Other	15,031	24,760
Total other non-financial liabilities	204,139	415,397
	436,057	679,635

The Company accrues unused vacation reserve which represents amounts payable to employees for unused vacation in case employees leave the Company. The amount of vacation reserve is calculated based on the average salary and other benefits of each employee for the last 12 calendar months.

25. EQUITY

As at 31 December 2011 and 2010, the share capital consisted of 338,011 ordinary shares, which were authorized, issued, and fully paid with a value of KZT 4,587,895 thousand. Each ordinary share is entitled to one vote and shares equally in dividends. During 2011, the Company paid dividends in the amount of KZT 1,000,000 thousand to its shareholders.

According to FMSC Regulation on formation of insurance reserves # 61 Effective from January 2011, in accordance with the FMSC legislation on insurance reserves, insurance companies are required to create a stabilization reserve. This reserve is in the form of a transfer of retained earnings to an equity reserve to cover any unforeseen future losses of the Company. As at 31 December 2011, the Company created a stabilization reserve in the amount of KZT 651,897 thousand, which was included in other reserves.

26. COMMITMENTS AND CONTINGENCIES

Legal proceedings

From time to time and in the normal course of business, claims against the Company are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred by the Company and accordingly no provision has been made in these financial statements.

Taxation

Kazakhstani commercial and tax legislation in particular may give rise to varying interpretations and amendments, which may be retrospective in nature. In addition, as Management's interpretation of tax legislation may differ from that of the tax authorities, transactions may be challenged by the tax authorities, and as a result the Company may be assessed additional taxes, penalties and interest. The Management of the Company believes that it has already made all tax payments, and therefore no allowance has been made in the financial statements. Tax years remain open to review by the tax authorities for five years.

Pensions and retirement plans

Employees of the Company receive pension benefits from pension funds except for the agents working under the agency contracts in accordance with the laws and regulations of the Republic of Kazakhstan. As at 31 December 2011 and 2010, the Company was not liable for any supplementary pensions, post-retirement health care, insurance benefits, or retirement indemnities to its current or former employees.

Capital commitments

As at 31 December 2011 and 2010, the Company had no significant capital commitments.

Operating lease commitments

As at 31 December 2011, the Company did not have any significant operating lease commitments.

As at 31 December 2010, the future minimum lease payments under non cancellable operating leases amounted to KZT 28,217 thousand.

27. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties, as defined by IAS 24 "Related party disclosures" are presented below.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form. The Company had the following transactions outstanding as at 31 December 2011 and 2010 with related parties:

	31 December 2011		**31 December 2010**	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Cash and cash equivalents	572,173	630,841	788,409	1,871,656
- the parent company	572,173		788,409	
Due from banks	26	1,198,207	26	2,551,786
- the parent company	26		26	
Investments held-to-maturity	149,056	910,869	146,738	594,971
- the parent company	149,056		146,738	
Insurance and reinsurance receivable	9,916	2,996,097	38,713	1,343,666
- the parent company	9,786		10,402	
- other related parties	130		28,311	
Insurance and reinsurance payable	598	2,710,294	22,322	1,114,893
- the parent company	485		667	
- other related parties	112		21,655	

The remuneration of directors and other members of key management were as follows:

	Year ended 31 December 2011		**Year ended 31 December 2010**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:				
- salaries and other employee benefits	118,015	1,468,626	120,447	1,304,771

Included in the income statement for the years ended 31 December 2011 and 2010 are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2011		**Year ended 31 December 2010**	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Written insurance premiums	390,423	24,324,253	134,068	14,755,435
- the parent company	66,828		61,053	
- entities with joint control or significant influence over the entity	323,595		73,015	
Claims paid, gross	(397,125)	(4,696,475)	(319,620)	(4,502,530)
- the parent company	(71,881)		(117,366)	
- entities with joint control or significant influence over the entity	(325,244)		(202,254)	
Investment income	12,487	1,087,193	14,644	989,665
- the parent company	12,487		14,644	
Commission expense	(40,844)	(665,441)	(18,510)	(785,422)
- the parent company	(11,450)		(16,859)	
- entities with joint control or significant influence over the entity	(29,394)		(1,651)	
Administrative and operating expense	(94,033)	(729,753)	(11,995)	(540,900)
- the parent company	(1,150)		(1,716)	
- entities with joint control or significant influence over the entity	(98,676)		(4,977)	
- key management personnel	(5,793)		(5,302)	

28. SEGMENT REPORTING

The Company discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 “Operating segments” and other standards that require special disclosures in the form of segmental reporting.

