Bank RBK JSC

Independent Auditor's Report and Financial Statements for the year ended 31 December 2012

BDO

CONTENTS

Statement of the Management's Responsibility for the Preparation of the Financial Statements for the year ended 31 December 2012

The Management presents the financial statements of Bank RBK JSC (hereinafter – "the Bank") for the year ended 31 December 2012.

Responsibility of the Bank's Management

The Management of the Bank is responsible for the preparation of the financial statements in accordance with the International Financial Reporting Standards (IFRS and interpretations) issued by International Accounting Standards Board.

The Management of the Bank prepares the financial statements for the year ended 31 December 2012 that fairly present in all significant aspects the financial position of the Bank as well as profits and losses for the corresponding period.

In preparation of the financial statements the Management is responsible for:

- selecting appropriate accounting principles and applying them consistently;
- making prudent and reasonable accounting estimates and judgments;
- preparation of the financial statements, based on the assumption that the Bank will operate in the foreseeable future, unless such assumption is inappropriate.

The Management of the Bank also is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank. It is also responsible for protection of the Bank's assets and therefore for detecting and preventing of fraud and other abuses.

Management is responsible for implementing and maintaining an internal control system and its continuous monitoring.

These financial statements were authorized for issue by 4 April 2013 and signed by the Board.

Zhakubayeva M.
Chairman of the Board

Dauletbekova A.
Chief Accountant

BDO

Tel.: +7(727) 397-12-48
397-12-63,397-12-31
397-12-54, 397-12-47
Fax: +7(727) 397-12-04
audit@bdo.kz
www.bdo.kz

Building 56 "A"
micro-region 6
Almaty city
Republic of Kazakhstan
050036

Licenses:

General State License on audit activity #0000276 issued by Ministry of Finance of RK dated 24.06.2004 (original license #0000001 AK Kazakhstanaudit was reregistered due to change of name to BDO Kazakhstanaudit).

"APPROVED"

Managing partner
General Director
BDO Kazakhstanaudit LLP

S.Kh. Koshkimbayev

April 4, 2013

INDEPENDENT AUDITOR'S REPORT

To Shareholder and Board of Directors of Bank RBK JSC

Introduction

We have audited the accompanying financial statements of Bank RBK JSC (hereinafter "the Bank") as at 31 December 2012, which comprise the statement of financial position as at 31 December 2012 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Auditor
Auditor Qualification Certificate No.0000250, issued on 29.04.1996 by RK qualifications commission on auditors certification

M.M. Shandybassova

ДЛЯ АУДИТОРСКИХ ОТЧЁТОВ
BDO КАЗАХСТАНАУДИТ

(in thousands of Tenge)	Note	31 December 2012	31 December 2011
Assets			
Cash and cash equivalents	6	8 286 492	6 519 444
Due from other banks		9 346	1 781
Amounts receivable under reverse repurchase agreements		-	4 933 523
Loans and advances to customers	7	65 332 872	15 862 686
Investment securities available-for-sale	8	12 612 385	9 603 554
Fixed assets and intangible assets	9	1 813 640	1 129 382
Other assets	10	610 846	820 165
Total assets		**88 665 581**	**38 870 535**
Liabilities			
Amounts payable under repurchase agreements		-	96 001
Customer accounts	11	72 960 046	33 108 105
Current income tax payable	20	15 547	-
Deferred income tax liability	20	117 813	82 559
Other liabilities	12	188 374	114 949
Total liabilities		**73 281 780**	**33 401 614**
Equity			
Share capital	13	14 500 000	5 000 000
Other funds		415 495	381 127
Retained earnings		468 306	87 794
Total equity		**15 383 801**	**5 468 921**
Total liabilities and equity		**88 665 581**	**38 870 535**

Approved and signed on behalf of the Board 4 April 2013.

Zhakubayeva M.
Chairman of the Board

BANKRBK

Dauletbekova A.
Chief Accountant

The notes set out on pages 10 to 54 form an integral part of these financial statements.

(in thousands of Tenge)	Note	2012	2011
Interest income	15	6 457 428	1 523 417
Interest expense	15	(2 313 811)	(521 440)
Net interest income		**4 143 617**	**1 001 977**
Provision for loan impairment	7	(1 845 069)	(90 775)
Net interest income after provision for loan impairment		**2 298 548**	**911 202**
Fee and commission income	16	848 913	259 657
Fee and commission expense	16	(63 050)	(10 647)
Net income from foreign currency transactions	17	235 947	65 157
Net income from financial assets available-for-sale	18	82 877	655
Other operating income		119 046	11 701
Operating income		**3 522 281**	**1 237 725**
Administrative and other operating expenses	19	(3 059 112)	(1 208 285)
Provision for impairment of other assets	10	(40 336)	-
Profit before tax		**422 833**	**29 440**
Income tax expense	20	(22 246)	(9 367)
Profit for the year		**400 587**	**20 073**
Other comprehensive income:			
Available-for-sale investments:			
- Net change in fair value of available-for-sale assets		126 313	16 963
- Net change in fair value of available-for -sale assets transferred to profit or loss		(82 877)	(655)
Income tax as a component of other comprehensive income		(29 142)	-
Other comprehensive income/(loss) for the year		**14 294**	**16 308**
Total comprehensive income for the year		**414 881**	**36 381**
Based and diluted earnings per share on the profit attributable to Bank's owners (tenge per share)	14	**40**	**49**

