JSC HALYK BANK

Consolidated Financial Statements
and Independent Auditors' Report
For the Years Ended 31 December 2013,
2012 and 2011

JSC HALYK BANK

TABLE OF CONTENTS

JSC HALYK BANK

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

Management is responsible for the preparation of the consolidated financial statements that present fairly the financial position of JSC Halyk Bank ("the Bank") and its subsidiaries (collectively – "the Group") as at 31 December 2013, 2012 and 2011, and the results of its operations, cash flows and changes in equity of the Group for the years then ended, in compliance with International Financial Reporting Standards ("IFRS").

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

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRS are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group'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 Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- Maintaining accounting records in compliance with the Republic of Kazakhstan legislation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated financial statements of the Group for the years ended 31 December 2013, 2012 and 2011 were approved by the Management Board on 14 March 2014.

On behalf of the Management Board:

Umut B. Shayakhmetova	**Pavel A. Cheussov**
Chairperson of the Board	**Chief Accountant**
14 March 2014	14 March 2014
Almaty, Kazakhstan	Almaty, Kazakhstan

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and the Board of Directors of JSC Halyk Bank:

We have audited the accompanying consolidated financial statements of JSC Halyk Bank and its subsidiaries (collectively – "the Group"), which comprise the consolidated statements of financial position as at 31 December 2013, 2012 and 2011, the consolidated statements of profit or loss, the consolidated statements of other comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of JSC Halyk Bank and its subsidiaries as at 31 December 2013, 2012 and 2011, and its financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards.

Andrew Weekes
Engagement Partner
Chartered Accountant
Certificate of Public Practice
No. 78586, Australia

Nurlan Bekenov
Auditor - performer
Qualified auditor
of the Republic of Kazakhstan
Qualification certificate No. 0082
dated 13 June 1994
General Director
Deloitte, LLP

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

14 March 2014
Almaty, Kazakhstan

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013, 2012 AND 2011
(Millions of Kazakhstani Tenge)

	Notes	31 December 2013	31 December 2012	31 December 2011
ASSETS				
Cash and cash equivalents	5	486,313	533,499	519,608
Obligatory reserves	6	44,276	49,037	52,916
Financial assets at fair value through profit or loss	7, 35	1,334	1,271	3,752
Amounts due from credit institutions	8	25,808	32,799	21,096
Available-for-sale investment securities	9, 35	350,552	334,362	305,890
Investments held to maturity	10, 35	-	25,766	78,854
Precious metals		16,857	1,646	1,710
Loans to customers	11, 35	1,482,245	1,319,208	1,184,240
Property and equipment	12	63,614	65,005	63,515
Assets held for sale	13	2,912	7,434	9,500
Goodwill		3,085	3,085	3,085
Intangible assets		5,617	5,594	5,914
Insurance assets	14	13,379	14,923	13,550
Other assets	15	10,422	14,369	10,300
TOTAL ASSETS		2,506,414	2,407,998	2,273,930
LIABILITIES AND EQUITY				
LIABILITIES				
Amounts due to customers	16, 35	1,766,648	1,699,182	1,557,476
Amounts due to credit institutions	17, 35	107,395	15,202	41,634
Financial liabilities at fair value through profit or loss	7	69	439	2,547
Debt securities issued	18	189,515	301,919	311,068
Provisions	19	4,163	4,385	3,388
Deferred tax liability	20	4,520	7,907	8,593
Insurance liabilities	14	29,715	25,201	23,028
Other liabilities	21	12,210	14,124	15,869
Total liabilities		2,114,235	2,068,359	1,963,603
EQUITY				
Share capital	22	143,695	143,695	143,695
Share premium reserve		1,415	1,496	1,156
Treasury shares		(77,534)	(81,028)	(39,960)
Retained earnings and other reserves	22	323,670	273,835	204,240
		391,246	337,998	309,131
Non-controlling interest		933	1,641	1,196
Total equity		392,179	339,639	310,327
TOTAL LIABILITIES AND EQUITY		2,506,414	2,407,998	2,273,930

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

14 March 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 March 2014
Almaty, Kazakhstan

The notes on pages 12 to 85 form an integral part of these consolidated financial statements.

JSC HALYK BANK

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

(Millions of Kazakhstani Tenge, except for earnings per share which is in Tenge)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Interest income	24, 35	182,563	160,994	166,166
Interest expense	24, 35	(75,932)	(69,934)	(78,894)
NET INTEREST INCOME BEFORE IMPAIRMENT CHARGE	24	106,631	91,060	87,272
Impairment charge	19	(26,021)	(15,362)	(39,155)
NET INTEREST INCOME		80,610	75,698	48,117
Fee and commission income	25	51,406	51,082	40,822
Fee and commission expense	25	(7,139)	(5,991)	(5,568)
Fees and commissions, net		44,267	45,091	35,254
Net gain from financial assets and liabilities at fair value through profit or loss	26	261	169	428
Net realized gain from available-for-sale investment securities		1,884	1,626	84
Net gain on foreign exchange operations	27	9,261	9,053	9,185
Insurance underwriting income	28	19,411	17,764	14,971
Share in net loss of associate		-	(1)	(4)
Other income		1,780	2,935	1,393
OTHER NON-INTEREST INCOME		32,597	31,546	26,057
Operating expenses	29	(54,820)	(51,811)	(46,331)
Impairment loss of assets held for sale	13	-	(2,100)	-
Recoveries of provisions/(provisions)	19	210	(962)	479
Losses incurred from management of pension assets	21	-	-	(5,163)
Insurance claims incurred, net of reinsurance	14, 28	(13,933)	(12,733)	(10,394)
NON-INTEREST EXPENSES		(68,543)	(67,606)	(61,409)
INCOME BEFORE INCOME TAX EXPENSE		88,931	84,729	48,019
Income tax expense	20	(16,522)	(14,768)	(8,511)
NET INCOME		72,409	69,961	39,508
Attributable to:				
Non-controlling interest		272	444	117
Preferred shareholders		1,234	1,680	9,566
Common shareholders		70,903	67,837	29,825
		72,409	69,961	39,508
Basic earnings per share (in Kazakhstani Tenge)	30	6.41	5.93	3.12*
Diluted earnings per share (in Kazakhstani Tenge)	30	5.50	4.99	2.21*

* As restated for share split – see Note 22

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

14 March 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 March 2014
Almaty, Kazakhstan

The notes on pages 12 to 95 form an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

(Millions of Kazakhstani Tenge)

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Net income	72,409	69,961	39,508
Other comprehensive income/(loss), net of tax			
Items that will not to be subsequently reclassified to profit or loss:			
Loss resulting on revaluation of property and equipment (2013, 2012, 2011 – net of tax – KZT 127 million, Nil, KZT 235 million)	(518)	(240)	(1,318)
Items that may be subsequently reclassified to profit or loss:			
(Loss)/gain on revaluation of available-for-sale investment securities (2013, 2012, 2011 – net of tax –KZT Nil)	(6,996)	7,059	(108)
Difference between carrying amount and fair value of investments held-to-maturity at the reclassification date (2013, 2012, 2011 – net of tax – KZT 443 million, Nil, Nil)	1,744	-	-
Reclassification adjustment relating to available-for-sale investment securities disposed of in the year (2013, 2012, 2011 – net of tax – KZT Nil)	(1,884)	(1,626)	(84)
Reclassification adjustment relating to available-for-sale investment securities impaired during the year (2013, 2012, 2011 – net of tax – KZT Nil)	-	(99)	(114)
Exchange differences on translating foreign operations (2013, 2012, 2011 – net of tax – KZT Nil)	(520)	(101)	(137)
Other comprehensive (loss)/income for the year	(8,174)	4,993	(1,761)
Total comprehensive income for the year	64,235	74,954	37,747
Attributable to:			
Non-controlling interest	263	445	100
Preferred shareholders	1,094	1,801	9,142
Common shareholders	62,878	72,708	28,505
	64,235	74,954	37,747

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

14 March 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 March 2014
Almaty, Kazakhstan

The notes on pages 12 to 95 form an integral part of these consolidated financial statements.

JSC HALYK BANK

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011
(Millions of Kazakhstani Tenge)

	Share capital				Treasury shares								
	Common shares	**Non-convertible preferred shares**	**Convertible preferred shares**	**Share premium reserve**	**Common shares**	**Preferred shares**	**Cumulative translation reserve***	**Revaluation reserve of available-for-sale investment securities***	**Property and equipment revaluation reserve***	**Retained earnings***	**Total**	**Non-controlling interest**	**Total equity**
31 December 2012	83,571	46,891	13,233	1,496	(39,974)	(41,054)	1,122	8,926	14,754	249,033	337,998	1,641	339,639
Net income	-	-	-	-	-	-	-	-	-	72,137	72,137	272	72,409
Other comprehensive loss	-	-	-	-	-	-	(520)	(7,136)	(509)	-	(8,165)	(9)	(8,174)
Total comprehensive (loss)/income	-	-	-	-	-	-	(520)	(7,136)	(509)	72,137	63,972	263	64,235
Treasury shares purchased	-	-	-	(423)	(11)	-	-	-	-	-	(434)	-	(434)
Treasury shares sold	-	-	-	342	11	3,494	-	-	-	-	3,847	-	3,847
Dividends – preferred shares	-	-	-	-	-	-	-	-	-	(2,197)	(2,197)	-	(2,197)
Dividends – common shares	-	-	-	-	-	-	-	-	-	(12,215)	(12,215)		(12,215)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(971)	(971)
Difference on exit from subsidiary	-	-	-	-	-	-	-	-	-	275	275		275
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(437)	437	-	-	-
31 December 2013	83,571	46,891	13,233	1,415	(39,974)	(37,560)	602	1,790	13,808	307,470	391,246	933	392,179

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED) FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

(Millions of Kazakhstani Tenge)

	Share capital				Treasury shares								
	Common shares	**Non-convertible preferred shares**	**Convertible preferred shares**	**Share premium reserve**	**Common shares**	**Preferred shares**	**Cumulative translation reserve***	**Revaluation reserve of available-for-sale investment securities***	**Property and equipment revaluation reserve***	**Retained earnings***	**Total**	**Non-controlling interest**	**Total equity**
31 December 2011	83,571	46,891	13,233	1,156	(39,960)	-	1,223	3,593	15,487	183,937	309,131	1,196	310,327
Net income	-	-	-	-	-	-	-	-	-	69,517	69,517	444	69,961
Other comprehensive (loss)/income	-	-	-	-	-	-	(101)	5,333	(240)	-	4,992	1	4,993
Total comprehensive (loss)/income	-	-	-	-	-	-	(101)	5,333	(240)	69,517	74,509	445	74,954
Treasury shares purchased	-	-	-	(227)	(45)	(41,054)	-	-	-	-	(41,326)	-	(41,326)
Treasury shares sold	-	-	-	567	31	-	-	-	-	-	598	-	598
Dividends – preferred shares	-	-	-	-	-	-	-	-	-	(4,914)	(4,914)	-	(4,914)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	-	(493)	493	-	-	-
31 December 2012	83,571	46,891	13,233	1,496	(39,974)	(41,054)	1,122	8,926	14,754	249,033	337,998	1,641	339,639

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011
(Millions of Kazakhstani Tenge)

	Common Shares	Share capital Non-convertible preferred shares	Convertible preferred shares	Share premium reserve	Treasury shares (Common shares)	Cumulative translation reserve*	Revaluation reserve of available-for-sale investment securities*	Property and equipment revaluation reserve*	Retained earnings*	Total	Non-controlling interest	Total equity
31 December 2010	83,571	46,891	13,233	1,352	(93)	1,360	3,882	16,975	149,527	316,698	1,186	317,884
Net income	-	-	-	-	-	-	-	-	39,391	39,391	117	39,508
Other comprehensive loss	-	-	-	-	-	(137)	(289)	(1,318)	-	(1,744)	(17)	(1,761)
Total comprehensive (loss)/income	-	-	-	-	-	(137)	(289)	(1,318)	39,391	37,647	100	37,747
Treasury shares purchased	-	-	-	(215)	(39,901)	-	-	-	-	(40,116)	-	(40,116)
Treasury shares sold	-	-	-	19	34	-	-	-	-	53	-	53
Dividends – preferred shares	-	-	-	-	-	-	-	-	(5,151)	(5,151)	-	(5,151)
Dividends of subsidiaries	-	-	-	-	-	-	-	-	-	-	(90)	(90)
Release of property and equipment revaluation reserve on depreciation and disposal of previously revalued assets	-	-	-	-	-	-	-	(170)	170	-	-	-
31 December 2011	83,571	46,891	13,233	1,156	(39,960)	1,223	3,593	15,487	183,937	309,131	1,196	310,327

* These amounts are included within Retained earnings and other reserves in the consolidated statement of financial position.

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

14 March 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 March 2014
Almaty, Kazakhstan

The notes on pages 12 to 95 form an integral part of these consolidated financial statements.

JSC HALYK BANK

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011

(Millions of Kazakhstani Tenge)

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from financial assets at fair value through profit or loss	36	26	20
Interest received from cash equivalents and amounts due from credit institutions	3,686	2,799	2,006
Interest received on available-for-sale investment securities	16,320	14,342	12,969
Interest received on investments held to maturity	2,464	1,518	1,352
Interest received from loans to customers	140,159	135,305	137,658
Interest paid on amounts due to customers	(54,190)	(46,146)	(50,158)
Interest paid on amounts due to credit institutions	(865)	(633)	(920)
Interest paid on debt securities issued	(22,280)	(24,743)	(23,494)
Fee and commission received	52,331	49,203	42,127
Fee and commission paid	(7,139)	(5,991)	(5,568)
Insurance underwriting income received	32,500	27,711	27,955
Ceded reinsurance share paid	(15,066)	(9,525)	(13,067)
Other income received	8,550	10,202	9,135
Operating expenses paid	(49,004)	(45,643)	(38,923)
Insurance claims paid	(8,706)	(10,867)	(7,804)
Reimbursement of losses received from reinsurers	459	942	146
Cash flows from operating activities before changes in net operating assets	99,255	98,500	93,434
Changes in operating assets and liabilities:			
(Increase)/decrease in operating assets:			
Obligatory reserves	4,761	3,879	(25,633)
Financial assets at fair value through profit or loss	65	2,011	2,084
Amounts due from credit institutions	7,123	(12,097)	(185)
Precious metals	(17,488)	281	216
Loans to customers	(153,973)	(139,588)	(124,675)
Insurance assets	2,258	(2,240)	(3,084)
Other assets	3,915	(3,330)	10,279
Increase/(decrease) in operating liabilities:			
Financial liabilities at fair value through profit or loss	(378)	(2,109)	(361)
Amounts due to customers	54,108	138,303	138,085
Amounts due to credit institutions	91,584	(26,715)	(29,809)
Insurance liabilities	93	(219)	3,537
Other liabilities	(1,017)	(2,725)	587
Cash inflow from operating activities before income tax	90,306	53,951	64,475
Income tax paid	(20,016)	(11,836)	(8,021)
Net cash inflow from operating activities	70,290	42,115	56,454
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase and prepayments for property and equipment and intangible assets	(6,269)	(8,453)	(9,392)
Proceeds on sale of property and equipment	290	85	37
Proceeds on sale of available-for-sale investment securities	122,240	129,146	333,533
Purchase of available-for-sale investment securities	(125,356)	(149,171)	(363,272)
Proceeds from maturity of investments held to maturity	2,599	114,429	603,662
Proceeds from sale of investments held to maturity	10,541	-	-
Purchase of investments held to maturity	(1,609)	(59,531)	(506,970)
Net cash inflow from investing activities	2,436	26,505	57,598

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED 31 DECEMBER 2013, 2012 AND 2011
(Millions of Kazakhstani Tenge)

	Notes	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds on sale of treasury shares		3,847	598	53
Purchase of treasury shares		(434)	(41,326)	(40,116)
Dividends paid – preferred shares		(2,197)	(4,914)	(5,151)
Dividends paid – common shares		(12,215)	-	-
Dividends paid – subsidiaries		(971)	-	(90)
Proceeds on debt securities issued		-	-	71,585
Redemption and repurchase of debt securities issued		(116,136)	(13,111)	(17,179)
Net cash (outflow)/inflow from financing activities		(128,106)	(58,753)	9,102
Effect of changes in foreign exchange rate on cash and cash equivalents		8,194	4,024	3,556
Net change in cash and cash equivalents		(47,186)	13,891	126,710
CASH AND CASH EQUIVALENTS, beginning of the year	5	533,499	519,608	392,898
CASH AND CASH EQUIVALENTS, end of the year	5	486,313	533,499	519,608

On behalf of the Management Board:

Umut B. Shayakhmetova
Chairperson of the Board

14 March 2014
Almaty, Kazakhstan

Pavel A. Cheussov
Chief Accountant

14 March 2014
Almaty, Kazakhstan

The notes on pages 12 to 95 form an integral part of these consolidated financial statements.

1. PRINCIPAL ACTIVITIES

JSC Halyk Bank ("the Bank") and its subsidiaries (collectively, "the Group") provide retail and corporate banking services principally in Kazakhstan, Russia, Kyrgyzstan and Georgia, and pension asset management and insurance services in Kazakhstan. The primary state registration of the Bank with the authorities of justice of Kazakhstan was made on 20 January 1994. The Bank operates under the license No. 10 for carrying out of banking and other operations and activities on the securities market, renewed by the Committee for Control and Supervision of Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan ("FMSC" – previously known as Agency for Regulation and Supervision of Financial Market and Financial Organizations of the Republic of Kazakhstan) on 6 August 2008. The Bank is a member of the obligatory deposit insurance system provided by JSC Kazakhstan Deposit Insurance Fund.

The Bank's primary business includes originating loans and guarantees, attracting deposits, trading in securities and foreign currencies, executing transfers, cash and payment card operations and rendering other banking services to its customers. In addition, the Bank acts as the agent of the Government of the Republic of Kazakhstan in channelling various budgetary payments and pensions through its nationwide branch network.

Trust activities

In the normal course of its business, the Group enters into agreements with customers to manage the customers' assets with limited decision making rights and in accordance with specific criteria established by the customers. The Group may only be liable for losses or actions aimed at appropriation of the customers' funds if such funds or securities are not returned to the customer. The maximum potential financial risk of the Group on any date is equal to the volume of the customers' funds, net of any unrealized income/loss on the customer's position. The balance of the customers' funds under the management of the Group, as at 31 December 2013 is KZT 1,234 billion (31 December 2012 – KZT 1,060 billion; 31 December 2011 – KZT 878 billion).

Legal proceedings

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

Operating environment

Emerging markets such as the Republic of Kazakhstan are subject to different risks to a greater extent as compared to developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Republic of Kazakhstan continue to change rapidly; tax and regulatory frameworks are subject to varying interpretations. The future economic direction of the Republic of Kazakhstan is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because the Republic of 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.

The Bank has a primary listing with Kazakhstan Stock Exchange ("KASE"). In addition, the Bank's Eurobonds issued are primarily listed on the Luxembourg and London Stock Exchanges. The Bank has also allocated Global Depository Receipts ("GDRs") through a listing on the London Stock Exchange.

In 2009, JSC "Sovereign Wealth Fund "Samruk-Kazyna" ("Samruk-Kazyna"), an entity controlled by the Government of the Republic of Kazakhstan, acquired 259,064,909 common shares of the Bank for KZT 26,951 million and 196,232,499 non-convertible preferred shares of the Bank for KZT 33,049 million.

In 2011, the Bank acquired from JSC Almex Holding Group (hereafter – "the parent") a call option to purchase 213,000,000 of the Bank's common shares from Samruk-Kazyna at a fixed strike price of KZT 126.8 per share for KZT 12,867 million and immediately exercised the option and repurchased 213,000,000 of its own common shares from Samruk-Kazyna for KZT 27,008 million (see Note 22).

In 2012, the Bank acquired from the parent a call option to purchase 196,232,499 of the Bank's preferred shares from Samruk-Kazyna at a fixed strike price of KZT 179.94 per share for KZT 7,114 million with maturity of the option in May 2014. In June 2012 the Bank partially exercised the option and repurchased 190,000,000 of its own preferred shares from Samruk-Kazyna for KZT 26,991 million.

On 5 July 2012, the Bank repurchased 40,000,000 of its own preferred shares from Samruk-Kazyna at a price of KZT 180.21 per share for KZT 7,208 million. As a result, the Group has recorded KZT 41,054 million as a cost of acquired treasury shares (see Note 22). After the repurchase, Samruk-Kazyna continues owning 6,232,499 preferred shares of the Bank.

The Group is ultimately controlled by Timur Kulibayev and his wife Dinara Kulibayeva.