The Company’s primary format for reporting segment information is business segments and the secondary format is geographical segments.

The segment information below is presented on the basis used by the Company’s chief operating decision maker to evaluate performance, in accordance with IFRS 8. The Management Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which excludes certain unallocated costs related to other income and expense, operating expenses other than salaries and other employee benefits.

Segment information for the main reportable business segments of the Company for the years ended 31 December 2011 and 2010 is set out below:

	Insurance and reinsurance activity	**Investment activity**	**All other segments**	**Year ended 31 December 2011**
Written insurance premiums	24,565,741	-	-	24,565,741
Written insurance premiums return	(241,488)	-	-	(241,488)
Reinsurance premiums ceded	(14,437,594)	-	-	(14,437,594)
Change in unearned premium reserve	(484,358)	-	-	(484,358)
Claims paid	(4,696,475)	-	-	(4,696,475)
Claims paid, reinsurers' share	108,128	-	-	108,128
Change in reserves for claims and claims' adjustment expenses	3,156,683	-	-	3,156,683
Change in reinsurers' share of reserves for claims and claims' adjustment expenses	(3,460,805)	-	-	(3,460,805)
Change in deferred acquisition costs	(23,978)	-	-	(23,978)
Reimbursement of claims	142,158	-	-	142,158
Unallocated loss adjustment expenses	(6,917)	-	-	(6,917)
Commission income	154,638	-	-	154,638
Commission expense	(665,441)	-	-	(665,441)
Investment income	-	1,359,193	-	1,359,193
Investment expense	-	(272,000)	-	(272,000)
Other operating income	225,470	-	14,765	240,235
Other operating expense	(253,286)	-	(46,595)	(299,881)
Salaries and benefits	(1,468,626)	-	-	(1,468,626)
Administrative and operating expenses	(729,753)	-	-	(729,753)
Provision for impairment losses on other operations	(80,869)	-	-	(80,869)
Provision for impairment losses on investments available-for-sale	-	(22,403)	-	(22,403)
Gain on foreign exchange operations	167,803	75,826	64,524	308,153
Loss on foreign exchange operations	(193,901)	(49,727)	(85,543)	(329,171)
Segment result	1,777,130	1,090,889	(52,849)	2,815,170
Unallocated costs:				
Depreciation and amortization				(100,717)

	Insurance and reinsurance activity	**Investment activity**	**All other segments**	**As at 31 December 2011**
Total segment assets	14,529,390	17,367,230	-	31,896,620
Unallocated assets				782,388
Total assets				32,679,008
Total segment liabilities	17,739,432	-	-	17,739,432
Unallocated liabilities				473,684
Total liabilities				18,213,116