Zhakubayeva M.
Chairman of the Board

Dauletbekova A.
Chief Accountant

(in thousands of Tenge)	Share capital	Reserve capital	Revaluation reserve for fixed assets	Revaluation reserve for securities	Retained earnings	Total
Balance at 1 January 2011	3 322 900	54 232	268 930	61	109 317	3 755 440
Total comprehensive income						
Profit for the period	-	-	-	-	20 073	20 073
Other comprehensive income						
Assets available-for-sale investments:						
- Gains less losses from revaluation at fair value	-	-	-	16 963	-	16 963
- Net change in fair value transferred to profit or loss	-	-	-	(655)	-	(655)
Total other comprehensive income	-	-	-	16 308	-	16 308
Total comprehensive income	**-**	**-**	**-**	**16 308**	**20 073**	**36 381**
Shares issue	1 677 100	-	-	-	-	1 677 100
Transfer to reserve capital	-	44 156	-	-	(44 156)	-
Realised revaluation reserve	-	-	(2 560)	-	2 560	-
Balance at 31 December 2011	**5 000 000**	**98 388**	**266 370**	**16 369**	**87 794**	**5 468 921**
Total comprehensive income						
Profit for the period	-	-	-	-	400 587	400 587
Other comprehensive income						
Assets available-for-sale investments:	-	-	-	-	-	-
- Gains less losses from revaluation at fair value	-	-	-	126 313	-	126 313
- Net change in fair value transferred to profit or loss	-	-	-	(82 877)	-	(82 877)
Income tax as a component of other comprehensive income	-	-	-	(29 142)	-	(29 142)
Total other comprehensive income	-	-	-	14 294	-	14 294
Total comprehensive income	**-**	**-**	**-**	**14 294**	**400 587**	**414 881**
Shares issue	9 500 000	-	-	-	-	9 500 000
Transfer to reserve capital	-	22 633	-	-	(22 633)	-
Realised revaluation reserve	-	-	(2 558)	-	2 558	-
Balance at 31 December 2012	**14 500 000**	**121 021**	**263 812**	**30 662**	**468 306**	**15 383 801**

Zhakubayeva M.
Chairman of the Board

Dauletbekova A.
Chief Accountant

The notes set out on pages 10 to 54 form an integral part of these financial statements.

(in thousands of Tenge)

	31 December 2012	31 December 2011
Cash flows from operating activities		
Interest received	4 801 713	1 280 781
Interest paid	(1 999 939)	(423 602)
Fees and commissions received	873 258	255 059
Fees and commissions paid	(63 050)	(10 564)
Income received from trading in foreign currencies	235 947	61 543
Net income from financial assets available-for-sale	82 877	655
Other operating income received	119 046	11 061
Administrative and other operating expenses paid	(2 968 947)	(1 111 579)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	**1 080 905**	**63 354**
(Increase)/decrease operating assets		
Due from other banks	(7 463)	(11)
Loans and advances to customers	(49 773 622)	(12 945 289)
Amounts receivable under reverse repurchase agreements	4 933 001	(4 933 001)
Other financial assets	144 638	(613 882)
Increase/(decrease) operating liabilities		
Customer accounts	39 538 069	31 055 608
Amounts payable under repurchase agreements	(96 001)	96 001
Other liabilities	101 980	15 297
Net cash from/(used in) operating activities before income tax	**(4 078 493)**	**12 738 077**
Income tax paid	-	(8 891)
Net cash from/(used in) operating activities	**(4 078 493)**	**12 729 186**
Cash flows from investing activities		
Acquisition of investment securities available-for-sale	(23 760 957)	(16 387 823)
Proceeds from sale and redemption of investment securities available-for-sale	20 862 556	7 192 812
Acquisition of fixed assets and intangible assets	(775 963)	(607 211)
Sales of fixed assets	-	1 867
Net cash from/(used in) investing activities	**(3 674 364)**	**(9 800 355)**
Cash flows from financing activities		
Shares issuance	9 500 000	1 677 100
Net cash from financing activities	**9 500 000**	**1 677 100**
Effect of exchange rate changes on cash and cash equivalents	19 905	5 396
Net increase in cash and cash equivalents	**1 767 048**	**4 611 327**
Cash and cash equivalents at the beginning of the year	6 519 444	1 908 117
Cash and cash equivalents at the end of the year	**8 286 492**	**6 519 444**

Zhakubayeva M.
Chairman of the Board

Dauletbekova A.
Chief Accountant

1 Introduction

Bank RBK JSC was established as commercial bank and as a joint stock company and was set up in accordance with the requirements of the legislation of the Republic of Kazakhstan. The Bank registered and is domiciled in the Republic of Kazakhstan.

The Bank works since March 1992 and was established as private bank "Meken". In April 1996 the Bank was reorganised in closed joint stock company "Alash". In May 2005 the Bank was reregistered in joint stock company in accordance with the requirements of the legislation of the Republic of Kazakhstan. On 22 August 2005 the Bank was renamed as "Kazakhstan Innovational Commercial Bank" JSC or "KAZINCOMBANK" JSC. On 23 September 2011 the Bank was renamed as Bank RBK JSC.

The Bank's shareholders are individuals and legal entities. In 2012 there were changes in shareholding structure. The list of the shareholders owning 5 and more percent of total placed ordinary shares as of 31 December 2012 and 31 December 2011 presented below:

Shareholders	31 December 2012 Share,%	31 December 2011 Share,%
Farid Lyukhudzyaev	11,0%	11,0%
"INTERTRANS C.A.",LLP	9,0%	7,9%
Yelgeldin Zh.M.	9,0%	5,0%
"VELTON", LLP	8,9%	7,9%
Kim G.S.	8,4%	-
Dzhumayev T.T.	8,3%	-
Mamedov E.V.	8,3%	-
"GEFEST COMMERCE", LLP	7,8%	6,6%
"NORTH WIND", LLP	7,0%	8,0%
Muhtarov B.M.	-	6,6%
Rozmanova O.V.	-	5,7%
"ALEMTRADINGCOMMERCE", LLP	-	7,9%
"Temirtauskiy electrometallurgicheskiy kombinat", JSC	-	9,6%
Others with a share of less than 7 %	22,3%	23,8%
Total	**100%**	**100%**

Since 2011 Mr. Farid Lyukhudzyaev has a status of major member of the Bank.