As at 31 December 2013, 2012 and 2011, the Group was owned by the following shareholders, which own individually more than 5% of the issued shares of the Group:

31 December 2013	Total shares	Stake in total shares in circulation	Common shares	Stake in common shares in circulation	Convertible and non-convertible preferred shares	Stake in convertible and non-convertible preferred shares in circulation
JSC HG Almex	8,024,149,068	72.3%	8,003,381,500	73.4%	20,767,568	10.6%
JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan *	758,082,743	6.8%	661,367,710	6.1%	96,715,033	49.5%
GDR	2,093,909,040	18.9%	2,093,909,040	19.2%	-	-
Other	228,090,752	2.0%	150,042,269	1.3%	78,048,483	39.9%
Total shares in circulation (on consolidated basis)	**11,104,231,603**	**100%**	**10,908,700,519**	**100%**	**195,531,084**	**100%**

31 December 2012	Total shares	Stake in total shares in circulation	Common shares	Stake in common shares in circulation	Convertible and non-convertible preferred shares	Stake in convertible and non-convertible preferred shares in circulation
JSC HG Almex	7,559,973,820	68.2%	7,559,973,820	69.3%	-	-
JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan *	758,082,743	6.8%	661,367,710	6.1%	96,715,033	55.1%
GDR	2,510,925,720	22.7%	2,510,925,720	23.0%	-	-
Other	254,416,525	2.3%	175,694,405	1.6%	78,722,120	44.9%
Total shares in circulation (on consolidated basis)	**11,083,398,808**	**100.0%**	**10,907,961,655**	**100.0%**	**175,437,153**	**100.0%**

31 December 2011	Total shares	Stake in total shares in circulation	Common shares	Stake in common shares in circulation	Convertible and non-convertible preferred shares	Stake in convertible and non-convertible preferred shares in circulation
JSC HG Almex	755,997,382	52.0%	755,997,382	69.4%	-	-
JSC SWF "Samruk-Kazyna"	196,232,499	13.5%	-	-	196,232,499	53.7%
JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan *	162,851,804	11.2%	66,136,771	6.1%	96,715,033	26.5%
GDR	250,242,684	17.2%	250,242,684	23.0%	-	-
Other	89,664,870	6.2%	16,961,961	1.6%	72,702,909	19.9%
Total shares in circulation (on consolidated basis)	**1,454,989,239**	**100.0%**	**1,089,338,798**	**100.0%**	**365,650,441**	**100.0%**

* Common and preferred shares owned by JSC Accumulation Pension Fund of Halyk Bank of Kazakhstan are not eliminated as those shares were purchased on clients' funds and are owned by the clients.

On 14 December 2012 the Bank performed share split of its common shares in proportion of one common share to ten common shares as described in Note 22.

As at 31 December 2013, the Bank operated through its head office in Almaty and its 22 regional branches, 122 sub-regional offices and 400 cash settlement units (31 December 2012 – 22, 122, 410, respectively; 31 December 2011 - 22,122 and 445, respectively) located throughout Kazakhstan. The address of the Bank's registered office is: 109 V Abai Avenue, Almaty, 050008, Republic of Kazakhstan.

As at 31 December 2013, the number of the Group's full-time equivalent employees was 11,198 (31 December 2012 - 12,149, 31 December 2011 - 11,481).

The consolidated financial statements of the Group for the years ended 31 December 2013, 2012 and 2011 were authorised for issue by the Management Board on 14 March 2014.

2. BASIS OF PRESENTATION

Accounting basis

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

These consolidated financial statements have been prepared on the assumption that the Group is a going concern and will continue in operation for the foreseeable future.

These consolidated financial statements are presented in millions of Kazakhstani Tenge ("KZT" or "Tenge"), except for earnings per share amounts and unless otherwise indicated.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments that are accounted for at fair value and insurance liabilities which are accounted for based on actuarial calculations and certain property and equipment which are carried at revalued cost less depreciation and impairment as described in the accounting policies below.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the date of consolidated statement of financial position (current) and more than 12 months after the date of consolidated statement of financial position (non-current) is presented in Note 31.

Functional currency

Items included in the financial statements of each entity of the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The functional currency of the Bank is KZT. The presentation currency of the consolidated financial statements is KZT.

Consolidated subsidiaries

These consolidated financial statements include the following subsidiaries:

Subsidiaries	Holding, %			Country	Industry
	31 December 2013	31 December 2012	31 December 2011		
JSC Halyk Leasing	100	100	100	Kazakhstan	Leasing
JSC Kazteleport	100	100	100	Kazakhstan	Telecommunications
HSBK (Europe) B.V.	100	100	100	Netherlands	Issue and placement of Eurobonds, attracting of syndicated loans
OJSC Halyk Bank Kyrgyzstan	100	100	100	Kyrgyzstan	Banking
JSC Halyk Finance	100	100	100	Kazakhstan	Broker and dealer activities
LLP Halyk Inkassatsiya	100	100	100	Kazakhstan	Cash collection services
JSC Halyk Life	100	100	100	Kazakhstan	Life insurance
JSC Halyk Capital	N/a*	N/a*	100	Kazakhstan	Broker and dealer activities
LLP NBK-Finance	N/a***	100	100	Russia	Broker and dealer activities
JSC Kazakhinstrakh	100	100	100	Kazakhstan	Insurance
JSC Accumulation Pension fund of Halyk Bank of Kazakhstan ("APF")	96	96	96	Kazakhstan	Pension assets accumulation and management
JSC NBK Bank	100	100	100	Russia	Banking
JSC Halyk Bank Georgia	100	100	100	Georgia	Banking
LLC Halyk Project	100	100	N/a**	Kazakhstan	Management of doubtful and loss assets

* In accordance with Decision of the Board of Directors of the Bank dated 26 December 2011, JSC Halyk Capital was reorganised by merging with JSC Halyk Finance. The actual transfer of assets was performed on 18 January 2012.

**JSC Halyk Bank established new subsidiary – LLC Halyk Project – Subsidiary of Halyk Bank of Kazakhstan for doubtful and loss asset management" with share capital of KZT 15 million. The main activity of LLC Halyk Project is management of property, which was recognized after the default of certain counterparties on loans to customers of the Bank. Registration date is 12 October 2012.

*** In accordance with the Decision of the Board of Directors of the Bank dated 3 July 2013, the Bank exited from partnership in LLP NBK-Finance by transferring its partnership share to a third party. The actual withdrawal was performed on 11 November 2013. As at 11 November 2013, net assets of LLP NBK-Finance have amounted to KZT Nil.

As at 31 December 2013, accumulated non-controlling interest amounted to KZT 933 million and is represented by non-controlling arising on the APF. Total assets of the APF as at 31 December 2013 amounted to KZT 22,107 million, total net assets amounted to KZT 21,190 million and net income earned during the year ended 31 December 2013 amounted to KZT 6,089 million.

On 23 January 2013, the President of the Republic of Kazakhstan N.A. Nazarbayev announced the necessity to establish a single pension fund with subsequent transfer of all pension assets under management of the private accumulative pension funds to the unified pension fund. In accordance with the Decree of Chairman of the National Bank of the Republic of Kazakhstan # 356 dated 24 September 2013 the schedule of transfer of pension assets and liabilities under management to the single accumulated pension fund was approved. In accordance with the Decree, a subsidiary of the Bank ("the APF") will complete the transfer of pension assets and liabilities under management to the single accumulated pension fund prior to 26 June 2014. However, at the date of issue of these consolidated financial statements there is no official decision or intention of the management of the Group to liquidate the APF.

Associates

JSC Processing Center, the associate, provides data processing services in Kazakhstan. It is classified within other assets and accounted for under the equity method:

	Holding, %	Share in net loss	Total assets	Total liabilities	Equity	Total revenue
As at 31 December 2013 and for the year then ended*	-	-	-	-	-	-
As at 31 December 2012 and for the year then ended	25.14	(4)	11	-	11	1
As at 31 December 2011 and for the year then ended	25.14	(15)	78	-	78	1

***** In accordance with the Decision No.1/2013 dated 9 July 2013 of extraordinary General meeting of shareholders of JSC Processing Center and Certificate of FMSC NBK on annulment of share issues No. A4528 dated 13 September 2013 activity of JSC processing Center is ceased due to its voluntary liquidation.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries. Control is achieved when the Bank:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Bank and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Bank and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interest

Non-controlling interests represent the portion of profit or loss and net assets of subsidiaries not owned, directly or indirectly, by the Group.

Non-controlling interests are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from parent shareholders' equity.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amounts by which the non-controlling interests are adjusted is recognised directly in equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by the applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement" or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

The assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the consolidated income statement in the period of acquisition.

The non-controlling interest is initially measured at the non-controlling proportion of the fair values of the assets, liabilities and contingent liabilities recognized. The equity and net income attributable to equity holders of the parent and attributable to non-controlling shareholders' interests are shown separately in the consolidated statement of financial position and consolidated income statement, respectively.

The Group accounts for increases in ownership of a controlled entity by revaluing all identified assets and liabilities of the subsidiary to fair value at the date of exchange in proportion to the amounts attributable to the additional interest acquired. Goodwill is recognized for any excess of the cost of the increase over the Group's interest in the net fair value of the identifiable assets and liabilities.

For a business combination involving an entity under common control, all assets and liabilities of the subsidiary are measured at the carrying values recorded in the stand-alone financial statements of the subsidiary. The difference between the carrying value of the acquired share in net assets of the subsidiary and the cost of acquisition are recorded directly in equity attributable to the equity holders of the parent.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see above) less accumulated impairment losses, if any.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting.

Investments in associates are carried in the consolidated statement of financial position at cost as adjusted for goodwill and for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of the associates in excess of the Group's interest in those associates are not recognized unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the associate at the date of acquisition is recognized as goodwill. The goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment.

Where a Group company transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, unrestricted balances on correspondent accounts and amounts due from credit institutions and reverse repo agreements with original maturities within three months. For purposes of determining cash flows, the obligatory reserve required by the National Bank of Kazakhstan ("NBK") is not included as a cash and cash equivalent due to restrictions on its availability.

Obligatory reserves

Obligatory reserves represent funds in correspondent accounts with the NBK and cash which are not available to finance the Group's day to day operations and, hence, are not considered as part of cash and cash equivalents for the purpose of the consolidated cash flow statement.

Precious metals

Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange rates, using the KZT/USD exchange rate effective at the date. Changes in the bid prices are recorded in net gain/(loss) on foreign exchange operations.

Amounts due from credit institutions

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

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities on its consolidated statement of financial position when it becomes a party to the contractual obligations of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting. Where regular way purchases of financial instruments will be subsequently measured at fair value, the Group accounts for any change in the fair value of the asset between trade date and settlement date in the same way it accounts for acquired instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss. The accounting policies for subsequent re-measurement of these items are disclosed in the respective accounting policies set out below.

Financial assets

Financial assets in the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are classified as either financial assets at fair value through profit or loss, loans and receivables, investments held to maturity or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets upon initial recognition.

Financial assets or financial liabilities at fair value through profit or loss

Financial assets or financial liabilities are classified as at fair value through profit or loss where the financial asset or financial liability is either held for trading or it is designated as at fair value through profit or loss.

A financial asset or financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset or financial liability other than a financial asset or financial liability held for trading may be designated as at fair value through profit or loss upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset or financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 “Financial Instruments: Recognition and Measurement” (“IAS 39”) permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the consolidated statement of financial position at fair value. Changes in fair value are recorded in “Net gain from financial assets and liabilities at fair value through profit or loss”. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in “Other income” when the right to receive the payment has been established.

Reclassification of financial assets

The Group has reclassified certain non-derivative financial assets out of financial assets at fair through profit or loss category into the available-for-sale investment securities. Effective from 1 July 2009, the Group was permitted to reclassify, in certain circumstances, non-derivative financial assets out of the ‘Held for trading’ category and into the ‘Available-for-sale’, ‘Loans and receivables’, or ’Held to maturity’ categories. From this date it was also permitted to reclassify, in certain circumstances, financial instruments out of the ‘Available-for-sale’ category and into the ’Loans and receivables’ category. Reclassifications are recorded at fair value at the date of reclassification, which becomes the new amortized cost. Reclassification is at the election of management, and is determined on an instrument by instrument basis.

During December 2013 the Group has reclassified entire category of investments held to maturity to available-for-sale investment securities as the Group has sold more than an insignificant amount of investments held to maturity before maturity. The Group is prohibited from classifying any financial asset as investments held to maturity during the 2014 and 2015 years. Reclassifications are recorded at fair value at the date of reclassification, with any difference between fair value and carrying value at the reclassification date recognized through the consolidated statement of other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Loans and receivables are included within loans to customers, amounts due from credit institutions and other assets in the consolidated statement of financial position.

Collateral

The Group obtains collateral in respect of customer liabilities where this is considered appropriate. The collateral normally takes the form of a lien over the customer’s assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Available-for-sale investment securities

Available-for-sale investment securities are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans and receivables or investments held to maturity, or are not held for trading and are not designated at fair value through profit or loss on initial recognition. Available-for-sale investment securities are initially recorded at fair value. After initial recognition available-for sale investment securities are measured at fair value with gains or losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the consolidated income statement. However, interest calculated using the effective interest method and foreign exchange movements for debt securities are recognized in the consolidated income statement. Dividends declared are included in "Other income" in the consolidated income statement.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date.

Investments held to maturity

Investments held to maturity are debt securities with determinable or fixed payments. The Group has the positive intent and ability to hold them to maturity. Such securities 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.

During December 2013 the Group has reclassified entire category of investments held to maturity to available-for-sale investment securities as the Group has sold more than an insignificant amount of investments held to maturity before maturity. The Group is prohibited from classifying any financial asset as investments held to maturity during the 2014 and 2015 years. Reclassifications are recorded at fair value at the date of reclassification, with any difference between fair value and carrying value at the reclassification date recognized through the consolidated statement of other comprehensive income.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability. Income and expense is not offset in the consolidated income statement unless required or permitted by any accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Group.

Repurchase and reverse repurchase agreements and securities lending

The Group 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 Group as an element of its treasury management.

Repos are treated as secured financing transactions. Securities sold under repos are retained in the consolidated statement of financial position and, in case the transferee has the right, by contract or custom, to sell or repledge them, reclassified as securities pledged under sale and repurchase agreements. The corresponding liability is presented within amounts due to credit institutions or customers.

Securities purchased under reverse repos are recorded as amounts due from credit institutions, loans to customers or cash and cash equivalents as appropriate. The difference between the sale and repurchase prices is treated as interest and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties are retained in the consolidated statement of financial position. Securities borrowed are not recorded in the consolidated statement of financial position, unless these are sold to third parties, in which case the purchase and sale are recorded within "Net gain from financial assets and liabilities at fair value through profit and loss" in the consolidated income statement. The obligation to return securities borrowed is recorded at fair value as a trading liability.

The Group enters into securities repurchase agreements and securities lending transactions under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in Kazakhstan and other CIS states, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction.

Derivative financial instruments

In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, swaps and options. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at each reporting date. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Derivatives are included in financial assets and liabilities at fair value through profit or loss in the consolidated statement of financial position. Gains and losses resulting from these instruments are included in "Net gain from financial assets and liabilities at fair value through profit or loss" in the consolidated income statement.

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in the consolidated income statement. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative. Over–the–counter derivatives may expose the Group to the risks associated with the absence of an exchange market on which to close out an open position. Additionally, derivative instruments expose the Group to counterparty non-performance risk. Certain instruments also pose liquidity risk due to absence of net-settlement provisions between counterparties.

Forwards

Forward contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future and are customized contracts transacted in the over–the–counter market. The Group has credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and are, therefore, considered to bear a higher liquidity risk.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or equity index.

Interest rate swaps relate to contracts taken out by the Group with other financial institutions in which the Group either receives or pays a floating interest rate in return for paying or receiving, respectively, a fixed interest rate. The payment flows are usually netted against each other, with the difference being paid by one party to the other. In a currency swap, the Group pays a specified amount in one currency and receives a specified amount in another currency. The Group's currency swaps are mostly gross–settled.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period. The Group purchases and sells options through regulated exchanges and in the over–the–counter markets. Options purchased by the Group provide the Group with the opportunity to purchase (call options) or sell (put options) the underlying asset at an agreed–upon value either on or before the expiration of the option. The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value. Options written by the Group provide the purchaser the opportunity to purchase from or sell to the Group the underlying asset at an agreed–upon value either on or before the expiration of the option.

The Group's exposure under derivative contracts is closely monitored as part of the overall management of the Group's market, credit, and liquidity risks (see also Note 31).

Amounts due to customers and credit institutions

Amounts due to customers and credit institutions are initially recognized at the fair value of the consideration received less directly attributable transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is recognized in the consolidated income statement.

Debt securities issued

Debt securities issued represent bonds issued by the Group, which are accounted for according to the same principles used for amounts due to customers and credit institutions. Any difference between proceeds received, net of debt issuance costs, and the redemption value is recognized in the consolidated income statement over the period of the borrowings using the effective interest method.

Allowances for impairment of financial assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortized cost

If there is objective evidence that an impairment loss on financial assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced through use of an allowance account. The amount of the impairment loss is recognized in the consolidated income statement.

The factors the Group evaluates in determining the presence of objective evidence of an 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.

The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not the foreclosure is probable.

The allowances are based on the Group’s own loss experience and management’s judgment as to the level of losses that will probably be recognized from assets in each credit risk category by reference to the debt service capability and repayment history of the borrower.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

Financial assets are written off against the allowance for impairment losses where such items are determined to be uncollectible, including through repossession of collateral. The Group requires collateral to support credit-related financial instruments when deemed necessary. Collateral held may include deposits held in the banks, government securities and other assets. When the borrowers do not repay as scheduled, the Group can take possession of the collateral pledged. Financial assets are written off after management has exercised all possibilities available to collect amounts due to the Group, and after the Group has sold all available collateral. The decision to write off bad debt against the allowance for impairment losses for all major, preferential, unsecured and insider assets are confirmed with a procedural document from judicial or notary bodies. This document certifies that at the time of the decision to write off the bad debt, the amount could not be repaid (or partially repaid) with the debtor’s funds. Subsequent recoveries of amounts previously written off decrease the charge for impairment of financial assets in the consolidated income statement.

Loans and receivables are assessed individually for impairment, except for insignificant loans and receivables that have been assessed collectively. Loans and receivables that have been assessed individually and found not to be impaired and all individually insignificant loans and receivables are then assessed collectively, in groups of assets with similar risk characteristics, to determine whether impairment should be recognized due to incurred loss events for which there is objective evidence but whose effects are not yet evident. The collective assessment takes account of data from the loan portfolio (such as levels of arrears, loan utilisation, loan to collateral ratios, etc.), and judgments to the effect of concentrations of risks and economic data (including levels of unemployment, real estate prices indices, country risk and the performance of different individual groups).

The impairment loss on loans and receivables is disclosed in more detail in Notes 11, 19 and 31.

Available-for-sale investment securities

If an available-for-sale investment security is impaired, a consolidated amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognized in the consolidated income statement, is transferred from equity to the consolidated income statement. In respect of equity instruments classified as available-for-sale, impairment losses previously recognized in the consolidated income statement are not reversed through the consolidated income statement. Any increase in fair value subsequent to an impairment loss is recognised directly in other comprehensive income.

Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously monitors renegotiated loans to ensure that they are performing and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate. Renegotiated term is evidence of impairment for loans assessed for impairment on an individual basis, for which deterioration of the financial position is observed.

Write off of loans and advances

Loans and advances are written off against the allowance for impairment losses when deemed uncollectible. Loans and advances are written off after management has exercised all possibilities available to collect amounts due to the Group and after the Group has sold all available collateral. Subsequent recoveries of amounts previously written off are reflected as an offset to the charge for impairment of financial assets in the consolidated income statement in the period of recovery.

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

A financial asset is derecognized when it has been transferred and the transfer qualifies for derecognition. A transfer requires that the Group either: (a) transfers the contractual rights to receive the asset's cash flows; or (b) retains the right to the asset's cash flows but assumes a contractual obligation to pay those cash flows to a third party. After a transfer, the Group reassesses the extent to which it has retained the risks and rewards of ownership of the transferred asset. If substantially all the risks and rewards have been retained, the asset remains on the consolidated statement of financial position. If substantially all of the risks and rewards have been transferred, the asset is derecognized. If substantially all the risks and rewards have been neither retained nor transferred, the Group assesses whether or not is has retained control of the asset. If it has not retained control, the asset is derecognized. Where the Group has retained control of the asset, it continues to recognize the asset to the extent of its continuing involvement.

Financial liabilities

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

On the redemption or settlement of debt securities (including subordinated liabilities) issued by the Group, the Group derecognises the debt instrument and records a gain or loss being the difference between the debt's carrying amount and the cost of redemption or settlement. The same treatment applies where the debt is exchanged for a new debt issue that has terms substantially different from those of the existing debt. The assessment of whether the terms of the new debt instrument are substantially different takes into account qualitative and quantitative characteristics including a comparison of the discounted present value of the cash flows under the new terms with the discounted present value of the remaining cash flows of the original debt issue.

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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the consolidated income statement.

Taxation

The current income tax expense is calculated in accordance with the regulations of Kazakhstan and other countries where the Group operates.

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

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be 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 assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to other comprehensive income or equity, in which case the deferred tax is also charged or credited directly to other comprehensive income or equity.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

- The Group 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 and other countries where the Group operates also have various operating taxes that are assessed on the Group’s activities. These taxes are recorded as taxes other than income tax.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and any accumulated impairment except for the buildings and constructions which are carried at revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

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

	Years
Buildings and constructions	20-100
Vehicles	5-7
Computers and banking equipment	5-10
Other	7-10

Leasehold improvements are amortized over the life of the related leased asset. Expenses related to repairs and renewals are charged when incurred and included in operating expenses unless they qualify for capitalization.