	Insurance and reinsurance activity	Investment activity	All other segments	Year ended 31 December 2010
Written insurance premiums	14,930,803	-	-	14,930,803
Written insurance premiums return	(175,368)	-	-	(175,368)
Reinsurance premiums ceded	(6,388,783)	-	-	(6,388,783)
Change in unearned premium reserve	(88,605)	-	-	(88,605)
Claims paid	(4,502,530)	-	-	(4,502,530)
Claims paid, reinsurers' share	488,542	-	-	488,542
Change in reserves for claims and claims' adjustment expenses	(4,386,401)	-	-	(4,386,401)
Change in reinsurers' share of reserves for claims and claims' adjustment expenses	4,095,525	-	-	4,095,525
Reimbursement of claims	278,976	-	-	278,976
Unallocated loss adjustment expenses	(9,304)	-	-	(9,304)
Commission income	99,233	-	-	99,233
Commission expense	(785,422)	-	-	(785,422)
Investment income	-	1,023,809	-	1,023,809
Investment expense	-	(34,144)	-	(34,144)
Other operating income	78,248	-	7,154	85,402
Other operating expense	(132,239)	-	(18,915)	(151,154)
Salaries and benefits	(1,304,771)	-	-	(1,304,771)
Administrative and operating expenses	(540,900)	-	-	(540,900)
Provision for impairment losses on other operations	(88,986)	-	-	(88,986)
Provision for impairment losses on investments available-for-sale	-	(308,131)	-	(308,131)
Gain on foreign exchange operations	86,193	30,121	32,256	148,570
Loss on foreign exchange operations	(79,875)	(46,511)	(44,882)	(171,268)
Segment result	1,574,336	665,144	(24,388)	2,215,092
Unallocated costs:				
Unallocated administrative and operating expenses				(197,545)
Depreciation and amortization				(98,194)

	Insurance and reinsurance activity	Investment activity	All other segments	As at 31 December 2010
Total segment assets	10,471,123	15,704,793	-	26,175,916
Unallocated assets				919,867
Total assets				27,095,783
Total segment liabilities	12,976,485	-	-	12,976,485
Unallocated liabilities				679,635
Total liabilities				13,656,120

The Company is organized on the basis of lines of business. Income and expenses related to the major business of the Company by business segments are disclosed in Notes 4, 5 and 6.

Geographical segments

As at 31 December 2011 and 2010, the majority of financial assets and liabilities were concentrated in the Republic of Kazakhstan, except for the financial assets and liabilities set out below.

	Republic of Kazakhstan	Non-OECD countries	OECD Countries	As at and for the year ended 31 December 2011
Reinsurance premiums ceded	2,858,859	818,161	10,760,574	14,437,594
Insurance and reinsurance receivable	1,655,425	1,311,104	29,568	2,996,097
Insurance and reinsurance payable	837,329	633,845	1,239,120	2,710,294

	Republic of Kazakhstan	Non-OECD countries	OECD Countries	As at and for the year ended 31 December 2010
Reinsurance premiums ceded	1,547,254	292,649	4,548,880	6,388,783
Insurance and reinsurance receivable	1,335,114	2,614	5,938	1,343,666
Insurance and reinsurance payable	522,903	181,892	410,098	1,114,893

29. FAIR VALUE OF FINANCIAL INSTRUMENTS

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IAS 32 “Financial Instruments: Disclosure and Presentation” and IAS 39 “Financial Instruments: Recognition and Measurement”. Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm’s length transaction, other than in forced or liquidation sale. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange from the sale of its full holdings of a particular instrument.

The fair value of financial assets and liabilities approximate the corresponding carrying value in the statement of financial position of the Company except for investments held-to-maturity which are presented as follows:

	31 December 2011		31 December 2010	
	Carrying value	Fair value	Carrying value	Fair value
Investments held-to-maturity	910,868	878,554	594,971	542,759

Financial instruments recognized at fair value are broken down for disclosure purposes into a three level fair value hierarchy based on the observability of inputs as follows:

- Quoted prices in an active market (Level 1) – Valuations based on quoted prices in active markets that the Company has the ability to access for identical assets or liabilities. Valuation adjustments and block discounts are not applied to these financial instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuations of these products do not entail a significant amount of judgment.
- Valuation techniques using observable inputs (Level 2) – Valuations based on inputs for which all significant inputs are observable, either directly or indirectly and valuations based on one or more observable quoted prices for orderly transactions in markets that are not considered active.
- Valuation techniques incorporating information other than observable market data (Level 3) – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Company's valuation approach and fair value hierarchy categorisation for certain significant classes of financial instruments recognised at fair value is as follows:

	31 December 2011	
	Level 1	**Level 2**
Investments available-for-sale	13,613,465	263,778

	31 December 2010	
	Level 1	**Level 2**
Investments available-for-sale	10,511,032	157,682

As at 31 December 2011 and 2010, the investments held in the Insurance Payment Guarantee Fund amounted to KZT 17,666 thousand classified as available-for-sale are held at historical cost.