The list of the shareholders owning 5 and more percent from total of placed preference shares as of 31 December 2012 and 31 December 2011 presented below:

Shareholders	31 December 2012 Share,%	31 December 2011 Share,%
"CITY GARANT INVESTMENTS", LLP	44,3%	-
"VELTON", LLP	22,2%	-
"NORTH WIND", LLP	11,1%	-
"ALEMTRADINGCOMMERCE", LLP	11,1%	-
"GEFEST COMMERCE", LLP	11,1%	-
Others with a share of less than 5%	0,2%	-
Total	**100,0%**	-

1 Introduction (continued)

Principal activity. The Bank's principal business activity is commercial and retail banking operations within the Republic of Kazakhstan. The Bank has operated under a full banking license reissued by the Agency of the Republic of Kazakhstan on Regulation and Supervision of Financial Market and Financial Organizations (the "Agency") on 13 October 2011. The Bank is a participant of Kazakhstan Deposit Guarantee Fund JSC.

Number of the Bank's employees as at 31 December 2012 was 537 (31 December 2011: 279). As at 31 December 2012 the Bank had 5 branches (2011: 5 branches) and 5 departments in Almaty city (2011: 3 departments). The Bank's registered address is at: Bldg. 47, Bukhar Zhyrau street, Karaganda, Republic of Kazakhstan. Location of the Bank – Almaty.

2 Economic Environment in which the Bank Operates

The Bank operates in the Republic of Kazakhstan. Accordingly, the Bank is exposed to risks specific to RK economic and financial market. Legal and tax systems and regulatory framework are being developed, however they are subject to various interpretations and frequent changes, which together with other legal and finance barriers, increase the difficulties faced by entities operating in Kazakhstan. The accompanying financial statements reflect the Bank management's assessment of possible effect of current business environment on the Bank's performance and financial position. Subsequent development of business environment may differ from the Management's assessment.

3 Basis of Preparation of Financial Statements

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

Measurement Basis. These financial statements have been prepared on the historical cost basis, except for financial instruments that have been measured at fair value through profit or loss, and available-for-sale financial assets measured at fair value, and land and plant measured at revalued amount.

Functional and Presentation Currency
The functional currency of the Bank is Kazakhstan tenge (hereinafter "KZT") which, being the national currency of the Republic of Kazakhstan, in the best way reflects economic substance of most of the Bank's operations and related circumstances effecting activities thereof.

Tenge is also the presentation currency of these financial statements.

All figures are presented in KZT, rounded to KZT thousands.

Use of Judgments, Accounting Estimates and Assumptions. The management used estimates and assumptions about the assets and liabilities reported and disclosures of contingent assets and liabilities in preparation of these financial statements in accordance with IFRS. Actual results may differ from those estimates.

Accounting estimates and judgments on provision for impairment of loans and receivables and other financial assets are considered as important for presentation of the Bank's financial position.

4 Summary of Significant Accounting Policies

The accounting policies described below have been consistently applied in all reporting periods presented in these financial statements.

Foreign Currency Transactions. Foreign currency transactions are translated into the Bank's functional currency at the rates of exchange effective at the transaction dates. Monetary assets and liabilities denominated in foreign currencies as at the reporting date are translated into the functional currency at the exchange rate at the reporting date.

4 Summary of Significant Accounting Policies (continued)

Foreign Currency Transactions (continued). Profit or loss on transactions with monetary assets and liabilities denominated in a foreign currency, is the difference between amortised cost in the functional currency as at the beginning of the period adjusted for interest accrued at the effective interest rate and payments during the period, and amortised cost in a foreign currency translated into the functional currency at the rate effective at the end of the reporting period. Non-monetary assets and liabilities denominated in a foreign currency at fair value are translated into the functional currency at the exchange rates at the fair value measurement dates.

Non-monetary assets and liabilities denominated in a foreign currency and carried at actual costs are translated into the functional currency at the rate effective at the transaction date. The exchange differences arising on translation into a foreign currency are recognised in profit or loss with the exception of differences arising on translation of equity financial instruments available for sale or those that are designated as part of the cash flow hedge recognised on other comprehensive income.

Cash and Cash Equivalents. Cash includes cash, unrestricted balances with the Republic of Kazakhstan National Bank (hereinafter RKNB) and other banks (nostro accounts), all interbank deposits with original maturity less than three months. Statutory reserves are included into the balances with RKNB. Cash unrestricted for more than three months are excluded from cash and cash equivalents. Cash and cash equivalents are recognised at amortised cost.

Financial instruments

Classification of Financial Instruments

Financial assets or liabilities at fair value through profit or loss are financial assets or liabilities that meet either of the following conditions:

- they are acquired or incurred principally for the the purpose of selling or repurchasing in the near term;
- on initial recognition they are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- upon initial recognition they are designated by the entity as at fair value through profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than:

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

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Bank has the positive intention and ability to hold to maturity other than:

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

Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

4 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Recognition of Financial Instruments in the Financial Statements. The Bank recognises a financial asset in its statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are recognised at the settlement date.

Measurement of Financial Instruments. When a financial asset or financial liability is recognised initially, an entity shall measure it at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

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

– loans and receivables measured at amortised cost using the effective interest method;

– held-to-maturity investments measured at amortised cost using the effective interest method;

– investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Such instruments are recognised in non-consolidated financial statements at actual costs.

All financial liabilities, except for financial liabilities at fair value through profit or loss and financial liabilities that arise when a transfer of a financial asset measured at fair value does not qualify for derecognition, are measured at amortised cost.

Amortised Cost. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment. Premiums and discounts, as well as transaction costs, are included in the carrying amount of a relative instrument and amortised using the effective interest rate of the instrument.

Fair Value Measurement. *Fair value* is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value is the current bid price for financial assets and asking price for financial liabilities quoted in the active market. For the assets and liabilities with offsetting market risks, the Bank may use mid-market prices as a basis for establishing fair values for the offsetting risk positions and apply the bid or asking price to the net open position as appropriate. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange or any such organisation, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

4 Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

Fair Value Measurement (continued). Valuation techniques, such as discounted cash flow analysis, as well as techniques using reference to similar arm's length market transactions or current value of investee, are used to establish fair value of a financial instrument for which the market is not active. Calculations under those valuation techniques may require the management to use judgements not supported by observable market data. Reasonable changes in those judgements will result in material changes in the profit, income, total assets or liabilities disclosed in these financial statements.