The carrying amounts of property and equipment are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment loss is recognized in the respective period and is included in operating expenses.

Buildings and constructions held for use in supply of services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, determined from market-based evidence by appraisal undertaken by professional independent appraisers, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the reporting date.

Any revaluation increase arising on the revaluation of such buildings and constructions is credited to the property and equipment revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized as an expense, in which case the increase is credited to the consolidated income statement to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such buildings and constructions is charged as an expense to the extent that it exceeds the balance, if any, held in the property and equipment revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings and constructions is charged to the consolidated income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the property and equipment revaluation reserve is transferred directly to retained earnings.

Assets held for sale

A non-current asset and the liability directly associated with non-current assets are classified as held for sale (“disposal group”) if it is highly probable that the net asset’s carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the consolidated income statement as loss from assets held for sale. Any subsequent increase in an asset’s fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. Recorded amounts as at the consolidated statement of financial position date represent the Group's best estimate of the expenditure required to settle the liability. The expense relating to any provision is presented in the consolidated income statement net of any recoveries.

Retirement and other benefit obligations

The Group does not have any pension arrangements separate from the state pension system of Kazakhstan and other countries where the Group operates, which requires current withholdings by the employer calculated as a percentage from current gross salary payments; such expense is charged in the period the related salaries are earned and included in operating expenses in the consolidated income statement. The Group contributes social tax to the budget of Kazakhstan and other countries where the Group operates for its employees. In addition, the Group has no post-retirement benefits.

Equity

The Group classifies a financial instrument that it issues as a financial asset, financial liability or an equity instrument in accordance with the substance of the contractual arrangement. An instrument is classified as a liability if it is a contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities on potentially unfavourable terms. An instrument is classified as equity if it evidences a residual interest in the assets of the Group after the deduction of liabilities. The components of a compound financial instrument issued by the Group are classified and accounted for separately as financial assets, financial liabilities or equity as appropriate.

Share capital

External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction from the proceeds in equity. Prior to 13 May 2003, any excess of the fair value of consideration received over the nominal value of shares issued was recognized as share premium reserve. Effective 13 May 2003, upon change in law concerning "Joint Stock Companies", the nominal amount concept was restricted to placement of shares only between the founders of an entity. For all other investors, share capital is recorded at placement value being the consideration received by an entity for its shares.

Treasury shares

When the Group acquires its own share capital, the amount of the consideration paid, including directly attributable costs, net of any related tax benefit, is recognised as a change in equity. Shares repurchased by the Group are cancelled. Repurchased shares are classified as treasury shares and are held at cost. These shares are treated as a deduction from the issued and weighted average number of shares, and the cost price of the shares is presented as a deduction from total equity. The par value of the shares is presented as a deduction from ordinary share capital and the remainder of the cost is presented as a deduction from ordinary share premium. Dividends received on treasury shares are eliminated on consolidation.

Dividends

Dividends are recognized as a liability and deducted from equity on the date they are declared. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Equity reserves

The reserves recorded in equity (other comprehensive income) on the Group's consolidated statement of financial position include:

- Available-for-sale reserve which comprises changes in fair value of available-for-sale investment securities;
- Foreign currency translation reserve which is used to record exchange differences arising from the translation of the net investment in foreign operations;
- Property revaluation reserve which comprises revaluation reserve of land and building.

Contingencies

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

Trust activities

Assets accepted and liabilities incurred under the trust activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Income and expense recognition

Interest income and expense are recognized on an accrual basis calculated using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loan origination fees for loans issued to customers are (together with related direct costs) recognized as an adjustment to the effective yield of the loans. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in profit or loss on expiry.

Fees, commissions, including pension asset management fees, and other income and expense items are generally recorded on an accrual basis when the service has been provided.

Portfolio and other management advisory and service fees are recorded based on the applicable service contracts. Custody services that are continuously provided over an extended period of time are recorded over the period the service is provided.

Foreign currency translation

The consolidated financial statements are presented in KZT, which is the functional currency of the Bank and each of its subsidiaries, except for foreign subsidiaries. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the currency rate of exchange as quoted by KASE as at the reporting date. Gains and losses resulting from the translation of foreign currency transactions into functional currency are recognized in the consolidated income statement as net gain or loss on foreign exchange operations. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

As at the reporting date, the assets and liabilities of overseas subsidiaries are translated into the Group's presentation currency at the exchange rates as at the consolidated statement of financial position date, and their income statements are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign subsidiary, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated income statement.

Differences between the contractual exchange rate of a transaction in a foreign currency and the market exchange rate on the date of the transaction are included in net gain on foreign exchange operations. The market exchange rate at 31 December 2013 was KZT 153.61 to USD 1 (31 December 2012 – KZT 150.74; 31 December 2011 – KZT 148.40).

Insurance

Insurance contracts are those contracts which transfer significant insurance risk from another party by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. The Group utilizes accounting policies determined by FMSC for insurance companies of Kazakhstan.

The Group offers various insurance products in property and casualty, liability, personal, and life insurance.

Underwriting income

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve.

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 insurance premium reserve represents the portion of the premiums written relating to the unexpired terms of coverage and is included within reserve for insurance claims in the consolidated statement of financial position.

Losses and loss adjustments are charged to income statement as incurred through the reassessment of the reserve for claims and loss adjustment expenses, and included within insurance claims incurred in the consolidated income statement.

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

Policy acquisition costs, comprising commissions paid to insurance agents and brokers, which vary with and are directly related to the production of new business, are capitalized and recorded in the accompanying consolidated statements of financial position within insurance assets. The asset related to deferred acquisition costs is subsequently amortized over the period in which the related written premiums are earned and is reviewed for impairment in circumstances where its carrying amount may not be recoverable. If the asset is greater than the recoverable amount it is written down immediately. All other costs are recognized as expenses when incurred.

Reserve for insurance losses and loss adjustment expenses

The reserve for insurance losses and loss adjustment expenses is included in the consolidated statement of financial position and is based on the estimated amount payable on claims reported prior to the reporting date, which have not yet been settled, and an estimate of incurred but not reported claims relating to the reporting period.

The incurred but not reported reserve ("IBNR") for motor, hull and liability insurance is actuarially determined and is based upon statistical claim data for the period typical for loss development of the classes and sub-classes of business and the Group's previous experience.

Due to the lack of historical company specific data and comparable industry data for other lines of business, the reserve for IBNR claims is determined by applying current government guidance as provided by FMSC. Under this guidance, the IBNR reserve is calculated as using the expected loss ratio for each line of business, less the losses actually reported.

The methods for determining such estimates and establishing the resulting reserves are continuously reviewed and updated. Resulting adjustments are reflected in the consolidated income statement in the period in which they are determined.

Reinsurance

In the ordinary course of business, the Group cedes reinsurance risk to reinsurers. Such reinsurance arrangements provide for greater diversification of risks, allow management to control exposure to potential losses arising from insured risks and provide additional capacity for growth.

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from re-insurers are estimated in a manner consistent with the claim liability associated with the reinsured policy.

Payables to reinsurers for ceded premium are recorded gross when due unless a right of offset exists against commission receivable from the reinsurer and are included in the consolidated statement of financial position within insurance assets.

Reinsurance contracts are assessed to ensure that underwriting risk, defined as the reasonable possibility of significant loss, and timing risk, defined as the reasonable possibility of a significant variation in the timing of cash flows, are both transferred by the Group to the re-insurer.

The Group regularly assesses its reinsurance assets for impairment. A reinsurance asset is impaired if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Application of new and revised International Financial Reporting Standards (IFRSs)

In the current year, the following new and revised Standards and Interpretations have been adopted and have affected the amounts reported in these consolidated financial statements.

Standards affecting the financial statements

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In May 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 (as revised in 2011) Separate Financial Statements and IAS 28 (as revised in 2011) Investments in Associates and Joint Ventures. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time IFRS 10, IFRS 11, IFRS 12 and IAS 28 (as revised in 2011) together with the amendments to IFRS 10, IFRS 11 and IFRS 12 regarding the transitional guidance. IAS 27 (as revised in 2011) is not applicable to the Group as it deals only with separate financial statements.

The impact of the application of these standards is set out below.

Impact of the application of IFRS 10.

IFRS 10 replaces the parts of IAS 27 Consolidated and Separate Financial Statements that deal with consolidated financial statements and SIC-12 Consolidation – Special Purpose Entities. IFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee. Some guidance included in IFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

The management of the Group has assessed the adoption of IFRS 10 and concluded that it did not result in any change in the consolidation status of its subsidiaries.

Impact of the application of IFRS 11.

IFRS 11 replaces IAS 31 Interests in Joint Ventures, and the guidance contained in a related interpretation, SIC-13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in IAS 28 (as revised in 2011). IFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for.

The management of the Group has assessed the adoption of IFRS 11 and concluded that it did not result in any changes as there were no such investments classified as jointly controlled entity under IAS 31.

Impact of the application of IFRS 12.

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

Amendments to IFRS 7 Financial instruments: Disclosures.

The Group has applied the amendments to IFRS 7 titled Disclosures – Transfers of Financial Assets in the current year. The amendments increase the disclosure requirements for transactions involving the transfer of financial assets in order to provide greater transparency around risk exposures when financial assets are transferred.

In the current year, the Group transferred some financial assets that are not derecognised. The application of the amendments has resulted in more disclosures regarding the transfer of financial assets (see Note 17).

Amendments to IAS 1 Presentation of financial statements (amended June 2011).

The Group has applied the amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income in advance of the effective date (annual periods beginning on or after 1 July 2012). The amendment increases the required level of disclosure within the statement of comprehensive income.

The impact of this amendment has been to analyse items within the statement of comprehensive income between items that will not be reclassified subsequently to profit or loss and items that will be reclassified subsequently to profit or loss in accordance with the respective IFRS standard to which the item relates. The financial statements have also been amended to analyse income tax on the same basis. The amendments have been applied retrospectively, and hence the presentation of items of comprehensive income have been restated to reflect the change. Other than the above mentioned presentation changes, the application of the amendments to IAS 1 do not result in any impact on profit or loss, comprehensive income and total comprehensive income.

IFRS 13 Fair Value Measurement.

The Group has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances.

IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, IFRS 13 includes extensive disclosure requirements.

Other than the additional disclosures, the application of IFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009 - 2011 Cycle issued in May 2012).

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the Group are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position.

IAS 19 Employee Benefits (revised June 2011)

In the current year, the Group has applied IAS 19 (as revised in June 2011) Employee Benefits. The amendments to IAS 19 change the accounting for defined benefit schemes and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and scheme assets. The application of IAS 19 (June 2011) had no significant impact, as the Group has no defined benefit plans.

Amendments to IFRS 7 Disclosures–Offsetting Financial Assets and Financial Liabilities

IAS 32 Financial Instruments: Presentation requires offsetting of financial assets and financial liabilities when certain criteria are met. The amendments to IFRS 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

New and revised IFRSs in issue but not yet effective

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

IFRS 9 Financial Instruments
Amendments to IFRS 9 and IFRS 7 Mandatory Effective Date of IFRS 9 and Transition Disclosures
Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities[1]
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities[1]
Amendments to IAS 36 Impairment of Assets[1]
Amendments to IAS 39 Financial Instruments: Recognition and Measurement[1]
Amendments to IFRIC 21 Levies[1]

[1] Effective for annual periods beginning on or after 1 January 2014, with earlier application permitted.

IFRS 9 Financial Instruments.

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are required 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 value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that 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 presented 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. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The amendments made to IFRS 9 in November 2013 remove the mandatory effective date from IFRS 9. However, entities may still choose to apply IFRS 9 immediately.

The management of the Group anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities.

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities. The management of the Group does not anticipate that the investment entities amendments will have any effect on the Group's consolidated financial statements as the Bank is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities.

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of ‘currently has a legally enforceable right of set-off’ and ‘simultaneous realisation and settlement’.

The management of the Group does not anticipate that the application of these amendments to IAS 32 will have a significant impact on the Group's consolidated financial statements as the Group does not have any financial assets and financial liabilities that qualify for offset.

Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014). The improvements consist of changes to four standards.

- The basis for conclusions on IFRS 1 is amended to clarify that, where a new version of a standard is not yet mandatory but is available for early adoption; a first-time adopter can use either the old or the new version, provided the same standard is applied in all periods presented.
- IFRS 3 was amended to clarify that it does not apply to the accounting for the formation of any joint arrangement under IFRS 11. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.
- The amendment of IFRS 13 clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including contracts to buy or sell non-financial items) that are within the scope of IAS 39 or IFRS 9.
- IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive. The guidance in IAS 40 assists preparers to distinguish between investment property and owner-occupied property. Preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Group's consolidated financial statements.

4. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make estimates and judgments that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of income and expenses during the reporting period. Management evaluates its estimates and judgements on an ongoing basis. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. The following estimates and judgments are considered important to the portrayal of the Group's financial condition.

Allowance for impairment of loans and receivables

The Group regularly reviews its loans and receivables to assess for impairment. The Group's loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables as a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group's estimated losses and actual losses will require the Group to make provisions which, if significantly different, could have a material impact on its future consolidated income statement and its consolidated statement of financial position.

The Group uses management's judgement to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behaviour, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables.

Historical loss experience is adjusted, on the basis of observable data, to reflect current conditions not affecting the period of historical experience.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in Kazakhstan and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

The carrying amount of the allowance for impairment losses of loans to customers as at 31 December 2013 is KZT 323,311 million (31 December 2012: KZT 302,926 million; 31 December 2011: KZT 291,303 million).

Valuation of financial instruments

As described in Note 34, the Group uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of certain types of financial instruments. Note 34 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Property and equipment carried at revalued amounts

Buildings and construction are measured at revalued amounts. The latest appraisal was in December 2013. The next revaluation is preliminary scheduled for 2014. Details of the valuation techniques used are set out in Note 12.

Taxation

Kazakhstan tax, currency and customs legislations are subject to varying interpretations and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant regional and state authorities. Fiscal periods remain open to review by the authorities in respect of taxes for five calendar periods preceding the year of review.

As at 31 December 2013, Management believes that its interpretation of the relevant legislation is appropriate and that the Group's tax, currency and customs positions will be sustained. Significant additional actual taxes, penalties and interest may be assessed following any challenges by the relevant authorities, which could have a material impact on the Group’s reported net income.

Claims liability and reserves arising from insurance contracts

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of incurred but not reported reserves (“IBNR”) claims at the reporting date. For certain lines of business, IBNR claims form the majority of the statement of financial position claims provision. It can take a significant period of time before the ultimate claims cost can be established with certainty. For hull, property, accident and liability insurance, the Group actuarially determines the liability using past claim settlement trends to predict future claims settlement amounts. In estimating the cost of reported and IBNR claims for certain other lines of business, management applies current government guidance as provided by FMSC, due to the absence of sufficient historical data. Under this guidance, the IBNR reserve is calculated using the expected loss ratio for each line of business, less the cumulative losses actually reported. General insurance claims provisions are not discounted for the time value of money.

The gross reserves for claims and the related receivables for reinsurance recoveries are based on information available to management and the ultimate amounts may vary as a result of subsequent information and events and may result in adjustments to the amounts recovered. Actual claims experience may differ from the historical pattern on which the estimate is based and the cost of settling individual claims may differ from costs previously estimated. Any adjustments to the amount of reserves will be reflected in the consolidated financial statements in the period in which the necessary adjustments become known and estimable.

Goodwill

Goodwill is the excess cost of an acquisition over the fair value of its net assets. The determination of fair value of assets and liabilities of businesses acquired requires the exercise of management's judgement; for example those financial assets and liabilities for which there are no quoted prices, and those non-financial assets where valuations reflect estimates of market conditions. Difference in fair values would result in changes to the goodwill arising and to the post-acquisition performance of the acquisition. Goodwill is not amortized but is tested annually or more frequently for impairment if events or changes in circumstances indicated that it might be impaired.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's cash-generating units or groups of cash-generating units expected to benefit from the combination. Goodwill impairment testing involves the comparison of the carrying value of a cash-generating unit or group of cash generating units with its recoverable amount. The recoverable amount is the higher of the unit's fair value and its value in use. Value in use is the present value of expected future cash flows from the cash-generating unit or group of cash-generating units. Fair value is the amount obtainable for the sale of the cash-generating unit in an arm's length transaction between knowledgeable and willing parties.

Impairment testing inherently involves a number of judgmental areas: the preparation of cash flow forecasts for periods that are beyond the normal requirements of management reporting; the assessment of the discount rate appropriate to the business; estimation of the fair value of cash-generating units; and the valuation of the separable assets of each business whose goodwill is being reviewed.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise:

	31 December 2013	31 December 2012	31 December 2011
Cash on hand	80,752	64,256	61,072
Recorded as loans and receivables in accordance with IAS 39:			
Short-term deposits with Organization for Economic Co-operation and Development countries (the "OECD") based banks	135,253	257,783	217,348
Correspondent accounts with OECD based banks	91,265	70,088	40,680
Correspondent accounts with National Bank of Republic of Kazakhstan (the "NBK")	83,769	114,175	77,952
Overnight deposits with OECD based banks	59,122	-	102,960
Short-term deposits with Kazakhstan banks (loans under reverse repurchase agreements)	32,326	3,510	5,528
Correspondent accounts with non-OECD based banks	2,159	5,194	2,086
Short-term deposits with non-OECD based banks	1,643	3,437	1,982
Overnight deposits with non-OECD based banks	24	55	-
Short-term deposit with NBK	-	15,001	10,000
	486,313	533,499	519,608

Interest rates and currencies in which interest earning cash and cash equivalents are denominated are presented as follows:

	31 December 2013		31 December 2012		31 December 2011	
	KZT	Foreign currencies	KZT	Foreign currencies	KZT	Foreign currencies
Short-term deposits with OECD based banks	6.9%	0.1%- 0.2%	-	0.2%-0.6%	1.0%	0.3%
Overnight deposits with OECD based banks	-	0.02% - 0.1%	-	-	-	0.1%-1.0%
Short-term deposits with Kazakhstan banks	-	-	-	-	0.7%-2.0%	-
Short-term deposits with non-OECD based bank	-	1.0% - 4.5%	-	3.0%-8.5%	-	4.4%-8.0%
Overnight deposits with non-OECD based banks	-	2.3%	-	3.8%	-	-
Short-term deposits with NBK	-	-	0.5%	-	0.5%	-

Fair value of assets pledged and carrying amounts of loans under reverse repurchase agreements as at 31 December 2013, 2012 and 2011, are presented as follows:

	31 December 2013		31 December 2012		31 December 2011	
	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral	Carrying amount of loans	Fair value of collateral
Treasury bills of the Ministry of Finance of Kazakhstan	32,279	48,936	3,459	3,721	5,528	5,596
Equity securities of Kazakhstan banks	47	47	51	51	-	-
	32,326	48,983	3,510	3,772	5,528	5,596

As at 31 December 2013, 2012 and 2011, maturities of loans under reverse repurchase agreements are less than 1 month.

6. OBLIGATORY RESERVES

Obligatory reserves comprise:

	31 December 2013	31 December 2012	31 December 2011
Recorded as loans and receivables in accordance with IAS 39:			
Cash and due from banks allocated to obligatory reserves	44,276	49,037	52,916
	44,276	49,037	52,916

The obligatory reserves represent the minimum reserve deposits and cash on hand balances required by the National Banks of Kazakhstan, Kyrgyzstan, Georgia and Central Bank of Russian Federation and used for calculation of the minimum reserve requirement. As at 31 December 2013 obligatory reserves of OJSC Halyk Bank Kyrgyzstan, OJSC NBK Bank and JSC Halyk Bank Georgia comprised KZT 583 million (31 December 2012 – KZT 570 million, 31 December 2011 – KZT 383 million).

During 2012 the NBK amended the Regulation on minimum reserve requirements. In accordance with the amendment certain long-term liabilities with maturities greater than 1 year are now not included into the calculation of the minimum reserve level thus resulting in decrease of obligatory reserves. Decrease in obligatory reserves in 2013 relates to the repayment of debt securities and thus decrease in the composition of liabilities for determining the amount of obligatory reserves.

7. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	31 December 2013	31 December 2012	31 December 2011
Financial assets held for trading:			
Corporate bonds	402	277	103
Derivative financial instruments	391	733	3,304
Bonds of foreign organizations	184	144	125
Bonds of JSC Development Bank of Kazakhstan	139	32	-
Bonds of Kazakhstan banks	119	-	-
Equity securities of Kazakhstan banks	61	-	220
Equity securities of Kazakhstan corporations	20	85	-
Equity securities of foreign organizations	18	-	-
	1,334	1,271	3,752

Financial liabilities at fair value through profit or loss comprise:

	31 December 2013	31 December 2012	31 December 2011
Financial liabilities held for trading:			
Derivative financial instruments	69	439	2,547

Interest rates of financial assets at fair value through profit or loss are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective financial assets:

	31 December 2013	31 December 2012	31 December 2011
Corporate bonds	5.3%	7.6%	9.0%
Bonds of foreign organizations	10.0%	13.8%	13.4%
Bonds of JSC Development Bank of Kazakhstan	5.3%	5.5%	-
Bonds of Kazakhstan banks	12.3%	-	-

Derivative financial instruments comprise:

	31 December 2013			31 December 2012			31 December 2011		
	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability	Notional amount	Fair value Asset	Fair value Liability
Foreign currency contracts									
Swaps	53,401	122	69	40,321	395	388	35,185	158	105
Forwards	15,116	18	-	32,159	83	51	76,958	3,085	2,442
Options	3,961	251	-	7,231	255	-	4,627	61	-
		391	69		733	439		3,304	2,547

As at 31 December 2013, 2012 and 2011, the Group used quoted market prices from independent information sources for all of its financial assets recorded at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on observable market data.