30. RISK MANAGEMENT POLICIES

Management of risk is fundamental to the insurance business and is an essential element of the Company's operations. The main risks inherent to the Company's operations are those related to underwriting risk, credit risk, market risk on movements in interest and foreign exchange rates, and liquidity risk. A summary of the Company's risk management policies in relation to those risks is as follows.

Underwriting policies

The Company establishes underwriting guidelines and limits, which stipulate the approval process for risks and their limits. These limits are being continuously monitored.

The Company's direct insurance business is spread throughout Kazakhstan. The Company's reinsurance portfolio is diversified in terms of geographical spread and in terms of lines of business.

Reinsurance

In the normal course of business the Company enters into treaty and facultative reinsurance agreements with Kazakhstani and foreign reinsurers. Reinsurance contracts do not relieve the Company from its obligations to policyholders. The Company evaluates the financial condition of its reinsurers and monitors the concentration of credit risks arising from similar geographic regions, activities, or economic characteristics of the reinsurers to minimize its exposure to significant losses from reinsurer insolvencies.

Insurance reserves

The Company uses actuarial methods and assumptions in insurance and reinsurance liabilities estimations. Please, see Notes 5 and 20 for discussions of reserves for claims and claims' adjustment expenses. The Company performs a run-off analysis of these reserves.

Investment risks

The investment policy of the Company is based on levels of income and the Company's risk appetite at a point in time. The investment activities of Kazakhstani insurance companies are under the strict supervision of the FMSC and the Company does not have permission to operate as a professional participant in the capital markets, therefore the Company hires broker companies to perform investment operations.

The investment portfolio of the Company comprises financial instruments that are chosen according to profitability rates, maturity and the risk level of the investment. The investment portfolio is diversified so as to provide equal income receipts during the investing period. Investment income is generally reinvested to increase the investment portfolio.

Credit risk

The Company is exposed to credit risk, which is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one debtor, or groups of debtors and geographical segments. Limits on the level of credit risk by a debtor and reinsurer are approved by the Management Board on a regular basis. Such risks are monitored on a continuous basis and subject to an annual or more frequent assessment.

The Company regularly monitors the collectability of receivables from the insurance and reinsurance businesses. All doubtful amounts due are provided for in the financial statements.

Maximum exposure

The Company's maximum exposure to credit risk varies significantly and is dependant on both individual risks and general market economy risks.

The following table presents the maximum exposure to credit risk of financial assets. For financial assets the maximum exposure is equal to the carrying value of those assets prior to any offset or collateral.

	31 December 2011				
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents	630,841	-	630,841	-	630,841
Due from banks	1,198,207	-	1,198,207	-	1,198,207
Insurance and reinsurance receivable	2,996,097	-	2,996,097	-	2,996,097
Investments available-for-sale	13,877,244	-	13,877,244	-	13,877,244
Investments held-to-maturity	910,869	-	910,869	-	910,869
Loans under reverse repurchase agreements	750,069	-	750,069	750,069	-
Other financial assets	323,594	-	323,594	-	323,594

	31 December 2010				
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**	**Net exposure after offset and collateral**
Cash and cash equivalents	1,871,656	-	1,871,656	-	1,871,656
Due from banks	2,551,786	-	2,551,786	-	2,551,786
Investments available-for-sale	10,686,380	-	10,686,380	-	10,686,380
Investments held-to-maturity	594,971	-	594,971	-	594,971
Insurance and reinsurance receivable	1,343,666	-	1,343,666	-	1,343,666
Other financial assets	422,749	-	422,749	-	422,749

Financial assets are graded according to the current credit ratings which have been issued by an internationally regarded agency. The highest possible rating is AAA. Investment grade financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as speculative grade.