Gains and Losses Arising from Subsequent Revaluation. A gain or loss arising from a change in the fair value of a financial asset or financial liability is recognised as follows:

- A gain or loss on a financial instrument classified as at fair value through profit or loss are recognised in profit or loss;

- A gain or loss on an available-for-sale financial asset is recognised in equity in other comprehensive income, except for impairment losses and foreign exchange gains and losses on available-for-sale debt instruments, until the financial asset is derecognised. At that time the cumulative gain or loss previously recognised in other comprehensive income are reclassified from equity to profit or loss. Interest income on an available-for-sale financial asset is recognised using the effective interest rate in profit or loss when the right to receive payment is established.

For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

Derecognition of financial assets. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

The Bank writes off the assets that have been found non-recoverable.

REPO and Reverse REPO

Securities sold together with an agreement for the seller to buy back the securities (REPO) are recognised as fund raising secured with securities, in which case securities are still recognised in the statement of financial position, and liabilities to counterparties included in REPO payables are recognised as bank accounts and deposits or current client accounts and deposits, as appropriate. Difference between the selling price and the repurchase price is the interest expense and is recognised as profit or loss for the period in which REPO took place using the EIR method.

Securities acquired under reverse repurchase agreements (reverse REPO) included in reverse REPO receivables are carried to loans and advances to banks or loans to customers, as appropriate. The difference between purchase price and reverse selling price is interest income and is recognised in profit or loss for the period of the REPO transaction using the effective interest rate method.

Where assets acquired under REPO agreements are sold to third parties, the obligation to buy back the securities is recognised as the liability held for trading, and is measured at fair value.

4 Summary of Significant Accounting Policies (continued)

Offsetting. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Fixed assets. Fixed assets are stated at cost, or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises of the Bank are subject to revaluation with sufficient frequency to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. They were last revalued in 2009. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation surplus in equity; all other decreases are charged to profit and loss for the year. The revaluation reserve for fixed assets included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Bank. In the latter case, the amount of the surplus realised is the difference between depreciation based on the revaluated carrying amount of the asset and depreciation based on the asset's original cost.

Costs of minor repairs and maintenance are expensed when incurred. Cost of replacing major parts or components of fixed assets items are capitalised and the replaced part is retired.

At the end of each reporting period management assesses whether there is any indication of impairment of fixed assets. If any such indication exists management estimates the recoverable amount, which is determined as the higher of an asset fair value less cost to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognized in profit or loss for the year, to the extend it exceeds the previous revaluation surplus in equity. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expense).

Depreciation. Land is not depreciated. Depreciation on other items of fixed assets is calculated using the straight-line method to allocate their cost or revaluated amounts to their residual values over their estimated useful lives as follows:

Premises	100 years
Computer Equipment	5 years
Other assets	2-14 years

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The residual value of an asset is nil if the Bank expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

4 Summary of Significant Accounting Policies (continued)

Intangible Assets. Intangible assets acquired are reported in the financial statements at actual costs less accumulated amortisation and impairment loss. All of the Bank's intangible assets have definite useful life and primarily include capitalised computer software.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads.

All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of five years.

Impairment

Financial assets carried at amortised cost. Financial assets carried at amortised cost include primarily loans and other receivables (hereinafter "loans and receivables"). The Bank reviews loans and receivables for impairment on a regular basis. A loan or account receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or account receivable (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan that can be reliably estimated.

Objective evidence that financial assets are impaired includes non-performance of obligations (default) or delinquency in payments by the borrower, the borrower's non-performance of contractual obliogations or a breach of contract, restructuring of a loan or advance which the Bank would not otherwise consider, indication of the borrower's or issuer's possible bankruptcy, disappearance of an active market for the securities, decrease in the value of collateral or other observable data related to the group of assets, such as adverse changes in the payment status of borrowers in the group or changes in economic conditions that correlate with defaults of the borrowers in the group.

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

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the carrying amount of a loan or account receivable and the present value of estimated future cash flows (including recoverable amount of guarantees and collateral) discounted at the original effective interest rate on a loan or account receivable. Contractual cash flows and historical experience of losses incurred adjusted for the relevant available information reflecting current economic conditions are used to estimate cash flows.

In some cases, available information required to determine the impairment loss on a loan or account receivable may be limited or be no longer consistent with the current conditions and circumstances. This may be the case with a borrower having financial difficulties, while an available information on similar borrowers being limited. In such cases the Bank uses its experience and judgements to determine the impairment loss.

4 Summary of Significant Accounting Policies (continued)

Impairment (continued)

All impairment losses on loans and receivables are recognised in profir or loss and shall be reversed only if in a subsequent period the recoverable amount increases and the increase can be objectively related to an event occurring after the impairment loss was recognised.

Where the loan is non-recoverable, the loan is written down with the use of relevant provision for loan impairment. Such loans (and any relevant provisions for loan impairment) are written down after the management has determined that the loans cannot be recovered and all necessary procedures to recover the debts have been completed.

Financial assets carried at actual costs. Financial assets carried at actual costs include unquoted equity instruments classified as available-for-sale financial assets that are not carried at fair value since their fair value cannot be reliably measured. If there is objective evidence that such investments have been impaired, the amount of the loss is measured as the difference between the carrying amount of investments and the present value of estimated future cash flows discounted at the current market rate of return on similar financial assets.

All impairment losses on those investments are recognised in profit or loss and non-reversible.

Available-for-sale financial assets. The impairment loss on available-for-sale financial assets is recognised by reclassifying the cumulative loss that had been recognised in other comprehensive income to profit or loss as a reclassification adjustment. The amount of the cumulative loss that is reclassified from other comprehensive income to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Changes in the provision for impairment due to the time value of money are recognised as a component of interest income.