8. AMOUNTS DUE FROM CREDIT INSTITUTIONS

Amounts due from credit institutions comprise:

	31 December 2013	31 December 2012	31 December 2011
Recorded as loans and receivables in accordance with IAS 39:			
Loans to credit institutions	14,322	15,931	2,286
Term deposits	8,593	15,765	11,499
Deposit pledged as collateral for derivative financial instruments	2,898	1,105	7,313
	25,813	32,801	21,098
Less - Allowance for loan impairment (Note 19)	(5)	(2)	(2)
	25,808	32,799	21,096

Interest rates and maturities of amounts due from credit institutions are presented as follows:

	31 December 2013		31 December 2012		31 December 2011	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Loans to credit institutions	8.2%-17.0%	2015-2020	8.2%-17.0%	2017	14.5%-17.0%	2015
Term deposits	0.5%-9.0%	2014-2015	0.5%-9.0%	2013-2014	0.5%-12.5%	2012-2014
Deposit pledged as collateral for derivative financial instruments	0.2%-1.8%	2014	0.2%-1.8%	2013	0.2%-1.8%	2012

9. AVAILABLE-FOR-SALE INVESTMENT SECURITIES

Available-for-sale investment securities comprise:

	31 December 2013	31 December 2012	31 December 2011
Treasury bills of the Ministry of Finance of Kazakhstan	98,932	110,878	137,733
Corporate bonds	91,971	88,657	72,099
Bonds of foreign organizations	87,562	84,719	52,764
Treasury bills of the Russian Federation	28,909	11,254	8,156
Bonds of JSC Development Bank of Kazakhstan	19,363	20,839	9,318
Bonds of Kazakhstan banks	13,958	8,349	6,000
Local municipal bonds	4,019	3,997	4,035
Equity securities of Kazakhstan corporations	3,075	2,529	1,394
Equity securities of foreign corporations	1,683	136	-
Treasury bills of Georgia	562	-	-
Treasury bills of the Kyrgyz Republic	340	-	-
Equity securities of Kazakhstan banks	156	188	295
Mutual investment funds shares	22	1,927	2,950
NBK notes	-	889	11,146
	350,552	334,362	305,890

During 2013 the Group reclassified securities from Held-to-Maturity to Available-for-sale category. As at 31 December 2013, the fair value of the investments reclassified to investments available-for-sale amounted to KZT 16,892 million (see Note 10).

As at 31 December 2013, 2012 and 2011, investments available-for-sale included NBK notes, Treasury bills of the Ministry of Finance of Kazakhstan and equity securities of KZT 73,110 million, KZT 3,369 million and KZT 9,474 million, respectively, were pledged under repurchase agreements with the other banks (see Note 17). All repurchase agreements as at 31 December 2013, 2012 and 2011 mature before 8 January 2014, 23 January 2013, and 4 January 2012, respectively.

Interest rates and maturities of available-for-sale investment securities are presented in the table below. Interest rates in the table below are calculated as weighted average of the effective interest rates for the respective securities.

	31 December 2013		**31 December 2012**		**31 December 2011**	
	Interest rate, %	**Maturity, year**	**Interest rate, %**	**Maturity, year**	**Interest rate, %**	**Maturity, year**
Treasury bills of the Ministry of Finance of Kazakhstan	4.9%	2014-2027	4.5%	2013-2027	4.1%	2012-2027
Corporate bonds	7.0%	2014-2021	7.2%	2013-2021	7.1%	2012-2021
Bonds of foreign organizations	3.9%	2014-2021	3.8%	2013-2020	6.6%	2012-2020
Treasury bills of the Russian Federation	2.7%	2015-2018	3.4%	2015-2021	5.5%	2015-2021
Bonds of JSC Development Bank of Kazakhstan	4.9%	2015-2026	5.6%	2015-2026	7.2%	2015-2026
Bonds of Kazakhstan banks	9.3%	2014-2030	8.3%	2013-2022	8.9%	2012-2030
Local municipal bonds	4.9%	2015	4.9%	2015	4.9%	2015
Treasury bills of Georgia	12.8%	2016-2017	-	-	-	-
Treasury bills of the Kyrgyz Republic	8.9%	2014	-	-	-	-
NBK notes	-	-	1.0%	2013	1.2%	2012

On 31 December 2008, the Group reclassified certain debt and equity securities with total fair value of KZT 4,925 million out of financial assets at fair value through profit or loss category into the available-for-sale investment securities. The reclassification was made only for those securities which had a significant decline in volume of transactions in the financial markets as a result of the financial crisis. The Group revised its investment policy in relation to these securities and has the intention and ability to hold these securities for the foreseeable future.

Debt and equity securities which were reclassified are presented in the tables below.

Debt securities	**Effective interest rate, %**	**As at reporting date 31 December 2013 Fair value and carrying amount**	**As at reporting date 31 December 2012 Fair value and carrying amount**	**As at reclassification date 31 December 2008 Fair value and carrying amount**
Bonds of JSC Development Bank of Kazakhstan	7.0%	3,120	3,265	2,213
Securities of foreign countries and organizations	9.8%-14.5%	-	-	1,987
		3,120	3,265	4,200

Equity securities	As at reporting date 31 December 2013 Fair value and carrying Amount	As at reporting date 31 December 2012 Fair value and carrying amount	As at reclassification date 31 December 2008 Fair value and carrying amount
Equity securities of Kazakhstan corporations	54	59	74
Mutual investment funds shares	-	-	651
	54	59	725

The Group sold mutual investment funds shares during the year ended 31 December 2011.

Estimated future cash flows the Group expects to recover from debt securities which were reclassified are presented in the table below.

	As at reclassification date 31 December 2008
Debt securities	
Bonds of JSC Development Bank of Kazakhstan	4,711
	4,711

The net gain/(loss) that would have been recognized in the consolidated income statement if the securities had not been reclassified, is presented in the table below for the years ended 31 December 2013, 2012 and 2011.

Debt securities	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Bonds of JSC Development Bank of Kazakhstan	511	712	199
	511	712	199

Equity securities	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Equity securities of Kazakhstan corporations	2	37	3
Mutual investment funds shares	-	-	(139)
	2	37	(136)

10. INVESTMENTS HELD TO MATURITY

During December 2013 APF sold its investments held to maturity in order to pay dividends announced on 29 November 2013. As a result, on 13 December 2013 when a substantial part of its held-to-maturity investments was sold, the Group classified the remaining investments held-to-maturity to investments available for sale. The gain resulting from the remeasurement from amortized cost to fair value on financial assets reclassified from held-to-maturity to available for sale of KZT 2,187 million was recognized in other comprehensive income net of income tax of KZT 443 million. Gain on disposal of investments held-to-maturity recognized in the statement of profit or loss amounted to KZT 78 million. As at 31 December 2013, the fair value of the investments reclassified to investments available-for-sale amounted to KZT 16,892 million. The Group will not classify any financial assets as investments held to maturity for 2 financial years following the year of reclassification.

Investments held to maturity comprise:

	31 December 2013	31 December 2012	31 December 2011
Treasury bills of the Ministry of Finance of Kazakhstan	-	12,437	9,841
Corporate bonds	-	8,237	7,571
Bonds of Kazakhstan banks	-	3,065	515
Bonds of foreign organizations	-	996	-
Notes of National Bank of Georgia	-	579	877
Treasury bills of Kyrgyz Republic	-	225	190
Notes of National Bank of Kyrgyz Republic	-	222	-
NBK notes	-	5	59,860
	-	25,766	78,854

As at 31 December 2013, 2012 and 2011 investments held to maturity included NBK notes and Treasury bills of the Ministry of Finance of Kazakhstan pledged under repurchase agreements with the other banks amounting to nil, nil and KZT 19,869 million, respectively (Note 17). All repurchase agreements as at 31 December 2011 mature before 12 January 2012.

Interest rates and maturities of investments held to maturity are presented in the table below. Interest rates in the table below are calculated as the weighted average of the effective interest rates for the respective securities.

	31 December 2013		31 December 2012		31 December 2011	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year	Interest rate, %	Maturity, year
Corporate bonds			12.6%	2015-2020	14.6%	2012-2017
Bonds of Kazakhstan banks	-	-	9.7%	2013-2016	5.6%	2015
Treasury bills of the Ministry of Finance of Kazakhstan	-	-	5.1%	2013-2030	7.2%	2012-2015
Bonds of foreign organizations	-	-	14.6%	2014-2016	-	-
Notes of National Bank of Georgia	-	-	13.2%	2016-2017	14.7%	2012-2016
Treasury bills of Kyrgyz Republic	-	-	14.1%	2013	14.9%	2012
Notes of National bank of Kyrgyz Republic	-	-	2.3%	2013	-	-
NBK notes	-	-	1.5%	2013	1.2%	2012

11. LOANS TO CUSTOMERS

Loans to customers comprise:

	31 December 2013	31 December 2012	31 December 2011
Recorded as loans and receivables in accordance with IAS 39:			
Originated loans to customers	1,803,471	1,619,850	1,471,436
Overdrafts	2,085	2,284	4,107
	1,805,556	1,622,134	1,475,543
Less – Allowance for loan impairment losses (Note 19)	(323,311)	(302,926)	(291,303)
Loans to customers	1,482,245	1,319,208	1,184,240

Average interest rate on loans to customers is calculated as interest income from loans to customers divided by average balances of loans to customers. For the year ended 31 December 2013 average interest rate on loans was 11.7% (for the year ended 31 December 2012 – 12.1%, for the year ended 31 December 2011 – 13.2%).

As at 31 December 2013, the Group had a concentration of loans to the ten largest borrowers of KZT 367,782 million that comprised 20% of the Group's total gross loan portfolio (31 December 2012 – KZT 331,012 million, 20%; 31 December 2011 – KZT 284,771 million, 19%) and 94% of the Group's total equity (31 December 2012 – 97%, 31 December 2011 – 92%).

As at 31 December 2013, an allowance for impairment amounting to KZT 51,189 million was made against these loans (31 December 2012 – KZT 45,966 million, 31 December 2011 – KZT 52,712 million).

The table below summarizes the amount of loans secured by type of collateral, rather than the fair value of the collateral itself:

	31 December 2013	**31 December 2012**	**31 December 2011**
Loans collateralized by pledge of real estate or rights thereon	707,582	787,676	674,613
Loans collateralized by guarantees	378,311	296,346	293,406
Consumer loans issued within the framework of payroll projects	273,248	195,422	138,773
Loans collateralized by cash	123,875	47,333	38,001
Loans collateralized by pledge of corporate shares	117,658	96,595	58,755
Loans collateralized by mixed types of collateral	61,113	48,938	137,332
Loans collateralized by pledge of inventories	31,046	17,320	22,757
Loans collateralized by pledge of agricultural products	26,458	72,000	49,490
Loans collateralized by pledge of vehicles	24,747	16,303	26,213
Loans collateralized by pledge of equipment	15,984	20,755	19,467
Unsecured loans*	45,534	23,446	16,736
	1,805,556	1,622,134	1,475,543
Less - Allowance for loan impairment losses (Note 19)	(323,311)	(302,926)	(291,303)
Total loans to customers	1,482,245	1,319,208	1,184,240

Loans are granted to the following sectors:

	31 December 2013	%	31 December 2012	%	31 December 2011	%
Retail loans:						
- consumer loans	291,471	16%	219,809	14%	168,766	11%
- mortgage loans	107,062	6%	110,141	7%	119,199	8%
	398,533		329,950		287,965	
Wholesale trade	341,489	19%	287,126	18%	287,987	19%
Services	233,492	13%	157,560	9%	122,038	8%
Construction	163,615	9%	168,244	10%	168,065	11%
Real estate	137,200	8%	120,038	7%	120,617	8%
Retail trade	117,816	7%	104,408	6%	100,847	7%
Financial services	94,702	5%	66,250	4%	-	-
Agriculture	84,934	5%	116,467	7%	94,155	6%
Transportation	40,145	2%	39,885	3%	44,223	3%
Metallurgy	39,276	2%	36,851	2%	37,023	3%
Mining	38,050	2%	36,143	2%	4,617	0%
Food industry	33,929	2%	37,414	2%	44,787	3%
Hotel industry	31,549	2%	32,668	2%	39,008	3%
Chemical industry	10,604	1%	41,127	3%	9,244	1%
Machinery	7,878	0%	9,416	1%	7,393	1%
Oil and gas	6,005	0%	10,836	1%	37,376	3%
Light industry	4,503	0%	4,553	0%	5,813	0%
Energy	3,403	0%	7,906	1%	56,665	4%
Communication	339	0%	1,642	0%	94	0%
Other	18,094	1%	13,650	1%	7,626	1%
	1,805,556	100%	1,622,134	100%	1,475,543	100%

As at 31 December 2013, the amount of accrued interest on loans comprised KZT 114,178 million (31 December 2012 – KZT 103,278 million, 31 December 2011 – KZT 112,313 million).

12. PROPERTY AND EQUIPMENT

The movements in property and equipment are presented as follows:

	Buildings and construction	Vehicles	Computers and banking equipment	Other	Total
Revalued/initial cost:					
31 December 2012	51,813	2,363	21,307	13,793	89,276
Additions	740	327	1,617	2,659	5,343
Disposals	(689)	(157)	(608)	(649)	(2,103)
Transfers	1,038	-	161	(1,199)	-
Revaluation	(636)	-	-	-	(636)
Impairment	(175)	-	-	-	(175)
Translation differences	(188)	(2)	(6)	(8)	(204)
31 December 2013	51,903	2,531	22,471	14,596	91,501
Accumulated depreciation:					
31 December 2012	652	1,236	15,715	6,668	24,271
Charge	825	305	2,150	1,565	4,845
Disposals	(202)	(153)	(538)	(321)	(1,214)
Write-off at revaluation	(1)	-	-	-	(1)
Translation differences	(9)	(2)	(1)	(2)	(14)
31 December 2013	1,265	1,386	17,326	7,910	27,887
Net book value:					
31 December 2013	50,638	1,145	5,145	6,686	63,614

	Buildings and construction	Vehicles	Computers and banking equipment	Other	Total
Revalued/initial cost:					
31 December 2011	47,866	1,882	19,433	15,807	84,988
Additions	4,083	661	1,996	2,274	9,014
Disposals	(334)	(181)	(442)	(2,005)	(2,962)
Transfers	1,976	-	315	(2,291)	-
Revaluation	(1,352)	-	-	-	(1,352)
Impairment	(457)	-	-	-	(457)
Translation differences	31	1	5	8	45
31 December 2012	51,813	2,363	21,307	13,793	89,276
Accumulated depreciation:					
31 December 2011	1,175	1,164	13,012	6,122	21,473
Charge	1,645	245	3,233	922	6,045
Disposals	(8)	(180)	(532)	(377)	(1,097)
Write-off at revaluation	(2,170)	-	-	-	(2,170)
Translation differences	10	7	2	1	20
31 December 2012	652	1,236	15,715	6,668	24,271
Net book value:					
31 December 2012	51,161	1,127	5,592	7,125	65,005

	Buildings and construction	Vehicles	Computers and banking equipment	Other	Total
Revalued/initial cost:					
31 December 2010	47,036	1,596	17,769	14,333	80,734
Additions	2,421	326	2,164	4,220	9,131
Disposals	(16)	(84)	(503)	(2,754)	(3,357)
Revaluation	(1,610)	-	-	-	(1,610)
Impairment	(1)	-	-	-	(1)
Translation differences	36	44	3	8	91
31 December 2011	47,866	1,882	19,433	15,807	84,988
Accumulated depreciation:					
31 December 2010	649	1,010	10,434	4,653	16,746
Charge	579	188	3,066	1,888	5,721
Disposals	-	(79)	(489)	(420)	(988)
Write-off at revaluation	(58)	-	-	-	(58)
Translation differences	5	45	1	1	52
31 December 2011	1,175	1,164	13,012	6,122	21,473
Net book value:					
31 December 2011	46,691	718	6,421	9,685	63,515

The Group’s revaluation policy requires the entire asset class of buildings and construction to be revalued every three years. In the event of specific market or property indicators the Group may opt to perform revaluations more regularly.

During the year ended 31 December 2011, the Group identified a deterioration in market conditions for one of the properties due to its location, and as a result decided to revalue it in addition to the normal revaluation cycle, using three approaches, including the income approach, the comparative approach and the cost approach. The property in question had previously been carried at a revalued amount of KZT 2,259 million and as a result of the procedure was revalued at KZT 819 million.

The Group had its buildings and properties revalued during 2013 by an independent appraiser, Business Partner Consult LLP. The independent appraiser used three approaches to identify the fair value of the property and equipment - the income approach with the income capitalization method and the comparative approach, using market information to identify the fair value of buildings and structures under active market conditions, and the cost approach when no active market existed for items subject to revaluation.

As at 31 December 2013, the fair value measurements of the Group's buildings and constructions, are categorized into Level 2 and Level 3, in amount of KZT 49,955 million and KZT 683 million, respectively (description of measurement hierarchy is disclosed in Note 34).

As at 31 December 2013 total amount of fair value of buildings and construction was KZT 50,638 million. As at 31 December 2013 the carrying amount of property and equipment that would have been recognized had the assets been carried under the cost model is KZT 51,618 million.

13. ASSETS HELD FOR SALE

During 2010 and 2009, after the default of certain counterparties on loans to customers, the Group recognized the property pledged as collateral for the loans as assets held for sale at fair value. The assets have been subsequently measured at the lower of fair value less cost to dispose or the carrying value, as the appropriate level of management committed to a plan to sell the assets and an active programme to locate a buyer and complete the plan was initiated. The type of assets recognized was land, buildings and constructions. The proceeds from disposal were expected to exceed the carrying value of the assets and accordingly no impairment losses have been recognized on these assets during the years 2011 and 2010. In June 2012 the Group performed an independent valuation of its assets held for sale. Based on the result of the valuation the Group recognized an impairment loss of KZT 2,100 million.

Despite the assets being actively marketed for sale, the majority have not been sold within a short timeframe. However, management remains committed to the sale of these assets. As the assets are carried at a price not in excess of the current fair value less costs to sell, they continue to be classified as held for sale at the end of 2013 and 2012.

As at 31 December 2013, the fair value measurement of the Group's assets held for sale is categorized into Level 2 and Level 3, in amount of KZT 2,883 million and KZT 29 million, respectively (description of measurement hierarchy is disclosed in Note 34).

14. INSURANCE ASSETS AND LIABILITIES

Insurance assets comprised the following:

	31 December 2013	**31 December 2012**	**31 December 2011**
Reinsurance premium unearned	7,424	7,065	8,582
Reinsurance amounts recoverable	3,184	5,003	1,744
	10,608	12,068	10,326
Premiums receivable	2,771	2,855	3,224
Insurance assets	13,379	14,923	13,550

Insurance liabilities comprised the following:

	31 December 2013	31 December 2012	31 December 2011
Reserves for insurance claims	16,209	13,108	8,146
Gross unearned insurance premium reserve	10,796	9,908	12,129
	27,005	23,016	20,275
Payables to reinsurers and agents	2,710	2,185	2,753
Insurance liabilities	29,715	25,201	23,028

Insurance risk

Insurance risk is the risk of fluctuations in the timing, frequency or severity of insured events, relative to the expectations of the Group at the time of underwriting. The insurance risk is concentrated in the Republic of Kazakhstan.

Underwriting and pricing risk

The Group manages underwriting and pricing risk through the use of underwriting guidelines which detail the class, nature and type of business that may be accepted; pricing policies by product line and by brand; and centralized control of policy wordings and any subsequent changes.

Claims management risk

The risk that claims are handled or paid inappropriately is managed using a range of IT system controls and manual processes conducted by experienced staff. These, together with a range of detailed policies and procedures ensure that all claims are handled in a timely, appropriate and accurate manner.

Reinsurance risk

Reinsurance is used to protect against the impact of major catastrophic events or unforeseen volumes of, or adverse trends in, large individual claims and to transfer risk that is outside the Group's current risk appetite.

Reinsurance of risk above the Group's appetite is only effective if the reinsurance premium is economic and the counterparty is financially secure. Acceptable reinsurers are rated A- or better unless specifically authorized.

Reserving risk

Reserving risk relates to both premiums and claims. It is the risk that reserves are assessed incorrectly such that insufficient funds have been remained to pay or handle claims as the amounts fall due. Claims development data provides information on the historical pattern of reserving risk.

Reserves for insurance claims have been established on the basis of information currently available, including potential outstanding loss notifications, and experience with similar claims.