The following table details the credit ratings of financial assets held by the Company:

	31 December 2011			
	<AAA	**<BBB**	**Not rated**	**Total**
Cash and cash equivalents	-	625,987	4,854	630,841
Due from banks	-	1,198,207	-	1,198,207
Insurance and reinsurance receivable	-	91,308	2,904,789	2,996,097
Investments available-for-sale	-	12,174,630	1,702,614	13,877,244
Investments held-to-maturity	-	301,539	609,330	910,869
Loans under reverse repurchase agreements		-	750,069	750,069
Other financial assets	-	-	323,594	323,594

	31 December 2010			
	<AAA	**<BBB**	**Not rated**	**Total**
Cash and cash equivalents	-	1,827,218	44,438	1,871,656
Due from banks	-	2,551,786	-	2,551,786
Insurance and reinsurance receivable	-	15,120	1,328,546	1,343,666
Investments available-for-sale	-	8,800,732	1,885,648	10,686,380
Investments held-to-maturity	-	594,971	-	594,971
Other financial assets	-	2,451	420,298	422,749

The credit risk exposure of the Company is mainly concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the limits and credit worthiness guidelines established by the Company's risk management policy are not breached.

The following table details the carrying value of assets that are impaired and the ageing of those that are past due but not impaired:

		Financial assets past due but not Impaired				**31 December 2011**	
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Total**
Cash and cash equivalents	630,841	-	-	-	-	-	630,841
Due from banks	1,198,207	-	-	-	-	-	1,198,207
Insurance and reinsurance receivable	2,996,097	-	-	-	-	-	2,996,097
Investments available-for-sale	13,877,244	-	-	-	-	-	13,877,244
Investments held-to-maturity	910,869	-	-	-	-	-	910,869
Loans under reverse repurchase agreements	750,069	-	-	-	-	-	750,069
Other financial assets	317,747	-	-	-	-	5,847	323,594

		Financial assets past due but not Impaired				**31 December 2010**	
	Neither past due nor impaired	**0-3 months**	**3-6 months**	**6 months to 1 year**	**Greater than one year**	**Financial assets that have been impaired**	**Total**
Cash and cash equivalents	1,871,655	-	-	-	-	-	1,871,655
Due from banks	2,551,786	-	-	-	-	-	2,551,786
Insurance and reinsurance receivable	1,343,666	-	-	-	-	-	1,343,666
Investments available-for-sale	10,654,285	-	-	-	-	32,095	10,686,380
Investments held-to-maturity	594,971	-	-	-	-	-	594,971
Other financial assets	422,151	-	-	-	-	598	422,749

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. Liquidity risk may result from either inability to sell financial assets quickly at their fair values; or counterparty failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

The major liquidity risk confronting the Company is the daily calls on its available cash resources in respect of claims arising from insurance contracts.

The Company manages liquidity through a Company liquidity risk policy which determines what constitutes liquidity risk for the Company; specifies minimum proportion of funds to meet emergency calls; setting up of contingency funding plans; specify the sources of funding and the events that would trigger the plan; concentration of funding sources; reporting of liquidity risk exposures and breaches to the monitoring authority; monitoring compliance with liquidity risk policy and review of liquidity risk policy for pertinence and changing environment.

	Up to 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**Maturity undefined**	**31 December 2011 Total**
FINANCIAL ASSETS:							
Due from banks	104,367	-	311,751	749,119	-	-	1,165,237
Investments available-for-sale	-	-	356,033	6,436,195	4,331,416	-	11,123,644
Investments held-to-maturity	1,800	-	-	756,585	152,484	-	910,869
Loans under reverse repurchase agreements	750,069	-	-	-	-	-	750,069
Total interest bearing financial assets	856,236	-	667,784	7,941,899	4,483,900	-	13,949,819
Cash and cash equivalents	630,841	-	-	-	-	-	630,841
Due from banks	-	32,970	-	-	-	-	32,970
Investments available-for-sale	-	-	-	-	1,951,423	802,177	2,753,600
Insurance and reinsurance receivable	314,169	43,063	924,127	1,714,737	-	-	2,996,096
Other financial assets	323,594	-	-	-	-	-	323,594
Total financial assets	2,124,840	76,033	1,591,911	9,656,636	6,435,323	802,177	20,686,920
FINANCIAL LIABILITIES:							
Insurance and reinsurance payable	605,756	7,335	636,956	1,460,247	-	-	2,710,294
Other financial liabilities	231,918	-	-	-	-	-	231,918
Total financial liabilities	837,674	7,335	636,956	1,460,247	-	-	2,942,212
Liquidity gap	1,287,166	68,698	954,955	8,196,389	6,435,323		
Interest sensitivity gap	856,236	-	667,784	7,941,899	4,483,900		
Cumulative interest sensitivity gap	856,236	856,236	1,524,020	9,465,919	13,949,819		
Cumulative interest sensitivity gap as a percentage of total financial assets	4.14%	4.14%	7.37%	45.76%	67.43%		