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is an objective evidence of impairment.

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

Provisions. Provision is recorded in the statement of financial position, when the Bank has a legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. If the amount of such obligation is considerable, provisions are determined by discounting estimated future cash flows at the pre-tax discount rate that reflects the current time value of money and, where applicable, risks inherent in the obligation.

4 Summary of Significant Accounting Policies (continued)

Credit Related Commitments. In the course of its normal economic operations the Bank enters into credit related commitments, including loan facilities, letters of credit and financial guarantees.

A financial guarantee contract is a contract that requires the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised at their fair value, less associated transaction costs and subsequently measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the commitment at reporting date. Provisions for expenditure required to settle the financial guarantees and other credit related commitments are recognised where there is a likelihood of losses to be incurred which can be reliably estimated. Financial guarantees and provisions for other credit related commitments are recognised in other liabilities.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Taxes. The income tax expense comprises current tax and deferred tax and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to the taxation authorities in respect of taxable profit for the year computed at the tax rates that are enacted, or substantively enacted, at the reporting date, as well as all adjusted income tax liabilities for prior years.

Deferred income tax is provided using the balance sheet liability method for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is recognised based on the expected manner of recovery or settlement or calculation of carrying amount of assets and liabilities at the tax rates that are enacted, or substantively enacted, at the reporting date.

Deferred tax asset is recorded only to the extent that it is likely that future taxable profit will be available against which the relevant temporary differences and unused tax losses and credits can be utilised. Deferred tax assets are decreased to the extent that it is no longer probable that associated tax benefits will be received.

Recognition of Income and Expense. *Recognition of Interest Income and Expense.* Interest income and expense are recognized on an accrual basis 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 present value 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 impairment, 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. Interest earned on assets at fair value is classified within interest income.

Recognition of Commission Income and Expense. Origination fee, as well as related direct and implicit lending costs, are recognised as an adjustment to the effective interest rate. Loan service fees and other commission fees are recorded once a related service is rendered.

4 Summary of Significant Accounting Policies (continued)

Pension Obligations

In compliance with the legal requirements, the Bank makes contributions to pension funds chosen by the employees out of the employee salaries. Pension obligations are expensed as employee benefits in profit or loss for the periods in which the employees provided respective services under employment contracts.

Upon retirement of an employee, all pension payments are made by the pension funds. The Bank has no other pension scheme and bears no other obligations to pay any additional amounts.

5 New Standards and Interpretations Not Yet Effective

A number of new standards, amendments to the standards and interpretations were not yet effective as at 31 December 2012 and were not used in preparation of these financial statements. The new standards and interpretations described below may have a potential effect on the Bank's operations. The Bank intends to adopt those standards, amendments and interpretations once they are effective.

The Bank has not yet analysed possible implications of adoption of the new standards as to their effect on the Bank's financial position and performance, and accordingly has not adopted them early:

IFRS 9 *Financial Instruments* if effective for annual periods beginning on or after 1 January 2015. The new standard will be issued in several phases to finally replace IAS 39 *Financial Instruments: Recognition and Measurement.* Phase 1 addressing classification and measurement of financial assets was completed in November 2009.

Phase 2 addressing classification and measurement of financial liabilities was published in October 2010. The remaining parts of the standard are expected to be issued during 2013. The Bank acknowledges that the new standard introduces numerous changes in the accounting for financial instruments and is likely to have a material effect on non-consolidated financial statements of the Bank. Those changes will be analysed in the course of the project as the other parts of the standard are issued.

IFRS 13 *Fair Value Measurement* give a definition of fair value, establishes a single source of guidance under IFRS for all fair value measurements and establishes disclosure requirements of fair value. The standard provides guidance on how to measure fair value under IFRS when fair value is required or permitted. IFRS 13 does not introduce new requirements to measurement of assets or liabilities at fair value, does not change when an entity is required to use fair value under IFRS, and does not deal with presentation of changes in fair value. This Standard becomes effective for annual periods beginning on or after 1 January 2013. Early adoption is permitted.

Adoption of IFRS 13 may have an effect on measurement of the Bank's assets and liabilities carried at fair value. Currently, the Bank is estimating the possible effect of IFRS 13 on its financial position and financial performance.

Amendment to IAS 19 Employee Benefits

The amendment significantly changes accounting for employee benefits accounting, particularly, it eliminates possibility of deferred recognition of changes in assets and obligations of a funded benefit plan (a so called Corridor Method). Besides, the amendment restricts change of net defined benefit assets (obligations) recognised as income or loss, net interest income (expense) and services cost. The amendment is effective for annual periods beginning on or after 1 January 2013. The bank does not conduct such operations.

5 New Standards and Interpretations Not Yet Effective (continued)

IFRS 12 *Disclosure of Interests in Other Entities* issued in May 2011 is a new standard including a large range of disclosure requirements of all types of interests in other entities, including subsidiaries, joint arrangements, associates and structured entities. The Standard is effective for annual reporting periods beginning on or after 1 January 2013. Early adoption is permitted.

The Bank believes that this change will have no effect on the Bank's financial position or financial performance.

Different Improvements to IFRS are considered as applied to each standard separately. All amendments resulting in changes in accounting for presentation, recognition or measurement purposes are effective since or after 1 January 2013. The Bank has not yet analysed possible effect of the Improvements on its financial position or performance.