The movements on claims reserves for the years ended 31 December 2013, 2012 and 2011, were as follows:

	2013	2012	2011
Reserves for claims, beginning of the year	13,108	8,146	8,982
Reserves for claims, reinsurance share, beginning of the year	(5,003)	(1,744)	(5,154)
Net reserves for claims, beginning of the year	8,105	6,402	3,828
Plus claims incurred	13,933	12,733	10,394
Less claims paid	(9,014)	(11,030)	(7,820)
Net reserves for claims, end of the year	13,024	8,105	6,402
Reserves for claims, reinsurance share, end of the year	3,185	5,003	1,744
Reserves for claims, end of the year	16,209	13,108	8,146

The movements on unearned insurance premium reserve for the years ended 31 December 2013, 2012 and 2011, were as follows:

	2013	2012	2011
Gross unearned insurance premium reserve, beginning of the year	9,908	12,129	5,550
Unearned insurance premium reserve, reinsurance share, beginning of the year	(7,065)	(8,582)	(2,561)
Net unearned insurance premium reserve, beginning of the year	2,843	3,547	2,989
Change in unearned insurance premium reserve	888	(2,221)	6,579
Change in unearned insurance premium reserve, reinsurance share	(359)	1,517	(6,021)
Change in unearned insurance premium reserve, net	529	(704)	558
Net unearned insurance premium reserve, end of the year	3,372	2,843	3,547
Unearned insurance premium reserve, reinsurance share, end of the year	7,424	7,065	8,582
Gross unearned insurance premium reserve, end of the year	10,796	9,908	12,129

15. OTHER ASSETS

Other assets comprise:

	31 December 2013	31 December 2012	31 December 2011
Other financial assets recorded as loans and receivables in accordance with IAS 39:			
Debtors on banking activities	6,293	5,429	2,873
Accrued commission for managing pension assets	1,204	2,239	382
Debtors on non-banking activities	891	1,076	1,217
Accrued other commission income	758	647	625
Other	9	3	9
	9,155	9,394	5,106
Less – Allowance for impairment (Note 19)	(4,413)	(1,576)	(1,125)
	4,742	7,818	3,981
Other non financial assets:			
Inventory	1,367	1,442	1,552
Corporate income tax prepaid	1,344	1,835	3,133
Prepayments for property and equipment	1,009	1,153	1,260
Investment property	907	-	-
Advances for taxes other than income tax	623	1,222	664
Deferred income tax asset (Note 20)	301	1,091	314
Investments in associates	24	53	67
Other	868	568	429
	6,433	7,364	7,419
Less - Allowance for impairment (Note 19)	(763)	(813)	(1,100)
	5,680	6,551	6,319
	10,422	14,369	10,300

16. AMOUNTS DUE TO CUSTOMERS

Amounts due to customers include the following:

	31 December 2013	31 December 2012	31 December 2011
Recorded at amortized cost:			
Term deposits:			
Individuals	644,732	543,591	426,219
Legal entities	557,059	401,705	420,648
	1,201,791	945,296	846,867
Current accounts:			
Legal entities	399,153	603,249	570,595
Individuals	165,704	150,637	140,014
	564,857	753,886	710,609
	1,766,648	1,699,182	1,557,476

As at 31 December 2013, the Group's ten largest groups of related customers accounted for approximately 32% of the total amounts due to customers (31 December 2012 – 42%; 31 December 2011 – 51%), where each group of related customers represents customers related to each other within that group.

Some customers of the Group acquire precious metals and hold them on metal accounts with the Group. The Group itself does not actively trade precious metals. As at 31 December 2013, significant amount of precious metals was placed with the Group, which in turn caused the increase in the Group's position on precious metals as at 31 December 2013 to KZT 16,857 million (31 December 2012 – KZT 1,646 million; 31 December 2012 – KZT 1,710 million). This account was closed within 1 month after the reporting date.

Management believes that in the event of withdrawal of funds, the Group would be given sufficient notice so as to realize its liquid assets to enable repayment.

An analysis of customer accounts by sector is as follows:

	31 December 2013	%	31 December 2012	%	31 December 2011	%
Individuals and entrepreneurs	810,436	46%	694,228	41%	566,233	36%
Oil and gas	306,889	17%	312,023	18%	326,157	21%
Other consumer services	148,380	8%	77,579	5%	53,124	3%
Wholesale trade	83,703	5%	107,014	6%	137,855	9%
Transportation	80,322	5%	58,308	3%	126,104	8%
Construction	69,094	4%	68,627	4%	72,824	5%
Financial sector	52,624	3%	123,951	7%	25,064	2%
Government	36,686	2%	78,316	5%	50,531	3%
Insurance and pension funds activity	31,176	2%	11,187	1%	17,058	1%
Education	17,332	1%	13,862	1%	13,110	1%
Metallurgy	13,949	1%	29,862	2%	27,207	2%
Communication	11,376	1%	28,675	2%	4,184	0%
Energy	9,751	0%	12,577	1%	57,679	4%
Healthcare and social services	7,771	0%	8,858	0%	10,511	1%
Other	87,159	5%	74,115	4%	69,835	4%
	1,766,648	100%	1,699,182	100%	1,557,476	100%

17. AMOUNTS DUE TO CREDIT INSTITUTIONS

Amounts due to credit institutions comprise:

	31 December 2013	31 December 2012	31 December 2011
Recorded at amortized cost:			
Loans and deposits from Kazakhstan banks	81,786	4,784	29,340
Loans and deposits from non-OECD based banks	8,623	944	819
Overnight deposits	8,611	-	-
Loans and deposits from OECD based banks	3,831	5,403	8,717
Correspondent accounts	2,628	2,529	1,752
Loans from other financial institutions	1,916	1,542	1,006
	107,395	15,202	41,634

Interest rates and maturities of amounts due to credit institutions are presented as follows:

	31 December 2013		31 December 2012		31 December 2011	
	Interest rate, %	Maturity, year	Interest rate, %	Maturity, Year	Interest rate, %	Maturity, year
Loans and deposits from Kazakhstan banks	0.5%-5.0%	2014	3.0%	2013	0.1%-0.5%	2012
Loans and deposits from non-OECD based banks	0.6%-4.5%	2014	5.5%	2013	2.5%-3.4%	2012-2013
Overnight deposits	0.5%-3.5%	2014	-	-	-	-
Loans and deposits from OECD based banks	1.0%-6.5%	2016-2023	0.8%-6.5%	2013-2023	1.1%-7.7%	2012-2023
Loans from other financial institutions	2.6%-6.0%	2014-2018	2.8%-5.2%	2014-2016	3.0%-3.9%	2012-2014

Fair value of assets pledged (Notes 9, 10) and carrying value of loans included in loans and deposits from Kazakhstan banks under repurchase agreements as at 31 December 2013, 2012 and 2011, are presented as follows:

	31 December 2013		31 December 2012		31 December 2011	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Treasury bills of the Ministry of Finance of Kazakhstan	73,110	67,804	2,943	2,791	-	-
Equity securities of Kazakhstan banks	-	-	426	300	-	-
NBK notes	-	-	-	-	28,429	27,001
	73,110	67,804	3,369	3,091	28,429	27,001

Details of transferred financial assets that are not derecognised in their entirety as at 31 December 2013, 2012 and 2011 are disclosed below:

	Investments available-for-sale (Note 9)	Investments held-to-maturity (Note 10)	Total
As at 31 December 2013:			
Carrying amount of transferred assets	73,110	-	73,110
Carrying amount of associated liabilities	67,804	-	67,804
As at 31 December 2012:			
Carrying amount of transferred assets	3,369	-	3,369
Carrying amount of associated liabilities	3,091	-	3,091
As at 31 December 2011:			
Carrying amount of transferred assets	9,474	19,869	29,829
Carrying amount of associated liabilities	8,998	18,003	27,001

In accordance with the contractual terms of the loans from certain OECD based banks, the Group is required to maintain certain financial ratios, particularly with regard to capital adequacy. Certain of the Group's outstanding financing agreements include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements.

The Group's management believes that as at 31 December 2013, 2012 and 2011, the Group was in compliance with the covenants of the agreements the Group has with the trustees and holders of the notes.

18. DEBT SECURITIES ISSUED

Debt securities issued comprise:

	31 December 2013	31 December 2012	31 December 2011
Recorded at amortized cost:			
Subordinated debt securities issued:			
Fixed rate KZT denominated bonds	11,755	11,725	11,754
Reverse inflation indexed KZT denominated bonds	8,489	8,455	8,406
Inflation indexed KZT denominated bonds	3,941	3,926	3,951
Total subordinated debt securities outstanding	24,185	24,106	24,111
Unsubordinated debt securities issued:			
USD denominated bonds	165,330	277,813	276,566
KZT denominated bonds	-	-	10,391
Total unsubordinated debt securities outstanding	165,330	277,813	286,957
Total debt securities outstanding	189,515	301,919	311,068

The coupon rates and maturities of these debt securities issued follow:

	31 December 2013		31 December 2012		31 December 2011	
	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year	Coupon rate, %	Maturity, year
Subordinated debt securities issued:						
Fixed rate KZT denominated bonds	7.5%-13.0%	2014-2018	7.5%-13.0%	2014-2018	7.5%-13.0%	2014-2018
Reverse inflation indexed KZT denominated bonds	15% less inflation rate	2015-2016	15% less inflation rate	2015-2016	15% less inflation rate	2015-2016
Inflation indexed KZT denominated bonds	inflation rate plus 1%	2015	inflation rate plus 1%	2015	inflation rate plus 1%	2015
Unsubordinated debt securities issued:						
USD denominated bonds	7.3%	2017-2021	7.3%-9.3%	2013-2021	7.3%-9.3%	2013-2021
KZT denominated bonds	-	-	-	-	12.7%	2012

Subordinated securities are unsecured obligations of the Group and are subordinated in right of payments to all present and future senior indebtedness and certain other obligations of the Group. Interest on debt securities issued is payable on a semi-annual and annual basis.

In accordance with the terms of the USD denominated bonds, the Group is required to maintain certain financial covenants particularly with regard to its capital adequacy, limitations on transactions at less than fair market value and payment of dividends. Furthermore, the terms of the USD denominated bonds include covenants restricting the Group's ability to create security interests over its assets. Should the Group default under these covenants, this could result in cross-accelerations and cross-defaults under the terms of the Group's other financing arrangements. The Group's management believes that as at 31 December 2013, 2012 and 2011, the Group was in compliance with the covenants of the agreements the Group has with trustees and holders of the notes.

19. ALLOWANCES FOR IMPAIRMENT LOSSES AND PROVISIONS

The movements in accumulated impairment of available-for-sale investment securities, the allowances for impairment of interest earning and other assets were as follows:

	Loans to customers	Amounts due from credit institutions	Available-for-sale investment securities	Other assets	Total
31 December 2010	(253,237)	(2)	(1,212)	(1,989)	(256,440)
(Additional provisions recognized)/recoveries	(38,603)	-	114	(666)	(39,155)
Write-offs	1,427	-	-	407	1,834
Foreign exchange differences	(890)	-	-	23	(867)
31 December 2011	(291,303)	(2)	(1,098)	(2,225)	(294,628)
(Additional provisions recognized)/recoveries	(15,023)	(1)	99	(437)	(15,362)
Write-offs	5,500	-	-	271	5,771
Foreign exchange differences	(2,100)	1	-	2	(2,097)
31 December 2012	(302,926)	(2)	(999)	(2,389)	(306,316)
Additional provisions recognized	(22,996)	(3)	(41)	(2,981)	(26,021)
Write-offs	4,819	-	-	159	4,978
Foreign exchange differences	(2,208)	-	-	35	(2,173)
31 December 2013	(323,311)	(5)	(1,040)	(5,176)	(329,532)

Provision represents provisions against letters of credit and guarantees issued. The movements in provisions were as follows:

	2013	2012	2011
At the beginning of the year	(4,385)	(3,388)	(3,861)
Provisions	(5,564)	(8,778)	(9,983)
Recoveries of provisions	5,774	7,816	10,462
Foreign exchange differences	12	(35)	(6)
At the end of the year	(4,163)	(4,385)	(3,388)

20. TAXATION

The Bank and its subsidiaries, other than HSBK (Europe) B.V., JSC NBK Bank, OJSC Halyk Bank Kyrgyzstan and JSC Halyk Bank Georgia are subject to taxation in Kazakhstan. HSBK (Europe) B.V. is subject to income tax in the Netherlands. JSC NBK Bank is subject to income tax in the Russian Federation. OJSC Halyk Bank Kyrgyzstan is subject to income tax in the Republic of Kyrgyzstan. JSC Halyk Bank Georgia is subject to income tax in Georgia.

The income tax expense comprises:

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Current tax charge	19,435	16,231	7,889
Deferred income tax (benefit)/expense relating to origination and reversal of temporary differences	(2,913)	(1,463)	622
Income tax expense	16,522	14,768	8,511

The tax rate for Kazakhstan companies was 20% during the years ended 31 December 2013, 2012 and 2011. Income on state and other qualifying securities is tax exempt. Certain changes were made to the Tax Code of the Republic of Kazakhstan effective starting 1 January 2013. Major of those changes refer to introduction of dynamic provisions and deduction of interest expense. Interest expenses are deductible only to the extent of the amount of the interest repaid while remaining amount of accrued interest expense represents temporary difference.

The tax rates in the Netherlands, the Russian Federation, the Republic of Kyrgyzstan and Georgia are 20%, 20%, 10% and 15%, respectively.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on Kazakhstan statutory rate of 20% with the reported income tax expense is as follows:

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Income before income tax expense	88,931	84,729	48,019
Statutory tax rate	20%	20%	20%
Income tax expense at the statutory rate	17,786	16,946	9,604
Tax-exempt interest income and other related income on state and other qualifying securities	(3,086)	(3,047)	(1,150)
Tax-exempt income on dividends	(75)	(446)	(925)
Income of subsidiaries taxed at different rates	(55)	(43)	(537)
Tax-exempt interest income on financial lease	(287)	(485)	(162)
Non-deductible expenditures:			
- general and administrative expenses	131	186	113
- other provisions	596	75	157
- charity	112	-	26
Other	1,400	1,582	1,385
Income tax expense	16,522	14,768	8,511

Deferred tax assets and liabilities comprise:

	31 December 2013	31 December 2012	31 December 2011
Tax effect of deductible temporary differences:			
Interest accrued, but not paid	2,788	-	-
Bonuses accrued	1,122	1,069	710
Vacation pay accrual	241	151	198
Fair value of derivatives	82	51	494
Insurance premium reserves	-	917	239
Other	94	557	334
Deferred tax asset	4,327	2,745	1,975
Tax effect of taxable temporary differences:			
Dynamic provisions (2012 and 2011: loans to customers, allowance for impairment provisions)	(3,115)	(5,056)	(5,410)
Property and equipment, accrued depreciation	(4,681)	(4,400)	(4,198)
Fair value of derivatives and investments available-for-sale	(475)	(105)	(646)
Other	(275)	-	-
Deferred tax liability	(8,546)	(9,561)	(10,254)
Net deferred tax liability	(4,219)	(6,816)	(8,279)

The Group has offset deferred tax assets and liabilities on the consolidated statement of financial position where a right of offset existed. The amounts presented after offset comprise:

	31 December 2013	31 December 2012	31 December 2011
Deferred tax asset (Note 15)	301	1,091	314
Deferred tax liability	(4,520)	(7,907)	(8,593)
Net deferred tax liability	(4,219)	(6,816)	(8,279)

Kazakhstan and other countries where the Group operates currently have a number of laws related to various taxes imposed by both state and regional governmental authorities. Applicable taxes include value added tax, income tax, social taxes, and others. Implementing regulations are often unclear or nonexistent and few precedents have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organizations; thus creating uncertainties and areas of conflict. Tax declarations, together with other legal compliance areas (as examples, customs and currency control matters) are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges. These facts create tax risks in Kazakhstan substantially more significant than typically found in countries with more developed tax systems.

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

Movements in net deferred tax liability:

	2013	2012	2011
Net deferred tax liability at the beginning of the year	6,816	8,279	7,892
Deferred tax (benefit)/expense	(2,913)	(1,463)	622
Deferred tax expense through other comprehensive income on revaluation due to reclassification of investments held to maturity into available-for-sale	443	-	-
Credited to other comprehensive income at the date of property and equipment revaluation	(127)	-	(235)
Net deferred tax liability at the end of the year	4,219	6,816	8,279

Taxation

Commercial legislation of the countries where the Group operates, including tax legislation, may allow more than one interpretation. In addition, there is a risk of tax authorities making arbitrary judgments of business activities. If a particular treatment, based on Management's judgment of the Group's business activities, was to be challenged by the tax authorities, the Group may be assessed additional taxes, penalties and interest.

Such uncertainty may relate to the valuation of financial instruments and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers and receivables, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all tax amounts due and therefore no allowance has been made in the consolidated financial statements.

In Kazakhstan tax years remain open to review by the tax authorities for five years. However, tax authorities may perform additional reviews, if considered necessary. In accordance with judicial rulings, the period of review can be altered, if the court acknowledges the fact of interdiction to conducting the tax review by the tax authorities.

21. OTHER LIABILITIES

Other liabilities comprise:

	31 December 2013	31 December 2012	31 December 2011
Other financial liabilities:			
Salary payable	6,274	6,033	5,106
Creditors on non-banking activities	696	644	351
Payable for general and administrative expenses	608	243	242
Creditors on bank activities	602	1,720	312
Other	68	44	111
Amounts due to customers of pension funds	-	-	5,163
	8,248	8,684	11,285
Other non financial liabilities:			
Current income tax payable	2,257	3,329	232
Taxes payable other than income tax	1,361	1,351	3,171
Other prepayments received	344	760	1,181
	3,962	5,440	4,584
	12,210	14,124	15,869

JSC Accumulated Pension fund of Halyk Bank (the "Pension Fund Management Company") receives two types of fees (Note 25) – 15% for management of pension assets based on the investment income earned or loss incurred on the pension assets during the month and 0.05% earned monthly based on total net assets under administration.

During the third quarter of 2011 due to a significant fall in the market quotations of securities the pension assets portfolio incurred significant unrealized losses, which resulted in recognition of losses incurred from management of pension assets. Those liabilities were offset against income earned during 2012.

22. EQUITY

Authorized, issued and fully paid number of shares as at 31 December 2013, 2012 and 2011, were as follows:

31 December 2013

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common	24,000,000,000	(12,871,481,549)	11,128,518,451	(219,817,932)	10,908,700,519
Non-convertible preferred	600,000,000	(290,140,570)	309,859,430	(194,325,596)	115,533,834
Convertible preferred	80,225,222	-	80,225,222	(227,972)	79,997,250

31 December 2012

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common	24,000,000,000	(12,871,481,549)	11,128,518,451	(220,556,796)	10,907,961,655
Non-convertible preferred	600,000,000	(290,140,570)	309,859,430	(214,146,931)	95,712,499
Convertible preferred	80,225,222	-	80,225,222	(500,568)	79,724,654

31 December 2011

	Share capital authorized	Share capital authorized and not issued	Fully paid and issued share capital	Share capital repurchased	Outstanding shares
Common	2,400,000,000	(1,091,584,040)	1,308,415,960	(219,077,162)	1,089,338,798
Non-convertible preferred	600,000,000	(290,140,570)	309,859,430	(24,055,613)	285,803,817
Convertible preferred	80,225,222	-	80,225,222	(378,598)	79,846,624

All shares are KZT denominated. Movements of shares outstanding are as follows:

	Number of shares			Nominal (placement) amount		
	Common	Non-convertible preferred	Convertible preferred	Common	Non-convertible preferred	Convertible preferred
31 December 2010	1,301,511,007	285,887,396	79,930,201	83,478	46,891	13,233
Purchase of treasury shares from Samruk-Kazyna (including the cost of the call option – see Note 1)	(213,000,000)	-	-	(39,875)	-	-
Purchase of treasury shares	(2,606,739)	(84,111)	(83,577)	(26)	-	-
Sale of treasury shares	3,434,530	532	-	34	-	-
31 December 2011	1,089,338,798	285,803,817	79,846,624	43,611	46,891	13,233
Increase in shares (split)	9,820,102,490	-	-			
Purchase of treasury shares from Samruk Kazyna (including the cost of the call option – see Note 1)	-	(190,000,000)	-	-	(41,054)	-
Other purchases of treasury shares	(4,482,640)	(91,364)	(146,970)	(45)	-	-
Sale of treasury shares	3,003,007	46	25,000	31	-	-
31 December 2012	10,907,961,655	95,712,499	79,724,654	43,597	5,837	13,233
Purchase of treasury shares	(9,901,883)	(688,005)	(101,169)	(11)	-	-
Sale of treasury shares	10,640,747	20,509,340	373,765	11	3,494	-
31 December 2013	10,908,700,519	115,533,834	79,997,250	43,597	9,331	13,233

Common shares

In accordance with the Decision made on extraordinary shareholders meeting held 6 December 2012, the Bank increased total amount of shares by performing a split of the common shares in proportion of one common share to ten common shares. The split was performed on 14 December 2012.

At 31 December 2013, the Group held 219,817,932 of the Group's common shares as treasury shares at KZT 39,974 million (31 December 2012 –220,556,796 at KZT 39,974 million; 31 December 2011 – 219,077,162 at KZT 39,960 million).

Each common share is entitled to one vote and dividends.