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Maturity undefined	31 December 2010 Total
FINANCIAL ASSETS:							
Due from banks	23,190	-	2,519,377	-	-	-	2,542,567
Investments available-for-sale	576,042	-	442,489	2,780,392	5,027,023	-	8,825,946
Investments held-to-maturity	-	-	295,979	146,738	152,254	-	594,971
Total interest bearing financial assets	599,232	-	3,257,845	2,927,130	5,179,277	-	11,963,484
Cash and cash equivalents	1,871,656	-	-	-	-	-	1,871,656
Due from banks	-	-	9,219	-	-	-	9,219
Investments available-for-sale	-	-	-	-	1,810,991	49,443	1,860,434
Insurance and reinsurance receivable	310,773	91,088	928,551	13,254	-	-	1,343,666
Other financial assets	422,749	-	-	-	-	-	422,749
Total financial assets	3,204,410	91,088	4,195,615	2,940,384	6,990,268	49,443	17,471,208
FINANCIAL LIABILITIES:							
Insurance and reinsurance payable	493,141	33,639	588,112	-	-	-	1,114,893
Other financial liabilities	264,238	-	-	-	-	-	264,238
Total financial liabilities	757,379	33,639	588,112	-	-	-	1,379,131
Liquidity gap	2,447,030	57,450	3,607,502	2,940,384	6,990,268		
Interest sensitivity gap	599,231	-	3,257,845	2,927,130	5,179,277		
Cumulative interest sensitivity gap	599,231	599,231	3,857,076	6,784,207	11,963,484		
Cumulative interest sensitivity gap as a percentage of total financial assets	3.43%	3.43%	22.08%	38.83%	68.48%		

The Company does not include its insurance reserves in its liquidity and maturity analysis, including amounts due from reinsurers classified as reinsurance assets, due to the realistic maturity of such balances being undeterminable. In addition, the actual liabilities may vary from the amount reserved and as such these amounts are not included in the above table.

Discounted liabilities presented in the tables above are the same as contractual undiscounted liabilities due to their short-term nature.

Market risk

The Company takes on exposure to market risks which arise from open positions in interest rates and assets and liabilities in foreign currencies, all of which are exposed to general and specific market movements. The Company manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions and establishing and maintaining appropriate stop-loss limits and margin.

Interest rate sensitivity

The following table details the Company's sensitivity to a 3% increase and decrease in the interest rates in 2011 and 2010, respectively. Management of the Company believes that given the current economic conditions in Kazakhstan 3% increase is a realistic movement in the interest rates. This is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. The sensitivity analysis includes only outstanding financial assets and liabilities.

Impact on net profit based on asset values as at 31 December 2011 and 2010:

	31 December 2011		31 December 2010	
	Interest rate +3%	**Interest rate -3%**	**Interest rate +3%**	**Interest rate -3%**
Financial assets:				
Investments available-for-sale	(133,186)	146,927	(106,049)	118,477
Net impact on net profit	(133,186)	146,927	(106,049)	118,477