Comparative information

Reclassification. Comparative figures have been reclassified to conform to changes in presentation in the current year. Management believes that this presentation is more appropriate and leads to a more transparent reporting in accordance with IFRS. The effect of reclassification is as follows:

Statement of comprehensive income	According to the previous classification	Effect of reclassification	After reclasification
Interest income	1 544 526	(21 109)	1 523 417
Interest expense	(532 434)	10 994	(521 440)
Other operating income	2 237	9 460	11 697
Net income from financial assets available for sale	-	655	655
	1 014 329	-	1 014 329

6 Cash and Cash Equivalents

(in thousands of Tenge)	31 December 2012	31 December 2011
Cash on hand	**2 759 373**	**993 548**
Cash balances with the NBRK	**3 212 977**	**2 204 512**
Term deposits (overnight)		
- with a credit rating "BBB"	248 102	-
Total term deposits	**248 102**	-
Accounts of the "Nostro" with other banks		
- with a credit rating "A"	1 936 803	1 313 336
- with a credit rating "BBB"	34 541	9 015
- with a credit rating from "BB" to "BB-"	93 578	2 403
- with a credit rating from "B" to "B-"	1 118	-
Totals of accounts of the "Nostro" with other banks	**2 066 040**	**1 324 754**
NBRK notes with maturity less than three months	-	**1 996 630**
Total cash and cash equivalents	**8 286 492**	**6 519 444**

As at 31 December 2012 statutory provisions included to RK National Bank account balances amounted to KZT 1,698,494 thousand (31 December 2011: KZT 1,375,997 thousand).
Credit ratings are presented in accordance with Fitch rating agency scale.

Any of Cash and Cash Equivalents items are neither impaired nor overdue.

As at 31 December 2012 there was one bank owning more than 10% of capital, with the balance of KZT 1,891,377 thousand (31 December 2011: one bank with balance of KZT 1,313,335 thousand).

7 Loans and Advances to Customers

(in thousands of Tenge)	31 December 2012	31 December 2011
Corporate loans	57 963 629	12 551 172
Loans to individuals	9 374 829	3 471 743
Loans and advances to customers before allowance for impairment	**67 338 458**	**16 022 915**
Provision for loan impairment	(2 005 586)	(160 229)
Total loans and advances to customers	**65 332 872**	**15 862 686**

Below is the analysis of changes in provision for impairment by classification of loans to customers for the year ended 31 December 2012:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
At January 1, 2012	**(153 999)**	**(6 230)**	**(160 229)**
Net creation of reserves	(1 634 326)	(210 743)	(1 845 069)
Exchange rate difference	(288)	-	(288)
Provision for loan impairment at 31 December 2012	**(1 788 613)**	**(216 973)**	**(2 005 586)**

Changes in provision for impairment by classification of loans to customers for the year ended 31 December 2011 are as follows:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
At January 1, 2011	**(68 433)**	**(1 014)**	**(69 447)**
Net creation of reserves	(85 560)	(5 215)	(90 775)
Exchange rate difference	(6)	(1)	(7)
Provision for loan impairment at 31 December 2011	**(153 999)**	**(6 230)**	**(160 229)**

7 Loans and Advances to Customers (continued)

Below is the analysis of loans by credit quality as at 31 December 2012:

(in thousands of Tenge)	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Impairment-to-loans before impairment rate, %
Loans to large entities				
Total individually impaired loans	-	-	-	
Collectively impaired loans	4 911 042	(21 147)	4 889 895	0,4
Total loans to large entities	**4 911 042**	**(21 147)**	**4 889 895**	**0,4**
Loans to small and medium entities				
Individually impaired loans				
- not overdue	20 497 642	(88 161)	20 409 481	0,4
- past due less than 30 days	571 221	(571 221)	-	100,0
- past due from 30 to 90 days	3 456	(3 456)	-	100,0
- past due from 91 to 180 days	849 463	(827 205)	22 258	97,4
- past due from 181 to 360 days	156 649	(144 165)	12 484	92,0
Total individually impaired loans	**22 078 431**	**(1 634 207)**	**20 444 224**	**7,4**
Collectively impaired loans				
- not overdue	30 974 156	(133 258)	30 840 897	0,4
Total collectively impaired loans	**30 974 156**	**(133 258)**	**30 840 897**	**0,4**
Total loans to small and medium entities	**53 052 587**	**(1 767 465)**	**51 285 121**	**3,3**
Total corporate loans	**57 963 629**	**(1 788 613)**	**56 175 016**	**3,1**

Consumer and other loans to individuals	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Impairment-to-loans before impairment rate, %
Individually impaired loans				
- not overdue	156 551	(156 551)	-	100,0
- past due from 30 to 90 days	9 854	(9 854)	-	100,0
- past due from 91 to 180 days	28 550	(28 550)	-	100,0
- past due from 181 to 360 days	7 615	(7 615)	-	100,0
- past due more than 360 days	539	(539)	-	100,0
Total individually impaired loans	**203 109**	**(203 109)**	-	**100,0**
Collectively impaired loans				
- not overdue	8 963 789	(13 547)	8 950 242	0,2
- past due less than 30 days	178 891	(275)	178 616	0,2
- past due from 30 to 90 days	28 727	(42)	28 685	0,1
- past due more than 360 days	313	-	313	-
Total collectively impaired loans	**9 171 720**	**(13 864)**	**9 157 856**	**0,2**
individuals	**9 374 829**	**(216 973)**	**9 157 856**	**2,3**

7 Loans and Advances to Customers (continued)

Below is the analysis of loans by credit quality as at 31 December 2011:

(in thousands of Tenge)	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Impairment-to-loans before impairment rate, %
Loans to large entities				
Individually impaired loans	-	-	-	-
Collectively impaired loans	-	-	-	-
- not overdue	3 320 201	(19 921)	3 300 280	0,6
Total collectively impaired loans	**3 320 201**	**(19 921)**	**3 300 280**	**0,6**
Total loans to large entities	**3 320 201**	**(19 921)**	**3 300 280**	**0,6**
Loans to small and medium entities				
Individually impaired loans				
- not overdue	593 367	(82 300)	511 067	13,9
- past due from 30 to 90 days	177 988	(1 061)	176 927	0,6
- past due from 91 to 180 days	70 241	(347)	69 894	0,5
Total individually impaired loans	**841 596**	**(83 708)**	**757 888**	**9,9**
Collectively impaired loans				
- not overdue	8 389 375	(50 370)	8 339 005	0,6
Total collectively impaired loans	**8 389 375**	**(50 370)**	**8 339 005**	**0,6**
Total loans to small and medium entities	**9 230 971**	**(134 078)**	**9 096 893**	**1,5**
Total corporate loans	**12 551 172**	**(153 999)**	**12 397 173**	**1,2**