Preferred shares

In accordance with IAS 32 "Financial Instruments: Presentation", both the non-convertible and convertible preferred shares (together, the "Preferred Shares") are classified as compound instruments. On a return of capital on liquidation, the assets of the Group available for distribution are applied in priority to any payment to the holders of common shares in paying to the holders of the Preferred Shares an amount equal to the nominal capital paid up or credited as paid up.

The terms of the Preferred Shares require that the Group pay a nominal dividend amount of 0.01 KZT per share in order to comply with Kazakhstan legislation, which represents the liability component. This legislation requires joint stock companies to pay a certain guaranteed amount of dividends on Preferred Shares. According to Kazakhstan legislation on Joint Stock Companies, dividend payments on the Preferred Shares cannot be less than the dividends paid on common shares. Furthermore, the dividends on common shares will not be paid until dividends on Preferred Shares are fully paid.

The payment of additional dividends on the Preferred Shares is determined based on a formula specified in the share prospectus and is based on the Group's profitability. Where the Group has net income no greater than KZT 160 times the quantity of issued Preferred Shares, multiplied by a factor of inflation as published by the NBK plus one per cent, the dividend per Preferred Share is determined as net income divided by the quantity of issued Preferred Shares. Where net income is greater than this, the dividend per Preferred Share is calculated as KZT 160 multiplied by a factor of inflation as published by the NBK plus one per cent. Inflation in either calculation will range between three and nine per cent. Dividends on the Preferred Shares are only paid if declared and approved by the Board of Directors at the Annual General Meeting of the Shareholders. The Preferred Shares do not have any voting rights, unless the payment of preferred dividends has been delayed for three months or more from the date they became due.

Dividends paid for the previous financial years were as follows:

	Paid in 2013 for the year ended 31 December 2012	**Paid in 2012 for the year ended 31 December 2011**	**Paid in 2011 for the year ended 31 December 2010**
Dividend paid per one preferred share, (convertible and non-convertible), tenge	11.20	13.44	14.08
Dividend paid per one common share	1.12	-	-

Share premium reserve

Share premium reserve represents an excess of contributions received over the nominal value of shares issued.

Convertible preferred shares

Each convertible preferred share is convertible to one common share at the discretion of the Board of Directors. In addition, the Group will pay a compensation amount to each convertible preferred shareholder on conversion based on a formula specified in the share prospectus. This payment is calculated such that, at the date of conversion, if the value of the common shares received by the preferred shareholder is less than KZT 160 per share, the Group will reimburse the preferred shareholders for the difference in cash at the time of conversion.

Retained earnings

Up until September 2013 the Group has calculated impairment provisions in accordance with the requirements of the regulator. The difference between an impairment provision accrued in accordance with IFRS and an impairment provision presented in accordance with requirements of the regulator was recorded as a special reserve, which as at 31 December 2012 amounted to KZT 34,594 million and was included into the retained earnings. This reserve is not distributable.

Due to amendments to Legal act of the National Bank of the Republic of Kazakhstan in 2013, the Bank ceased accruing impairment provisions in accordance with the requirements of the Regulator and formed dynamic reserves. Dynamic reserves represent reserves to absorb non-current expected losses on the Bank's loan portfolio during credit shocks should they arise. Dynamic reserves are calculated by multiplying the balance and changes in the balance of the Bank's loans to customers by certain indicators approved by the NBK. As at 31 December 2013, dynamic provisions amounted to KZT 19,568 million and were included into the Retained earnings on the consolidated statement of financial position.

23. COMMITMENTS AND CONTINGENCIES

Financial commitments and contingencies

The Group's financial commitments and contingencies comprised the following:

	31 December 2013	**31 December 2012**	**31 December 2011**
Guarantees issued	156,699	117,730	86,707
Commercial letters of credit	12,093	20,970	13,479
Commitments to extend credit	13,810	16,146	10,716
Financial commitments and contingencies	182,602	154,846	110,902
Less: cash collateral against letters of credit	(6,249)	(12,177)	(4,266)
Less: provisions (Note 19)	(4,163)	(4,385)	(3,388)
Financial commitments and contingencies, net	172,190	138,284	103,248

Guarantees issued represent bank guarantees issued by the Bank by order of its clients, and which are in effect as at the reporting date. As at 31 December 2013, the ten largest guarantees accounted for 83% of the Group's total financial guarantees (31 December 2012 – 78%; 31 December 2011 – 75%) and represented 33% of the Group's total equity (31 December 2012 – 27%; 31 December 2011 – 21%).

Commercial letters of credit represent letters of credit issued by the Bank by order of its clients, and under which as at the reporting date, the payment has not yet been made. As at 31 December 2013, the ten largest unsecured letters of credit accounted for 49% of the Group's total commercial letters of credit (31 December 2012 – 41%; 31 December 2011 – 68%) and represented 1.5% of the Group's total equity (31 December 2012 – 3%; 31 December 2011 – 3%).

The Group requires collateral to support credit-related financial instruments when it is deemed necessary. The Group typically requires collateral support unless it is determined to be not necessary through review of the credit risk of the borrower or analysis of other deposit accounts held by the Group. Collateral held varies, but may include deposits held in the banks, government securities and other assets.

Capital commitments

The Group had no material commitments for capital expenditures outstanding as at 31 December 2013, 2012 and 2011.

Operating lease commitments

There was no material operating lease commitments under non-cancellable operating leases outstanding as at 31 December 2013, 2012 and 2011.

24. NET INTEREST INCOME

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Interest income comprises:			
Interest income on financial assets recorded at amortized cost:			
- interest income on impaired assets*	89,901	89,986	109,567
- interest income on unimpaired assets	76,591	56,418	42,306
Interest income on available-for-sale investment securities	16,035	14,562	14,274
Interest income on financial assets recorded at fair value through profit or loss	36	28	19
Total interest income	182,563	160,994	166,166
Interest income on loans to customers	160,559	141,036	145,434
Interest income on amounts due from credit institutions and cash and cash equivalents	3,531	2,153	2,644
Interest income on investments held to maturity	2,402	3,215	3,795
Total interest income on financial assets recorded at amortized cost	166,492	146,404	151,873
Interest income on financial assets at fair value through profit or loss:			
Interest income on financial assets held for trading	36	28	19
Total interest income on financial assets at fair value through profit or loss	36	28	19
Interest income on available-for-sale investment securities	16,035	14,562	14,274
Total interest income	182,563	160,994	166,166
Interest expense comprises:			
Interest expense on financial liabilities recorded at amortized cost	(75,932)	(69,934)	(78,894)
Total interest expense	(75,932)	(69,934)	(78,894)
Interest expense on financial liabilities recorded at amortized cost comprise:			
Interest expense on amounts due to customers	(53,954)	(44,945)	(51,962)
Interest expense on debt securities issued	(21,038)	(24,370)	(26,044)
Interest expense on amounts due to credit institutions	(940)	(619)	(888)
Total interest expense on financial liabilities recorded at amortized cost	(75,932)	(69,934)	(78,894)
Net interest income before impairment charge	106,631	91,060	87,272

*Interest income on impaired assets includes interest income on impaired individually-assessed loans and interest income on collectively-assessed financial assets.

25. FEES AND COMMISSIONS

Fee and commission income was derived from the following sources:

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Bank transfers - settlements	10,260	9,387	8,145
Pension fund and asset management	9,537	15,915	10,756
Cash operations	7,338	5,112	3,785
Payment cards maintenance	6,823	5,434	4,399
Bank transfers – salary projects	5,922	5,456	4,710
Servicing customers' pension payments	4,234	3,705	3,266
Letters of credit and guarantees issued	3,510	2,380	2,752
Maintenance of customer accounts	984	1,175	797
Other	2,798	2,518	2,212
	51,406	51,082	40,822

Fee and commission income from Pension fund and asset management was derived from the following:

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Income from administration of pension assets	6,120	5,334	4,284
Investment income from management of pension assets	3,417	10,581	6,472
	9,537	15,915	10,756

Fee and commission expense comprised the following:

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Deposit insurance	(3,435)	(2,801)	(2,767)
Payment cards	(1,361)	(1,090)	(841)
Commission paid to collectors	(614)	(685)	(605)
Foreign currency operations	(368)	(243)	(217)
Bank transfers	(260)	(230)	(245)
Other	(1,101)	(942)	(893)
	(7,139)	(5,991)	(5,568)

26. NET GAIN FROM FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Net gain on financial assets and liabilities at fair value through profit or loss comprises:

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Net gain on operations with financial assets and liabilities classified as held for trading:			
Net gain on derivative operations	161	1,452	37
Unrealized net gain/(loss) on trading operations	113	(481)	(222)
Realized (loss)/gain on trading operations	(13)	(802)	613
Total net gain on operations with financial assets and liabilities classified as held for trading	261	169	428

27. NET GAIN ON FOREIGN EXCHANGE OPERATIONS

Net gain on foreign exchange operations comprises:

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Dealing, net	6,667	7,021	4,652
Translation differences, net	2,594	2,032	4,533
Total net gain on foreign exchange operations	9,261	9,053	9,185

28. INSURANCE UNDERWRITING INCOME

Insurance underwriting income/expense comprised:

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Insurance premiums written, gross	34,331	27,952	30,401
Change in unearned insurance premiums, net	(734)	323	(558)
Ceded reinsurance share	(14,186)	(10,511)	(14,872)
	19,411	17,764	14,971
Insurance payments	8,457	10,419	7,513
Insurance reserves	5,033	1,940	2,659
Commissions to agents	443	374	222
	13,933	12,733	10,394
Total insurance income	5,478	5,031	4,577

29. OPERATING EXPENSES

Operating expenses comprised:

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Salaries and other employee benefits	30,899	29,228	24,297
Depreciation and amortization expenses	5,747	7,036	6,920
Taxes other than income tax	2,443	1,960	2,166
Professional services	1,835	240	242
Repair and maintenance	1,559	1,601	1,342
Security	1,436	1,430	1,404
Rent	1,248	1,244	1,146
Communication	1,238	1,268	1,201
Advertisement	1,138	1,028	812
Information services	941	742	719
Insurance agents fees	717	862	665
Business trip expenses	639	627	574
Stationery and office supplies	599	633	716
Charity	564	423	144
Transportation	525	531	433
Social events	324	103	96
Write-off and impairment of property and equipment and intangible assets	175	457	1
Hospitality expenses	53	69	65
Other	2,740	2,329	3,388
	54,820	51,811	46,331

30. EARNINGS PER SHARE

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

According to Kazakhstan legislation on Joint Stock Companies, and as described in Note 22, dividend payments per common share cannot exceed the dividends per share on preferred shares for the same period. Therefore, net profit for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings.

The following table presents basic and diluted earnings per share:

	Year ended 31 December 2013	Year ended 31 December 2012	Year ended 31 December 2011
Basic earnings per share			
Net income for the year attributable to equity holders of the parent	72,137	69,517	39,391
Less: Dividends paid on preferred shares	(2,197)	(4,914)	(5,151)
Earnings attributable to common shareholders	69,940	64,603	34,240
Weighted average number of common shares for the purposes of basic earnings per share	10,906,545,755	10,897,316,521	10,960,582,702
Basic earnings per share (in Kazakhstani Tenge)**	6.41	5.93	3.12
Diluted earnings per share			
Earnings used in the calculation of basic earnings per share	69,940	64,603	34,240
Add: Dividends paid on convertible preferred shares	899	1,073	1,130
Add: Additional dividends that would be paid on full distribution of profit to the convertible preferred shareholders*	N/A	N/A	N/A
Less: Amounts payable to convertible preferred shareholders upon conversion	(10,455)	(10,950)	(10,976)
Earnings used in the calculation of total diluted earnings per share	60,384	54,726	24,394
Weighted average number of common shares for the purposes of basic earnings per share	10,906,545,755	10,897,316,521	10,960,582,702
Shares deemed to be issued:			
Weighted average number of common shares that would be issued for the convertible preferred shares	79,886,934	79,775,610	79,913,151
Weighted average number of common shares for the purposes of diluted earnings per share	10,986,432,689	10,977,092,131	11,040,495,853
Diluted earnings per share (in Kazakhstani Tenge)**	5.50	4.99	2.21

* The calculation of basic and diluted earnings per share includes only earnings attributable to holders of common shares because dividends already paid on preference shares are greater than that would be paid on full distribution of current period earnings.

**Basic and diluted earnings per share for the year ended 31 December 2011 were presented based on the new number of shares resulting from the share split on 14 December 2012 (see Note 22).

As required by KASE rules for listed companies the book value of one share per each class of shares as at 31 December 2013, 2012 and 2011, is disclosed as follows:

		31 December 2013	
Class of shares	**Outstanding shares**	**Equity**	**Book value of one share, in KZT**
Common	10,908,700,519	362,761	33.25
Non-convertible preferred	115,533,834	10,510	90.97
Convertible preferred	79,997,250	13,291	166.14
		386,562	

Class of shares	Outstanding shares	31 December 2012 Equity	Book value of one share, in KZT
Common	10,907,961,655	313,738	28.76
Non-convertible preferred	95,712,499	7,074	73.91
Convertible preferred	79,724,654	13,233	165.98
		334,045	

Class of shares	Outstanding shares	31 December 2011 Equity	Book value of one share, in KZT
Common	1,089,338,798	243,052	223.12
Non-convertible preferred	285,803,817	48,128	168.40
Convertible preferred	79,846,624	13,233	165.73
		304,413	

The amount of equity attributable to non-convertible preferred shares is calculated as the sum of non-convertible shares carrying amount and the share premium reserve attributable to non-convertible preferred shares. The amount of equity attributable to convertible preferred shares is calculated as carrying amount of convertible shares. The amount of equity attributable to common shares is calculated as the difference between the total equity, total net book value of intangible assets, and the amounts attributable to preferred shares.

The management of the Group believes that it fully complies with the requirement of KASE as at the reporting dates.

31. FINANCIAL RISK MANAGEMENT

Risk management is fundamental to the Group's banking business and is an essential element of the Group's operations. The main risks inherent to the Group's operations are those related to:

- Credit risk
- Liquidity risk
- Market risk

The Group recognizes that it is essential to have efficient and effective risk management processes in place. To enable this, the Group has established a risk management framework, whose main purpose is to protect the Group from risk and allow it to achieve its performance objectives. Through the risk management framework, the Group manages the following risks:

Credit risk

Credit risk is the risk of loss arising for the Group when counterparty is unable to meet its contractual obligations on time or in full.

The Risk Management division plays an important role in managing and controlling the credit risk. This division is responsible for credit risk identification and evaluation and implementation of control and monitoring measures. The Risk Management division directly participates in credit decision-making processes and consideration of internal rules, regulations and loan programs. In addition, the division provides independent recommendations concerning credit exposure minimization measures, controls limits and monitors credit risks, provides relevant reporting to management and ensures compliance of the credit process with external laws/regulations as well as internal requirements and procedures.

The Group structures the level of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower/counterparty, or groups of borrowers, and to industry (and geographical) segments. Limits on the level of credit risk concentration by industry sector are approved and controlled by the Assets and Liabilities Management Committee (ALMC). Limits on credit risk exposure with respect to credit programmes (Small and medium enterprises (SME) and retail) are approved by the Management Board. The exposure to any one borrower, including banks and brokers, covers on and off-balance sheet exposures which are reviewed by the Credit Committees and ALMC. Actual exposures against limits are monitored daily.

The risk that the counterparty will not meet its obligations is restricted by the limits covering on and off-balance sheet exposure.

Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk for off-balance sheet financial instruments is defined as a probability of losses due to the inability of counterparty to comply with the contractual terms and conditions. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of the loss is less than the total unused commitments since most commitments to extend credit are contingent upon counterparties maintaining specific credit standards. The Group applies the same credit policy to the contingent liabilities as it does to the financial instruments recorded in the consolidated statement of financial position, i.e. the one based on the procedures for approving the grant of loans, using limits to mitigate the risk, and current monitoring. The Group monitors the term to maturity of off-balance sheet contingencies because longer term commitments generally have a greater degree of credit risk than short-term commitments.

Structure and authorities of credit committees

Credit committees, ALMC, the Management Board and the Board of Directors are credit authorities responsible for implementation of the Bank's Credit Policy and credit decision-making process.

Head Office Credit Committee (CC)

CC is the committee, the primary goal of which is implementation of the Bank's Credit Policy in terms of credit operations and credit applications from corporate customers.

Branch Credit Committee and Branch Network Credit Committee (BCC, BNCC)

BCC and BNCC are committees, the primary goal of which is implementation of the Bank's Credit Policy in terms of granting financial instruments via branches to the small and medium enterprises customers.

Delegated credit authority limits for BCC and BNCC are established by the Management Board. BCC makes credit decisions within its limits. If the loan application exceeds the relevant credit limit or the authorities of the BCC, the final decision has to be taken by the BNCC. The procedure of the decision-making by the BNCC involves consideration of a package of documents, including complex analysis and assessments of the potential borrowers conducted by the Bank's experts.

Retail Branch Credit Committee of the Head Office and Decision Making Center (RCCHO and DMC)

RCCHO and DMC are credit decision authorities, the primary goal of which is implementation of the Bank's Credit Policy in terms of granting retail financial instruments via branches.

DMC comprises of credit underwriters with delegated credit authorities based on four eyes principle. DMC makes credit decisions within their authorities and limits established by the Management Board and RCCHO. RCCHO is authorized to consider loan applications that exceed relevant credit limits or the authorities of the DMC, as well as other matters within the authorities established by the Management Board.

Along with the process of decision-making via the credit decision authorities mentioned above, there is an automated approach of decision-making process for potential borrowers whose income can be confirmed by the Independent Government body. This approach takes into account risk-profile of the potential borrower and allows minimizing the credit risk exposure in the decision-making process.

Problem loans committee of the Head Office, branches

Are committees, the primary goal of which is implementation of the Bank's Credit Policy in terms of management, servicing and maintaining the repayment of the problem loans.

Authorized credit authorities of the Bank subsidiaries

Consideration and approval of the loan applications in the subsidiaries are performed by the Authorized credit authorities in accordance with the internal rules and regulations of the subsidiary. Loan applications exceeding the established limits and authorities have to be approved by the Board of Directors of the subsidiaries with the preliminary consideration by the relevant Credit committee according to the Bank's internal rules and regulations.

ALMC

ALMC is the committee, the primary goal of which is profit maximization and to limit the risks of banking activities related to raising and allocation of funds. The main tasks of the ALMC are: liquidity management, interest rate risk management, price risk and other banking risks management.

ALMC is also responsible for establishing country and counterparty-banks limits. ALMC reports to the Board of Directors.

The Management Board

For loan applications exceeding the authorities of the Head Office Credit Committee, Branch Network Credit Committee, Retail Credit Committee of the Head Office, or exceeding the relevant limits of Branch Network Credit Committee, Retail Credit Committee of the Head Office have to be considered by the Management Board.

The Board of Directors

If the loan applications exceed 5% of the Bank's equity capital or the potential borrower is a related party, such applications have to be considered by the Board of Directors.

Maximum Exposure

The Group's maximum exposure to credit risk varies significantly and is dependent on both individual risks and general market risks.

The following table presents the maximum exposure to credit risk of financial assets and contingent liabilities. For financial assets the maximum exposure equals to a carrying value of those assets prior to any offset or collateral. For financial guarantees and other contingent liabilities the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on (Note 23). The collateral pledged is represented by the carrying amount of a financial instrument for which the collateral was received as security.

	31 December 2013			
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**
Cash equivalents*	405,561	-	405,561	32,326
Obligatory reserves	44,276	-	44,276	-
Financial assets at fair value through profit or loss (less equity securities)	1,235	-	1,235	-
Amounts due from credit institutions	25,808	-	25,808	-
Available-for-sale investment securities (less equity securities)	345,638	-	345,638	-
Loans to customers	1,482,245	-	1,482,245	1,436,711
Other financial assets	4,742	-	4,742	-
	2,309,505	-	2,309,505	1,469,037
Commitments and contingencies	178,439	-	178,439	6,249

	31 December 2012			
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral Pledged**
Cash equivalents*	469,243	-	469,243	3,510
Obligatory reserves	49,037	-	49,037	-
Financial assets at fair value through profit or loss (less equity securities)	1,186	-	1,186	-
Amounts due from credit institutions	32,799	-	32,799	-
Available-for-sale investment securities (less equity securities)	331,509	-	331,509	-
Investments held to maturity	25,766	-	25,766	-
Loans to customers	1,319,208	-	1,319,208	1,295,762
Other financial assets	7,818	-	7,818	-
	2,236,566	-	2,236,566	1,299,272
Commitments and contingencies	150,461	-	150,461	12,177

	31 December 2011			
	Maximum exposure	**Offset**	**Net exposure after offset**	**Collateral pledged**
Cash equivalents*	458,536	-	458,536	5,528
Obligatory reserves	52,916	-	52,916	-
Financial assets at fair value through profit or loss (less equity securities)	3,752	-	3,752	2,932
Amounts due from credit institutions	21,096	-	21,096	-
Available-for-sale investment securities (less equity securities)	304,201	-	304,201	-
Investments held to maturity	78,854	-	78,854	-
Loans to customers	1,184,240	-	1,184,240	1,167,504
Other financial assets	3,981	-	3,981	-
	2,107,576	-	2,107,576	1,175,964
Commitments and contingencies	107,514	-	107,514	4,266

* Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents.