Currency risk

Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The Company's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT	**USD** USD 1 = 148.40 KZT	**EUR** EUR 1 = 191.72 KZT	**RUR** RUR 1 = 4.90 KZT	**GBP** GBP 1 = 228.8 KZT	**31 December 2011 Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	566,233	54,004	3,258	7,322	24	630,841
Due from banks	1,186,745	11,462	-	-	-	1,198,207
Loans under reverse repurchase agreements	750,069	-	-	-	-	750,069
Insurance and reinsurance receivable	2,851,196	144,597	269	35	-	2,996,097
Investments available-for-sale	11,750,709	1,871,547	254,988	-	-	13,877,244
Investments held-to-maturity	910,869	-	-	-	-	910,869
Other financial assets	322,633	-	957	4	-	323,594
TOTAL FINANCIAL ASSETS	18,338,454	2,081,610	259,472	7,361	24	20,686,921
FINANCIAL LIABILITIES:						
Insurance and reinsurance payable	236,150	2,348,529	125,615	-	-	2,710,294
Other financial liabilities	231,918	-	-	-	-	231,918
TOTAL FINANCIAL LIABILITIES	468,067	2,348,529	125,615	-	-	2,942,212
OPEN BALANCE SHEET POSITION	17,870,388	(266,919)	133,857	7,361	24	

	KZT	USD USD 1 = 147.57 KZT	EUR EUR 1 = 196.88 KZT	RUR RUR 1 = 4.83 KZT	31 December 2010 Total
FINANCIAL ASSETS:					
Cash and cash equivalents	940,158	903,543	11,827	16,128	1,871,656
Due from banks	1,916,258	635,528	-	-	2,551,786
Insurance and reinsurance receivable	1,254,689	80,153	240	8,584	1,343,666
Investments available-for-sale	10,380,579	305,801	-	-	10,686,380
Investments held-to-maturity	594,971	-	-	-	594,971
Other financial assets	422,749	-	-	-	422,749
TOTAL FINANCIAL ASSETS	15,509,404	1,925,025	12,067	24,712	17,471,208
FINANCIAL LIABILITIES:					
Insurance and reinsurance payable	391,793	649,430	73,670	-	1,114,893
Other financial liabilities	261,574	149	2,487	28	264,238
TOTAL FINANCIAL LIABILITIES	653,367	649,579	76,157	28	1,379,131
OPEN BALANCE SHEET POSITION	14,856,037	1,275,446	(64,090)	24,684	

Currency risk sensitivity

The following tables detail the Company's sensitivity to a 25% increase and decrease in the KZT/ US Dollar and KZT/ Euro exchange rates as at 31 December 2011 and 2010, respectively. Management of the Company believes that given the current economic conditions in the Republic of Kazakhstan that a 25% decrease is a realistic movement in the US Dollar and Euro exchange rates against KZT. This is the sensitivity rate used when reporting foreign currency risk internally to key management personnel of the Company and represents management's assessment of the possible change in foreign currency exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the year for a 25% change in currency rates as at 31 December 2011 and 2010 respectively.

Impact on net profit and equity based on asset values as at 31 December 2011 and 2010:

	As at 31 December 2011		As at 31 December 2010	
	KZT/USD +25%	KZT/USD -25%	KZT/USD +25%	KZT/USD -25%
Impact on net profit and equity	(66,730)	66,730	318,861	(318,861)

	As at 31 December 2011		As at 31 December 2010	
	KZT/EUR +25%	KZT/ EUR -25%	KZT/EUR +25%	KZT/ EUR -25%
Impact on net profit and equity	33,464	(33,464)	(16,023)	16,023

Limitations of sensitivity analysis

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

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

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

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market. The Company is exposed to price risks of its products which are subject to general and specific market fluctuations.

Impact on equity based on asset values as at 31 December 2011 and 2010:

	31 December 2011		**31 December 2010**	
	Price +3%	**Price -3%**	**Price +3%**	**Price -3%**
Financial assets:				
Investments available-for-sale	641,082	(122,524)	303,895	(198,111)
Net impact on equity	641,082	(122,524)	303,895	(198,111)

31. SUBSEQUENT EVENTS

Up to the date of issue of these financial statements Management have not identified any significant subsequent events which require disclosure.