Consumer and other loans to individuals	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Impairment-to-loans before impairment rate, %
Individually impaired loans				
- not overdue	-	-	-	-
- past due less than 30 days	61 652	(68)	61 584	0,1
- past due from 30 to 90 days	501	(1)	500	0,2
Total individually impaired loans	**62 153**	**(69)**	**62 084**	**0,1**
Collectively impaired loans				
- not overdue	3 409 590	(6 161)	3 403 429	0,2
Total collectively impaired loans	**3 409 590**	**(6 161)**	**3 403 429**	**0,2**
individuals	**3 471 743**	**(6 230)**	**3 465 513**	**0,2**

7 Loans and Advances to Customers (continued)

The following is information on collateral as at 31 December 2012:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total	%
Unsecured loans	**191 755**	**2 040 027**	**2 231 782**	**3,3%**
Loans collateralised by:				
-assets received in future contracts	13 979 501	-	13 979 501	20,8%
- real estate	12 908 597	4 711 961	17 620 558	26,2%
- third party guarantees	12 377 597	908 772	13 286 369	19,7%
- goods in circulation and goods coming in the future	9 925 603	-	9 925 603	14,7%
- cash	3 501 733	1 335 256	4 836 989	7,2%
- equipment	1 161 081	-	1 161 081	1,7%
- combined provision	917 777	-	917 777	1,4%
-transport	335 503	171 541	507 044	0,8%
- other assets	2 664 482	207 272	2 871 754	4,3%
Total loans and advances to customers	**57 963 629**	**9 374 829**	**67 338 458**	**100,0%**

As at 31 December 2012 total cash collateral on corporate loans amounted to KZT 5,270,922 thousand, on loans to individuals – KZT 1,068,851 thousand.

The following is information on collateral as at 31 December 2011:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total	%
Unsecured loans	**12 000**	**152 425**	**164 425**	**1,0%**
Loans collateralised by:				
- real estate	4 157 380	816 239	4 973 619	31,0%
- goods in circulation and goods coming in the future	2 082 213	14 798	2 097 011	13,1%
- assets receiving in the future under contracts	1 767 941	-	1 767 941	11,0%
- third party guarantees	1 383 731	10 597	1 394 328	8,7%
- equipment	1 241 803	-	1 241 803	7,8%
- cash	1 013 513	1 422 340	2 435 853	15,2%
- securities and precious metals	103 091	906 962	1 010 053	6,3%
- other assets	789 500	148 382	937 882	5,9%
Total loans and advances to customers	**12 551 172**	**3 471 743**	**16 022 915**	**100%**

7 Loans and Advances to Customers (continued)

The following shows the structure of risk concentration of client's loan portfolio by industries:

(in thousands of Tenge)	31 December 2012 Amount	%	31 December 2011 Amount	%
Wholesale trade and trade through agents	19 545 786	29%	5 145 532	32%
Construction, includings:	11 092 347	16%	1 620 145	10%
- construction of housing	3 178 735	-	-	-
- working capital financing	7 437 395	-	964 340	-
- acquisition of fixed assets	476 217	-	655 805	-
Individuals	9 374 829	14%	3 471 743	22%
Services providing	5 494 489	8%	539 133	3%
Other professional, scientific and technical activities	3 727 163	6%	2 345 333	15%
Financial intermediation	3 089 483	5%	193 379	1%
Rental, leasing, and real estate transactions	2 634 404	4%	-	-
Mining	2 236 258	3%	120 404	1%
Retail trade	904 763	1%	116 142	1%
Electricity production and transfer	769 710	1%	731 724	5%
Food production	815 596	1%	30 239	-
Furniture and other production	610 878	1%	612 646	4%
Plant and animal breeding	3 893 114	6%	224 463	1%
Metallic production	656 241	1%	555 827	3%
Non-metallic mineral production	1 123 216	2%	-	-
Computers	1 152 598	2%	151 510	1%
Health service	217 583	-	-	-
Others	-	-	164 695	1%
Total loans and advances to customers (before provision for loan impairment)	**67 338 458**	**100%**	**16 022 915**	**100%**

(in thousands of Tenge)	31 December 2012 Amount	%	31 December 2011 Amount	%
Loans and advances to customers				
Consumer loans	8 431 363	90%	3 211 075	92%
Mortgage loans	857 780	9%	240 614	7%
Loans for car purchase	85 686	1%	20 054	1%
Total loans and advances to customers	**9 374 829**	**100%**	**3 471 743**	**100%**

As at 31 December 2012 the Bank has 11 borrowers or groups of related borrowers (31 December 2011: 12), the loans whereof are of more than 10% of the capital. Total loan balances of borrowers specified as at 31 December 2012 was KZT 22,091,522 thousand (31 December 2011: KZT 5,895,780 thousand).

7 Loans and Advances to Customers (continued)

In assessing impairment of loans and advances to customers, the Bank applies the following key assumptions and judgments:

- Individually significant (more than 10% of equity) loans that are considered individually in determining the provision for impairment are allocated as part of the loan portfolio.
- Loans that are not individually significant, and have no signs of impairment are grouped with similar credit risk characteristics and evaluated together for impairment.
- Evaluation is made in the context of corporate and retail customers.
- In order to identify impairment, the Bank performs complex analysis of corporate clients' financial position. If there is no objective evidence of impairment, the collective impairment rate of the group similar by credit risk characteristics shall be applied to individually significant loans.
- The collective impairment rate is calculated on historical cost basis of the Bank and is defined as the average ratio of overdue and written off loans to total loans that are not individually significant.

The interest rate analysis of customer accounts is disclosed in Note 22. The relevant information on related parties is disclosed in Note 27.