Financial assets are graded according to the current credit rating they have been issued by an international rating agency or in accordance with the Group's internal rating system. 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 classed as speculative grade.

The following table details the credit ratings of financial assets held by the Group, before any impairment losses:

	AA	**AA-**	**A**	**BBB**	**<BBB**	**Not rated**	**31 December 2013 Total**
Cash equivalents*	10,104	27,246	248,914	117,087	1,856	354	405,561
Obligatory reserves	-	-	-	43,755	-	521	44,276
Financial assets at fair value through profit or loss	-	-	161	714	298	161	1,334
Amounts due from credit institutions	-	-	2,010	15,891	7,678	234	25,813
Available-for-sale investment securities	7,918		29,548	283,998	25,786	4,342	351,592
Other financial assets	-	-	-	-	-	9,155	9,155
Commitments and contingencies	-	-	-	-	-	182,602	182,602

	AA	**AA-**	**A**	**BBB**	**<BBB**	**Not Rated**	**31 December 2012 Total**
Cash equivalents*	21,272	180,231	78,188	185,375	1,655	2,522	469,243
Obligatory reserves	-	-	-	49,037	-	-	49,037
Financial assets at fair value through profit or loss	-	-	297	492	222	260	1,271
Amounts due from credit institutions	-	-	309	15,809	16,376	307	32,801
Available-for-sale investment securities	-	20	42,427	249,218	37,041	6,655	335,361
Investments held to maturity	-	5	-	16,346	8,968	447	25,766
Other financial assets	-	-	-	-	-	9,394	9,394
Commitments and contingencies	-	-	-	-	-	154,846	154,846

	AA	**AA-**	**A**	**BBB**	**<BBB**	**Not Rated**	**31 December 2011 Total**
Cash equivalents*	109,353	105	246,950	94,255	1,660	6,213	458,536
Obligatory reserves	-	-	-	52,916	-	-	52,916
Financial assets at fair value through profit or loss	21	-	236	3,065	269	161	3,752
Amounts due from credit institutions	-	-	7,145	950	12,852	151	21,098
Available-for-sale investment securities	1,909	-	35,997	218,125	44,038	6,919	306,988
Investments held to maturity	-		-	75,017	667	3,170	78,854
Other financial assets	-	-	-	-	-	5,106	5,106
Commitments and contingencies	-	-	-	-	-	110,902	110,902

* Amount represents the short-term loans and deposits with original maturities of not more than 90 days, which are included within cash and cash equivalents.

The banking industry is generally exposed to credit risk through its financial assets and contingent liabilities. Credit risk exposure of the Group is concentrated within the Republic of Kazakhstan. The exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

Loans to customers are classified based on internal assessments and other analytical procedures. The respective business units classify loans according to their risk and the exposure that they potentially present to the Group, and this classification is verified by the Risk Management function.

The Group is using an internal rating model to classify loans in different risk categories.

After the occurrence of an impairment event, the model assists in estimating the allowance for loan loss based on a borrowers' financial performance, credit history, quality of accounts receivable, liquidity of the borrower, market risks relating to the borrower, industry of the borrower and other factors. Periodically the required information is inputted into the model by credit analysts. Information input into the system and the estimate of the allowance for loan loss is verified by the Risk management department.

The following classifications are used by the rating model:

- Rating score 1 - superior loan rating, minimal credit risk;
- Rating score 2 - very high quality of loan, very low credit risk;
- Rating score 3 - high quality of loan, low credit risk;
- Rating score 4 - satisfactory quality of loan, insignificant risk;
- Rating score 5 - credit risk can increase at economic variation;
- Rating score 6 - high risk at economic variation;
- Rating score 7 - high risk of default, paying capacity of the borrower depends on favourable economic circumstances;
- Rating score 8 - very high risk of default;
- Rating score 9 - procedure of bankruptcy is initiated but repayments are still made by the borrower;
- Rating score 10 – default.

Pools of homogeneous loans – loans to customers are included in groups of loans with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults, internal ratings and other factors). Pools of homogeneous loans include assets that had been assessed collectively.

Rating score	**31 December 2013**	**31 December 2012**	**31 December 2011**
1	-	-	-
2	-	-	-
3	2,091	33,943	26,950
4	93,919	82,088	71,191
5	408,967	233,258	152,319
6	182,164	334,553	298,812
7	272,550	184,845	223,738
8	116,449	95,017	107,407
9	7,215	30,081	50,077
10	244,146	218,944	182,138
Loans to customers that individually assessed for impairment	1,327,501	1,212,729	1,112,632
Loans to customers that collectively assessed for impairment	478,055	409,405	362,911
	1,805,556	1,622,134	1,475,543
Less – Allowance for loan impairment (Note 19)	(323,311)	(302,926)	(291,303)
Loans to customers	1,482,245	1,319,208	1,184,240

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

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2013 Total
	Unimpaired financial assets that have been individually assessed for impairment		Impaired financial assets that have been individually assessed for impairment				
	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	
Amounts due from credit institutions	25,813	(5)	-	-	-	-	25,808
Available-for-sale investment securities	350,522	-	1,040	(1,040)	-	-	350,552
Loans to customers	776,471	(39,454)	551,030	(226,935)	478,055	(56,922)	1,482,245
Other financial assets	3,490	-	5,665	(4,413)	-	-	4,742

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2012 Total
	Unimpaired financial assets that have been individually assessed for impairment		Impaired financial assets that have been individually assessed for impairment				
	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	
Amounts due from credit institutions	32,801	(2)	-	-	-	-	32,799
Available-for-sale investment securities	334,362	-	999	(999)	-	-	334,362
Investments held to maturity	25,766	-	-	-	-	-	25,766
Loans to customers	654,809	(29,509)	557,920	(217,437)	409,405	(55,980)	1,319,208
Other financial assets	6,580	-	2,814	(1,576)	-	-	7,818

	Financial assets that have been individually assessed for impairment				Financial assets that have been collectively assessed for impairment		31 December 2011 Total
	Unimpaired financial assets that have been individually assessed for impairment		Impaired financial assets that have been individually assessed for impairment				
	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	Carrying amount of assets	Amount of allowance for impairment losses	
Amounts due from credit institutions	21,084	-	-	-	14	(2)	21,096
Available-for-sale investment securities	305,890	-	1,098	(1,098)	-	-	305,890
Investments held to maturity	78,854	-	-	-	-	-	78,854
Loans to customers	510,241	(27,905)	602,391	(214,503)	362,911	(48,895)	1,184,240
Other financial assets	3,774	-	1,332	(1,125)	-	-	3,981

Liquidity risk

Liquidity risk is the risk resulting from the inability of the Group to provide funds for repayment of its obligations in a due time. The Group's liquidity risk arises when terms of assets on active operations and maturity dates of obligations do not match.

Short-term liquidity needs are managed by the Group's Treasury function collecting daily customers' cash inflow/outflow forecasts. Long-term liquidity management is performed by ALMC by analyzing longer term liquidity positions and making decisions on managing significant gaps through various available means.

In order to manage liquidity risk, the Group analyzes the financial assets and liabilities, and obligatory reserves taking into account payment schedules for loans issued to customers. The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the earliest of the contractual maturity date or available maturity date, except for financial assets at fair value through profit or loss which are included in the column "Less than 1 month" as they are available to meet the Group's short-term liquidity needs.

	31 December 2013					
	Less than 1 month	**1 to 3 months**	**3 months to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
FINANCIAL ASSETS:						
Cash and cash equivalents	462,744	23,569	-	-	-	486,313
Obligatory reserves	25,666	3,095	11,145	2,360	2,010	44,276
Financial assets at fair value through profit or loss	1,334	-	-	-	-	1,334
Amounts due from credit institutions	2,784	1,539	5,183	16,297	5	25,808
Available-for-sale investment securities	11,292	20,090	31,346	221,720	66,104	350,552
Loans to customers	176,593	174,538	869,799	217,895	43,420	1,482,245
Other financial assets	4,262	217	64	140	59	4,742
	684,675	223,048	917,537	458,412	111,598	2,395,270
FINANCIAL LIABILITIES:						
Amounts due to customers	954,509	126,847	531,262	121,948	32,082	1,766,648
Amounts due to credit institutions	99,191	2,945	627	1,141	3,491	107,395
Financial liabilities at fair value through profit or loss	69	-	-	-	-	69
Debt securities issued	2,377	-	5,329	109,368	72,441	189,515
Other financial liabilities	6,571	307	1,232	138	-	8,248
	1,062,717	130,099	538,450	232,595	108,014	2,071,875
Net position	(378,042)	92,949	379,087	225,817	3,584	
Accumulated gap	(378,042)	(285,093)	93,994	319,811	323,395	

	31 December 2012					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	290,793	242,706	-	-	-	533,499
Obligatory reserves	28,587	3,298	12,270	2,633	2,249	49,037
Financial assets at fair value through profit or loss	1,271	-	-	-	-	1,271
Amounts due from credit institutions	48	6,557	8,094	17,799	301	32,799
Available-for-sale investment securities	3,125	17,403	57,373	189,484	66,977	334,362
Investments held to maturity	260	157	2,203	18,231	4,915	25,766
Loans to customers	185,647	159,602	627,777	287,899	58,283	1,319,208
Other financial assets	7,011	228	51	177	351	7,818
	516,742	429,951	707,768	516,223	133,076	2,303,760
FINANCIAL LIABILITIES:						
Amounts due to customers	1,032,288	131,690	421,072	85,479	28,653	1,699,182
Amounts due to credit institutions	8,903	26	1,208	1,307	3,758	15,202
Financial liabilities at fair value through profit or loss	366	41	32	-	-	439
Debt securities issued	109	-	116,592	107,847	77,371	301,919
Other financial liabilities	7,269	158	1,092	165	-	8,684
	1,048,935	131,795	539,996	194,798	109,782	2,025,426
Net position	(532,193)	298,036	167,772	321,425	23,294	
Accumulated gap	(532,193)	(234,157)	(66,385)	255,040	278,334	

	31 December 2011					
	Less than 1 month	1 to 3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
FINANCIAL ASSETS:						
Cash and cash equivalents	304,338	215,270	-	-	-	519,608
Obligatory reserves	29,743	7,119	12,340	2,698	1,016	52,916
Financial assets at fair value through profit or loss	3,752	-	-	-	-	3,752
Amounts due from credit institutions	33	673	13,995	6,395	-	21,096
Available-for-sale investment securities	7,650	14,270	78,579	140,687	64,704	305,890
Investments held to maturity	79	39,935	23,418	13,106	2,316	78,854
Loans to customers	166,974	182,126	591,410	169,950	73,780	1,184,240
Other financial assets	3,510	112	167	115	77	3,981
	516,079	459,505	719,909	332,951	141,893	2,170,337
FINANCIAL LIABILITIES:						
Amounts due to customers	870,078	211,151	366,080	80,035	30,132	1,557,476
Amounts due to credit institutions	31,827	250	1,663	3,859	4,035	41,634
Financial liabilities at fair value through profit or loss	2,547	-	-	-	-	2,547
Debt securities issued	118	10,391	282	133,167	167,110	311,068
Other financial liabilities	5,646	279	5,329	29	2	11,285
	920,216	222,071	373,354	217,094	201,277	1,924,010
Net position	(394,137)	237,434	346,555	115,861	(59,386)	
Accumulated gap	(394,137)	(156,703)	189,852	305,713	246,327	

Assets and liabilities are recorded on the basis of their contractual maturity and payment schedules. The Group possesses a right to unilaterally call back part of long-term loans provided to customers in ten months period after proper notification would be issued by the Group.

A significant portion of the Group's liabilities is represented by customer term deposits, current accounts of corporate and retail customers, and bonds.

Management believes that although a substantial portion of current accounts and customer deposits are on demand and mature in less than one month, diversification of these deposits by number and type of depositors, and the past experience of the Group indicate that these deposits provide a long-term and stable source of funding for the Group. Therefore an essential part of current accounts is considered as stable resources for the purposes of liquidity analysis and management.

A further analysis of the liquidity risk is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position as the presentation below includes a maturity analysis for financial liabilities and contingent liabilities based on the remaining contractual payments (including interest payments).

	Up to 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**31 December 2013 Total**
Amounts due to customers	956,471	132,320	547,930	197,744	53,166	1,887,631
Amounts due to credit institutions	99,286	2,965	637	1,292	5,810	109,990
Debt securities issued	2,377	-	20,332	151,928	84,054	258,691
Other financial liabilities	6,571	307	1,232	138	-	8,248
Guarantees issued	156,699	-	-	-	-	156,699
Commercial letters of credit	12,093	-	-	-	-	12,093
Commitments to extend credit	13,810	-	-	-	-	13,810
	1,247,307	135,592	570,131	351,102	143,030	2,447,162
Derivative financial assets	68,517	-	1,212	-	-	69,729
Derivative financial liabilities	68,446	-	961	-	-	69,407

	Up to 1 month	**1 month to 3 months**	**3 months to 1 year**	**1 year to 5 years**	**Over 5 years**	**31 December 2012 Total**
Amounts due to customers	1,034,737	138,449	442,552	190,069	50,566	1,856,373
Amounts due to credit institutions	8,911	46	1,260	1,771	6,503	18,491
Debt securities issued	2,837	-	136,139	162,548	90,452	391,976
Other financial liabilities	7,269	158	1,092	165	-	8,684
Guarantees issued	117,730	-	-	-	-	117,730
Commercial letters of credit	20,970	-	-	-	-	20,970
Commitments to extend credit	16,146	-	-	-	-	16,146
	1,208,600	138,653	580,043	354,553	147,521	2,430,370
Derivative financial assets	33,728	4,307	-	-	-	38,036
Derivative financial liabilities	33,619	3,165	-	958	-	37,742

	Up to 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	31 December 2011 Total
Amounts due to customers	872,042	217,484	387,796	173,085	54,699	1,705,106
Amounts due to credit institutions	31,829	252	1,703	4,121	7,255	45,160
Debt securities issued	232	20,906	2,312	140,277	167,984	331,711
Other financial liabilities	5,645	279	5,329	32	-	11,285
Guarantees issued	86,707	-	-	-	-	86,707
Commercial letters of credit	13,479	-	-	-	-	13,479
Commitments to extend credit	10,716	-	-	-	-	10,716
	1,020,650	238,921	397,140	317,515	229,938	2,204,164
Derivative financial assets	32,551	-	-	-	-	32,551
Derivative financial liabilities	31,794	-	-	-	-	31,794

Market risk

Market risk is a risk that Group’s earnings or equity or its ability to meet business objectives will be adversely affected by changes in market variables such as interest rates, foreign exchange rates, securities prices and other basic variables.

The Group is exposed to market risks which include the following components:

- Risk of changes in interest rates (interest rate risk);
- Risk of changes in foreign exchange rates (currency risk);
- Risk of changes in securities prices (price risk).

The objective of market risk management is to optimize risk/return, minimize losses in case of adverse events and decrease deviation of factual financial results from the expected one.

Market risk management includes security portfolio management and control of open positions on currencies, interest rates and derivatives. For these purposes ALMC fixes limits on security portfolios, open positions, stop-loss limits and other limitations. Market risk limits are subject to review at least on an annual basis and should be monitored continuously.

Interest rate risk

The Group is exposed to interest rate risk. Interest rate risk is defined as the risk of interest income decrease, interest expense increase or negative impact on equity resulting from adverse changes of market interest rates.

The Group determines two types of interest rate risk:

- Interest rate risk related to securities portfolios changes in fair value of which are reflected through equity;
- Interest rate risk resulting from assets and liabilities maturity dates (dates of interest rates repricing) mismatch that are sensitive to the interest rates changes (risk of interest rates changes).

ALMC manages interest rate risks and market risks through the management of the Group’s position on interest rates to reach positive interest margins. Budgeting and Controlling Department monitors current results of the Group’s financial activity, estimates the Group’s sensitivity in relation to interest rates changes and influence on the Group’s profits.

The Group manages interest rates by determining the Group’s exposure to the interest rate risk using the approach described by the Basel Committee on the principles for the management and supervision of interest rate risk. This approach identifies the Group’s exposure to the interest rate risk by testing the impact of a parallel movement in interest rates on assets and liabilities by 200 basis points.

Sensitivity analysis of interest rate risk

The following table presents a sensitivity analysis of interest rate risk, which has been determined based on "reasonably possible changes in the risk variable". The impact on profit before tax is the effect of the assumed changes in interest rate on the net interest income for one year, based on the floating rate financial assets and liabilities held as at 31 December 2013, 2012 and 2011, and the effect of revaluing instruments with fixed rates accounted at fair value. The management of the Group believes income tax not to have substantial effect for the purpose of interest rate risk management.

Impact on income before tax based on asset values as at 31 December 2013, 2012 and 2011:

	31 December 2013		31 December 2012		31 December 2011	
	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%
FINANCIAL ASSETS:						
Loans to customers	336	(336)	24	(24)	24	(24)
FINANCIAL LIABILITIES:						
Amounts due to credit institutions	45	(45)	23	(23)	-	-
Net impact on income before tax	381	(381)	47	(47)	24	(24)

The impact on equity is the effect of the assumed changes in interest rate due to changes in retained earnings and the effect of revaluation of available-for-sale investment securities with fixed rates.

Impact on equity:

	31 December 2013		31 December 2012		31 December 2011	
	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%	Interest rate +2%	Interest rate -2%
FINANCIAL ASSETS:						
Loans to customers	336	(336)	24	(24)	24	(24)
Available-for-sale investment securities	(19,471)	19,471	(19,346)	19,346	(15,350)	15,350
FINANCIAL LIABILITIES:						
Amounts due to credit institutions	45	(45)	23	(23)	-	-
Net impact on equity	(19,090)	19,090	(19,299)	19,299	(15,326)	15,326

Currency Risk

The Group is exposed to currency risk. Currency risk arises from open positions in foreign currencies and adverse movements of market exchange rates that may have a negative impact on the financial performance of the Group.

ALMC controls currency risk by management of the open currency position based on the estimations of KZT devaluation and other macroeconomic indicators, which gives the Group an opportunity to minimize losses from significant currency rate fluctuations of national and foreign currencies.

The Treasury Department performs daily monitoring of the Group's open currency position with the aim to comply with the requirements of the regulatory authority.

The Group is exposed to the effects of fluctuation in the prevailing foreign currency exchange rates (primarily USD) on its financial position, results of operations and cash flows, which are monitored daily. ALMC sets limits on the level of exposure by currencies within the authority approved by the Board of Directors. These limits also comply with the minimum requirements of the regulator authority

The Group's exposure to foreign currency exchange rate risk follows:

	31 December 2013			31 December 2012			31 December 2011		
	KZT	Foreign currencies	Total	KZT	Foreign currencies	Total	KZT	Foreign currencies	Total
FINANCIAL ASSETS:									
Cash and cash equivalents	160,380	325,933	486,313	71,763	461,736	533,499	58,108	461,500	519,608
Obligatory reserves	23,693	20,583	44,276	24,324	24,713	49,037	23,531	29,385	52,916
Financial assets at fair value through profit or loss	806	528	1,334	303	968	1,271	399	3,353	3,752
Amounts due from credit institutions	23,293	2,515	25,808	21,205	11,594	32,799	11,526	9,570	21,096
Available-for-sale investment securities	174,393	176,159	350,552	177,232	157,130	334,362	202,142	103,748	305,890
Investments held to maturity	-	-	-	17,233	8,533	25,766	73,459	5,395	78,854
Loans to customers	973,606	508,639	1,482,245	965,552	353,656	1,319,208	763,741	420,499	1,184,240
Other financial assets	4,297	445	4,742	6,571	1,247	7,818	3,585	396	3,981
	1,360,468	1,034,802	2,395,270	1,284,183	1,019,577	2,303,760	1,136,491	1,033,846	2,170,337
FINANCIAL LIABILITIES:									
Amounts due to customers	984,705	781,943	1,766,648	1,030,300	668,882	1,699,182	915,930	641,546	1,557,476
Amounts due to credit institutions	78,607	28,788	107,395	5,382	9,820	15,202	27,811	13,823	41,634
Financial liabilities at fair value through profit or loss	69	-	69	-	439	439	-	2,547	2,547
Debt securities issued	24,184	165,331	189,515	23,977	277,942	301,919	34,502	276,566	311,068
Other financial liabilities	8,051	197	8,248	8,463	221	8,684	11,047	238	11,285
	1,095,616	976,259	2,071,875	1,068,122	957,304	2,025,426	989,290	934,720	1,924,010
Net balance sheet position	264,852	58,543	323,395	216,061	62,273	278,334	147,201	99,126	246,327

The Group's principal cash flows are generated in KZT and USD. As a result, potential movements in the exchange rate between KZT and USD will affect the carrying values of the Group's USD denominated monetary assets and liabilities.

Sensitivity analysis of currency risk

The table below indicates the currencies in which the Group had significant exposure at 31 December 2013, 2012 and 2011, and its forecasted cash flows. The analysis calculates the effect of a reasonable possible movement of the currency rate with all other variables held constant on the consolidated income statement. A negative amount in the table reflects a potential net reduction in consolidated income statement, while a positive amount reflects a net potential increase. Sensitivity of currency risk is assessed only in respect to balance sheet items, excluding off-balance sheet items. The actual sensitivity of the Group to fluctuations in exchange rates will be lower than the calculated values due to the fact that off-balance sheet position substantially neutralize the balance sheet position. The management of the Group believes income tax not to have substantial effect for the purpose of currency risk management.

Impact on income before tax based on asset values as at 31 December 2013, 2012 and 2011, calculated using currency rate fluctuations analysis:

	31 December 2013		**31 December 2012**		**31 December 2011**	
	+25% KZT/USD	**-25% KZT/USD**	**+25% KZT/USD**	**-25% KZT/USD**	**+25% KZT/USD**	**-25% KZT/USD**
Impact on income before tax	13,493	(13,493)	15,140	(15,140)	19,826	(19,826)

Impact on equity:

	31 December 2013		**31 December 2012**		**31 December 2011**	
	+25% KZT/USD	**-25% KZT/USD**	**+25% KZT/USD**	**-25% KZT/USD**	**-25% KZT/USD**	**-10% KZT/USD**
Impact on equity	13,493	(13,493)	15,140	(15,140)	19,826	(19,826)

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 Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group'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 on the consolidated 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 Group's view of possible near-term market changes that cannot be predicted with any certainty. Another limitation is represented by 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, where those changes are caused by factors specific to the individual security, its issuer, or factors affecting all securities traded in the market. The Group is exposed to price risks of its products which are subject to general and specific market fluctuations.

To limit price risk the Group determines limits for maximum losses (stop-loss) on each security from trade portfolio to minimize potential losses of trade portfolio.

Price risk assessment is also made on the basis of VaR method through establishment of Expected Shortfall (ES) limits on the level of the expected losses, which the Bank is able to undertake within one day in situation when factual losses may exceed the level of VaR.

Calculation of VaR is based on the following parameters:

- Reporting period – 252 working days;
- Confidence interval – 95%;
- The method of measurement – historical simulation.

The Group estimates the price risk at 31 December 2013, 2012 and 2011, to be not material and therefore quantitative information is not disclosed.

32. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital, which is a broader concept than the "equity" on the face of consolidated statement of financial position, are as follows:

- To comply with the capital requirements set by the FMSC;
- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The required level of capital is determined by taking into account the above objectives during the process of preparing the annual budget, and is approved by the Management Board and the Board of Directors. The capital adequacy of the Group is controlled according to the principles, methods and coefficients employed by Basel Committee. There have been no changes as to the way the Group measures capital.

Regulatory capital consists of Tier 1 capital, which comprises share capital, share premium, retained earnings including current year profit, foreign currency translation and non-controlling interest less accrued dividends, net long position in own shares and goodwill. The other component of regulatory capital is Tier 2 capital, which includes subordinated long term debt calculated based on remaining maturities and limited to 50% of Tier 1 capital and revaluation reserves.

The risk-weighted assets are measured based on a hierarchy of five risk weighting according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

The table below summarizes the composition of regulatory capital and the ratios of the Group for the years ended 31 December 2013, 2012 and 2011. During those three years, the individual entities within the Group and the Group complied with all of the externally imposed capital requirements to which they are subject.

	31 December 2013	**31 December 2012**	**31 December 2011**
Composition of regulatory capital			
Tier 1			
Share capital, net of treasury shares	66,161	62,667	103,735
Share premium	1,415	1,496	1,156
Retained earnings and other reserves	323,670	273,835	204,240
Less: property and equipment and available-for-sale investment securities revaluation and translation reserves	(16,200)	(24,802)	(20,303)
Less: goodwill	(3,085)	(3,085)	(3,085)
Non-controlling interest	933	1,641	1,196
Total qualifying tier 1 capital	372,894	311,752	286,939
Tier 2			
Subordinated debt	12,557	16,363	20,940
Property and equipment and available-for-sale investment securities revaluation and translation reserves	16,200	24,802	20,303
Total qualifying tier 2 capital	28,757	41,165	41,243
Less: investments in associates	(24)	(53)	(67)
Total regulatory capital	401,627	352,864	328,115
Risk weighted assets	2,170,709	1,923,978	1,718,905
Tier 1 capital ratio	17.2%	16.2%	16.7%
Total capital adequacy ratio	18.5%	18.3%	19.1%

Basel standards set minimum capital adequacy ratio and tier 1 capital at 8% and 4%, respectively.

33. SEGMENT ANALYSIS

The Group is managed and reported on the basis of two main operating segments. The Group's segments are strategic business units that offer different products and services which are managed separately.

Retail banking offers a range of personal banking, savings and mortgage products and services. Corporate banking offers business banking services principally to small and medium sized companies and commercial loans to larger corporate and commercial customers.

The products and services offered by each segment are:

Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages to individuals and cash and foreign currency related services.

Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and trade finance products to legal entities.

Other – representing capital market services, insurance services, and documentary operations with guarantees issued and commercial letters of credit.

The segment information below is presented on the basis used by the Bank's Chairperson of the Management Board, who is the Group's chief operating decision maker, to evaluate performance, in accordance with IFRS 8. The Management of the Group 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 interest expense on debt securities issued and amounts due to credit institutions and operating expenses other than salaries and other employee benefits.

There were no transactions between business segments during the years ended 31 December 2013, 2012 and 2011. Segment assets and liabilities exclude certain unallocated amounts. Unallocated assets include obligatory reserves, property and equipment and other unallocated assets. Unallocated liabilities include debt securities issued, amounts due to credit institutions and other unallocated liabilities.

Segment information for the main reportable business segments of the Group as at 31 December 2013, 2012 and 2011 and for the years then ended, is set out below:

	Retail banking	**Corporate banking**	**Other**	**Total**
As at 31 December 2013 and for the year then ended				
External revenues	101,141	142,089	23,336	266,566
Total revenues	101,141	142,089	23,336	266,566
Total revenues comprise:				
- Interest income	59,805	122,758	-	182,563
- Fee and commission income	38,790	12,616	-	51,406
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	261	261
- Net realized gains from available-for-sale investment securities	-	-	1,884	1,884
- Net gain on foreign exchange operations	2,546	6,715	-	9,261
- Insurance underwriting income and other income	-	-	21,191	21,191
Total revenues	101,141	142,089	23,336	266,566
- Interest expense on amounts due to customers	(40,440)	(13,514)	-	(53,954)
- Impairment charge	(2,798)	(23,223)	-	(26,021)
- Fee and commission expense	(1,363)	(5,776)	-	(7,139)
- Salaries and other employee benefits	(6,499)	(24,400)	-	(30,899)
- Advertisement expenses	(1,138)	-	-	(1,138)
- Recoveries of other provisions	-	210	-	210
Segment result	48,903	75,386	23,336	147,625
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(21,978)
- Insurance claims incurred, net of reinsurance				(13,933)
- Unallocated operating expenses				(22,783)
				58,694
Income before income tax expense				88,931
Income tax expense				(16,522)
Net income				72,409
Total segment assets	437,301	1,557,065	351,910	2,346,276
Unallocated assets				160,138
Total assets				2,506,414
Total segment liabilities	(810,436)	(956,211)	(4,163)	(1,770,810)
Unallocated liabilities				(343,425)
Total liabilities				2,114,235
Other segment items:				
Capital expenditure (unallocated)				(6,269)
Depreciation and amortization (unallocated)				(5,747)

	Retail banking	Corporate banking	Other	Total
As at 31 December 2012 and for the year then ended				
External revenues	75,052	146,076	22,494	243,622
Total revenues	75,052	146,076	22,494	243,622
Total revenues comprise:				
- Interest income	49,817	111,177	-	160,994
- Fee and commission income	22,802	28,280	-	51,082
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	169	169
- Net realized gains from available-for-sale investment securities	-	-	1,626	1,626
- Net gain on foreign exchange operations	2,433	6,620	-	9,053
- Share in net loss of associates	-	(1)	-	(1)
- Insurance underwriting income and other income	-	-	20,699	20,699
Total revenues	75,052	146,076	22,494	243,622
- Interest expense on amounts due to customers	(32,579)	(12,366)	-	(44,945)
- Impairment charge	(3,428)	(11,934)	-	(15,362)
- Fee and commission expense	(1,106)	(4,885)	-	(5,991)
- Salaries and other employee benefits	(5,926)	(23,302)	-	(29,228)
- Advertisement expenses	(1,028)	-	-	(1,028)
- Other provisions	-	(962)	-	(962)
Segment result	30,985	92,627	22,494	146,106
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(24,989)
- Insurance claims incurred, net of reinsurance				(12,733)
- Unallocated operating expenses				(21,555)
- Impairment loss of non-current assets held for sale				(2,100)
				(61,377)
Income before income tax expense				84,729
Income tax expense				(14,768)
Net income				69,961
Total segment assets	354,887	1,531,189	361,452	2,247,528
Unallocated assets				160,470
Total assets				2,407,998
Total segment liabilities	(694,228)	(1,004,953)	(4,385)	(1,703,566)
Unallocated liabilities				(364,793)
Total liabilities				(2,068,359)
Other segment items:				
Capital expenditure (unallocated)				(8,453)
Depreciation and amortization (unallocated)				(7,036)

As at 31 December 2011 and for the year then ended	Retail banking	Corporate banking	Other	Total
External revenues	71,978	144,191	16,876	233,045
Total revenues	71,978	144,191	16,876	233,045
Total revenues comprise:				
- Interest income	42,303	123,863	-	166,166
- Fee and commission income	27,283	13,539	-	40,822
- Net gain from financial assets and liabilities at fair value through profit or loss	-	-	428	428
- Net realized gain from available-for-sale investment securities	-	-	84	84
- Net gain on foreign exchange operations	2,392	6,793	-	9,185
- Share in net loss of associate	-	(4)	-	(4)
- Insurance underwriting income and other income	-	-	16,364	16,364
Total revenues	71,978	144,191	16,876	233,045
- Interest expense on amounts due to customers	(32,836)	(19,126)	-	(51,962)
- Impairment charge	(8,173)	(30,982)	-	(39,155)
- Fee and commission expense	(855)	(4,713)	-	(5,568)
- Salaries and other employee benefits	(4,576)	(19,721)	-	(24,297)
- Advertisement expenses	(812)	-	-	(812)
- Other provisions	-	479	-	479
- Losses incurred from management of pension assets	(5,163)	-	-	(5,163)
Segment result	19,563	70,128	16,876	106,567
Unallocated costs:				
- Interest expense from debt securities issued and amounts due to credit institutions				(26,932)
- Insurance claims incurred, net of reinsurance				(10,394)
- Unallocated operating expenses				(21,222)
				(58,548)
Income before income tax expense				48,019
Income tax expense				(8,511)
Net income				39,508
Total segment assets	309,982	1,415,345	388,563	2,113,890
Unallocated assets				160,040
Total assets				2,273,930
Total segment liabilities	(566,233)	(991,242)	(3,388)	(1,560,863)
Unallocated liabilities				(402,740)
Total liabilities				(1,963,603)
Other segment items:				
Capital expenditure (unallocated)				(9,392)
Depreciation and amortization (unallocated)				(6,920)

Geographical information

Information for the main geographical areas of the Group is set out below as at 31 December 2013, 2012 and 2011, and for the years then ended.

	Kazakhstan	OECD	Non OECD	Total
2013				
Total assets	2,071,205	333,259	101,950	2,506,414
External revenues	256,463	2,995	7,108	266,566
Capital expenditure	(6,269)	-	-	(6,269)
2012				
Total assets	1,947,751	404,924	55,323	2,407,998
External revenues	235,582	4,174	3,866	243,622
Capital expenditure	(8,453)	-	-	(8,453)
2011				
Total assets	1,795,044	434,947	43,939	2,273,930
External revenues	224,935	4,080	4,030	233,045
Capital expenditure	(9,392)	-	-	(9,392)

External revenues, assets and credit related commitments have generally been allocated based on domicile of the counterparty. Cash on hand, property and equipment and capital expenditure have been allocated based on the country in which they are physically held.

34. FAIR VALUES OF FINANCIAL INSTRUMENTS

IFRS defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Fair value of the Group's financial assets and financial liabilities measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes unlisted equity securities.

Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. Management assessment of the significance of a particular input to the fair value measurements requires judgment, and may affect the valuation of the assets and liabilities being measured and their placement within the fair value hierarchy.

The Group considers that the accounting estimate related to valuation of financial instruments where quoted markets prices are not available is a key source of estimation uncertainty because: (i) it is highly susceptible to change from period to period because it requires management to make assumptions about interest rates, volatility, exchange rates, the credit rating of the counterparty, valuation adjustments and specific feature of the transactions and (ii) the impact that recognising a change in the valuations would have on the assets reported on its consolidated statement of financial position as well as its profit/(loss) could be material.

The tables below summarises the Group's financial assets and liabilities held at fair value by valuation methodology at 31 December 2013, 2012 and 2011, before any allowances for impairment losses:

Financial Assets/Liabilities	Fair value at			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2013	31 December 2012	31 December 2011				
Non-derivative financial assets at fair value through profit or loss (Note 7)	1,025	779	448	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss excluding options (Note 7)	140	478	3,243	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss - options (Note 7)	251	255	61	Level 2	Binominal model with primary data based on average price without using maximum and minimum values from KASE.	Not applicable	Not applicable
Derivative financial assets at fair value through profit or loss excluding options (Note 7)	69	439	2,547	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period).	Not applicable	Not applicable
Non-derivative available-for-sale investment securities (Note 9)	348,498	301,304	273,584	Level 1	Quoted bid prices in an active market.	Not applicable	Not applicable
Non-derivative available-for-sale investment securities included in bonds of foreign organizations (Note 9)	931	31,816	30,972	Level 2	Discounted cash flows. Future cash flows discounted using LIBOR adjusted for credit risk of the issuer obtained from available sources	Not applicable	Not applicable
Non-derivative available-for-sale investment securities – unquoted equity securities (Note 9)	1,123	1,242	1,334	Level 3	Valuation model based on internal rating model	Percentage discount	The greater discount - the smaller fair value

There were no transfers between Level 1 and 2 during the years ended 31 December 2013, 2012 and 2011.

	Available-for-sale investment securities Unquoted equity securities (Level 3)
31 December 2010	1,485
Total gains or losses	14
- to profit or loss	1
- in other comprehensive income	13
Redemption/sale	(165)
31 December 2011	1,334
Total gains or losses	(13)
- to profit or loss	2
- in other comprehensive income	(15)
Redemption/sale	(179)
31 December 2012	1,242
Total gains or losses	(41)
- to profit or loss	(27)
- in other comprehensive income	(14)
Redemption/sale	(78)
31 December 2013	1,123

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The following methods and assumptions are used by the Group to estimate the fair value of financial instruments not carried at fair value.

Amounts due from and to credit institutions

For assets and liabilities maturing within one month, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over one month, the fair value was estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates.

Loans to customers

The estimate was made by discounting the scheduled future cash flows of the individual loans through the estimated maturity using prevailing market rates as at the respective year-end.

Amounts due to customers

Interest rates charged to customers closely approximate market interest rates and accordingly, the carrying amounts approximate fair values.

Debt securities issued

Market values have been used to determine the fair value of debt securities traded on an active market. For other debt securities, the fair value was estimated as the present value of estimated future cash flows discounted at the year-end market rates.

The following table sets out the carrying amount and fair values of financial assets and liabilities not carried at their fair values:

	31 December 2013		31 December 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets						
Amounts due from credit institutions	25,808	27,757	32,799	35,872	21,096	20,390
Loans to customers	1,482,245	1,582,638	1,319,208	1,351,271	1,184,240	1,194,183
Investments held-to-maturity	-	-	25,766	26,031	78,854	72,905
Financial liabilities						
Amounts due to customers	1,766,648	1,763,968	1,699,182	1,689,642	1,557,476	1,537,631
Amounts due to credit institutions	107,395	106,350	15,202	15,984	41,634	43,673
Debt securities issued	189,515	212,827	301,919	331,322	311,068	308,168

The carrying amounts of cash and cash equivalents, obligatory reserves, other financial assets and other financial liabilities approximates fair value due to the short-term nature of such financial instruments.

35. RELATED PARTY TRANSACTIONS

Related parties or transactions with related parties are assessed in accordance with IAS 24 “Related Party Disclosures”. Related parties may enter into transactions which unrelated parties might not. Transactions between related parties are generally effected on the same terms, conditions and amounts as transactions between unrelated parties.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The ultimate shareholder of the Group Timur Kulibayev (please see Note 1) held the position of Chairman in Samruk-Kazyna in the period from 12 April 2011 till 26 December 2011. Timur Kulibayev held the position of Chairman of the Board of Directors in subsidiaries of Samruk-Kazyna, including JSC NC KazMunayGas from 21 May 2009 till 12 January 2012 and JSC NC Kazatomprom from 17 October 2008 till 12 January 2012. According to the requirements of IAS 24, applicable for annual reports for periods starting 1 January 2011, the entity is considered as related to the reporting entity if a person, who has control or joint control over reporting entity is considered as member of key management personnel of the entity or a parent of the entity. Accordingly, Samruk-Kazyna together with its subsidiaries were considered as related parties until 26 December 2011, except for JSC NC KazMunayGas and JSC NC Kazatomprom, which were considered as related parties up to and including 12 January 2012.

The transactions and balances with Samruk-Kazyna are disclosed as a separate line in related party transactions disclosure below for the periods in which Samruk-Kazyna was a shareholder of the Group.

The Group had the following transactions outstanding as at 31 December 2013, 2012 and 2011, with related parties:

	31 December 2013		31 December 2012		31 December 2011	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Financial assets at fair value through profit or loss	31	1,334	33	1,271	31	3,752
- Samruk-Kazyna and its subsidiaries	31		33		31	
Available-for-sale investment securities before allowance for impairment	33,218	350,552	61,171	334,362	54,342	305,890
- Samruk-Kazyna and its subsidiaries	33,218		61,171		54,342	
Investments held to maturity	-	-	6,958	25,766	5,138	78,854
- Subsidiaries of Samruk-Kazyna	-		6,958		5,138	
Loans to customers before allowance for impairment losses	6,852	1,805,556	8,221	1,622,134	11,466	1,475,543
- entities with joint control or significant influence over the entity	5,948		6,738		10,195	
- key management personnel of the entity or its parent	-		-		43	
- other related parties	904		1,483		1,228	
Allowance for impairment losses	(216)	(323,311)	(298)	(302,926)	(3,549)	(291,303)
- entities with joint control or significant influence over the entity	(202)		(298)		(3,183)	
- key management personnel of the entity or its parent	(14)		-		(4)	
- other related parties	-		-		(362)	
Amounts due to customers	102,039	1,766,648	56,441	1,699,182	289,227	1,557,476
- the parent	60,184		36,457		22,421	
- entities with joint control or significant influence over the entity	33,546		558		679	
- associates	27		75		152	
- key management personnel of the entity or its parent	2,602		2,057		1,929	
- Samruk-Kazyna and its subsidiaries	477		11,765		240,765	
- other related parties	5,203		5,529		23,281	
Amounts due to credit institutions	141	107,395	54	15,202	202	41,634
- Subsidiaries of Samruk-Kazyna	141		54		202	

Included in the consolidated income statement for the years ended 31 December 2013, 2012 and 2011, are the following amounts which arose due to transactions with related parties:

	Year ended 31 December 2013		Year ended 31 December 2012		Year ended 31 December 2011	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Interest income	1,966	182,563	2,292	160,994	4,159	166,166
- entities with joint control or significant influence over the entity	749		684		1,052	
- key management personnel of the entity or its parent	-		-		4	
- Subsidiaries of Samruk-Kazyna	1,137		1,466		2,921	
- other related parties	80		142		182	
Interest expense	(2,319)	(75,932)	(2,207)	(69,934)	(8,339)	(78,894)
- the parent	-		(1,410)		(933)	
- entities with joint control or significant influence over the entity	(1,792)		-		(9)	
- key management personnel of the entity or its parent	(111)		(125)		(131)	
-Samruk-Kazyna and its subsidiaries	(346)		(528)		(6,024)	
- other related parties	(70)		(144)		(1,242)	

	Year ended 31 December 2013		Year ended 31 December 2012		Year ended 31 December 2011	
	Related party transactions	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**	**Related party transactions**	**Total category as per financial statements caption**
Key management personnel compensation:	835	30,899	1,335	29,228	842	24,297
- Salaries and other employee benefits	835		1,335		842	

36. SUBSEQUENT EVENTS

On 11 February 2014, the National Bank of the Republic of Kazakhstan (the "NBK") made a decision to reduce intervention in setting the KZT exchange rate. After that the official KZT/USD exchange rate decreased to KZT 184.5 as at 13 February 2014. NBK is planning to set the range of fluctuations between KZT 182-188 per USD. However, there is uncertainty around KZT exchange rate dynamics and NBK future actions, as well as the effect of these factors on the Kazakhstan economy The Management of the Group believes it is taking all necessary measures to support sustainability of the Group under these conditions.

On 26 February 2014, the Bank entered into an agreement with HSBC Bank plc. to acquire 100% of the share capital in SB HSBC Bank Kazakhstan JSC, a wholly owned subsidiary of HSBC Bank plc. The Transaction, which is subject to regulatory approvals and other conditions, is expected to complete during 2014.