8 Financial Assets Available-for-Sale

Below is the analysis of debt securities by credit quality as at 31 December 2012 and 2011:

(in thousands of Tenge)	31 December 2012	31 December 2011
Kazakhstan government bonds		
Government securities of the Ministry of Finance of the Republic of Kazakhstan	7 425 242	2 401 412
NBRK notes	994 687	5 850 396
Samruk-Kazyna SWF securities	304 840	307 183
Total government bonds	**8 724 769**	**8 558 991**
Foreign government bonds		
International financial organization securities	214 687	-
Foreign government securities	646 150	-
Total foreign government bonds	**860 837**	-
Corporate bonds	**3 026 779**	**1 044 563**
Total debt securities	**12 612 385**	**9 603 554**

8 Financial Assets Available-for-Sale (continued)

Below is the analysis of debt securities by credit quality as at 31 December 2012:

(in thousands of Tenge)	Government securities of the Ministry of Finance of the RK	NBRK notes	Samruk-Kazyna SWF securities	International financial organization securities	Foreign government securities	Corporate bonds	Total
Neither past due nor impaired							
Standard & Poor" s: "AAA"	-	-	-	164 400	-	-	164 400
Standard & Poor" s: "A-"	-	-	-	50 287	-	-	50 287
Standard & Poor" s: "BBB+"	7 425 242	994 687	304 840	-	-	-	8 724 769
Standard & Poor" s: "BBB"	-	-	-	-	646 150	1 658 630	2 304 780
Standard & Poor" s: "BBB-"	-	-	-	-	-	877 971	877 971
Moody"s Investors Service: "Ba3"	-	-	-	-	-	490 178	490 178
Total neither past due nor impaired	**7 425 242**	**994 687**	**304 840**	**214 687**	**646 150**	**3 026 779**	**12 612 385**

Below is the analysis of debt securities by credit quality as at 31 December 2011:

(in thousands of Tenge)	Government securities of the Ministry of Finance of the RK	NBRK notes	Samruk-Kazyna SWF securities	International financial organization securities	Foreign government securities	Corporate bonds	Total
Neither past due nor impaired							
Fitch Ratings: "BBB-"	-	-	-	-	-	539 872	539 872
Moody's: "Ba3"	-	-	-	-	-	504 691	504 691
Standard & Poor's: "BBB+"	2 401 412	5 850 396	307 183	-	-	-	8 558 991
Total neither past due nor impaired	**2 401 412**	**5 850 396**	**307 183**	-	-	**1 044 563**	**9 603 554**

9 Fixed and Intangible Assets

As at 31 December 2012 and 2011 Property, Plant and Equipment comprise fully depreciated PP&E for the amount of KZT 23,632 thousand and KZT 33,812 thousand respectively.

(in thousands of Tenge)	Premises and land	Computer equipment	Vehicles	Equipment and other	Capital repairs of leased fixed assets	Fixed assets under construction and leased buildings	Total fixed assets	Intangible assets	Total
Cost or valuation at 1 January 2011	**579 235**	**20 414**	**3 242**	**44 397**	-	-	**647 288**	**21 477**	**668 765**
Additions	71 713	63 426	5 100	186 140	47 373	126 052	499 804	46 141	**545 945**
Disposals	-	(1 020)	(3 242)	(3 002)	-	-	(7 264)	-	**(7 264)**
Cost or valuation at 31 December 2011	**650 948**	**82 820**	**5 100**	**227 535**	**47 373**	**126 052**	**1 139 828**	**67 618**	**1 207 446**
Additions	2 572	69 986	148 729	208 254	113 557	79 690	622 788	233 642	**856 430**
Disposals	-	(3 662)	(1 540)	(12 038)	-	-	(17 240)	(520)	**(17 760)**
Transfer	-	-	-	-	55 636	(126 052)	(70 416)	70 416	-
Cost or valuation at 31 December 2012	**653 520**	**149 144**	**152 289**	**423 751**	**216 566**	**79 690**	**1 674 960**	**371 156**	**2 046 116**
Accumulated amortisation at 1 January 2011	**(5 886)**	**(9 458)**	**(1 351)**	**(22 165)**	-	-	**(38 860)**	**(16 592)**	**(55 452)**
Amortisation charge	(5 614)	(6 953)	(286)	(8 982)	(1 680)	-	(23 515)	(4 276)	**(27 791)**
Disposals	-	1 020	1 594	2 565	-	-	5 179		**5 179**
Accumulated amortisation at 31 December 2011	**(11 500)**	**(15 391)**	**(43)**	**(28 582)**	**(1 680)**	-	**(57 196)**	**(20 868)**	**(78 064)**
Amortisation charge	(6 370)	(22 376)	(9 505)	(52 339)	(39 143)	-	(129 733)	(37 880)	**(167 613)**
Disposals	-	3 120	15	9 679	-	-	12 814	388	**13 202**
Accumulated amortisation at 31 December 2012	**(17 870)**	**(34 647)**	**(9 533)**	**(71 242)**	**(40 823)**	-	**(174 115)**	**(58 360)**	**(232 475)**
Carrying amount at 31 December 2011	**639 448**	**67 429**	**5 057**	**198 953**	**92 055**	**79 690**	**1 082 632**	**46 750**	**1 129 382**
Carrying amount at 31 December 2012	**635 650**	**114 497**	**142 756**	**352 509**	**175 743**	**79 690**	**1 500 845**	**312 795**	**1 813 640**

10 Other Assets

(in thousands of Tenge)	31 December 2012	31 December 2011
Financial assets		
Investments	100 030	100 030
Debtors on guarantees	346 698	-
Interest on loans and deposits prepaid	84 207	-
Other financial assets	36 891	556 307
Provision for impairment	(39 329)	-
Total other financial assets	**528 497**	**656 337**
Non-financial assets		
Prepayments for goods and services	14 763	66 852
Prepayments for the services of a capital nature	20 874	81 735
Inventories	31 808	14 563
Other non-financial assets	15 911	678
Provision for impairment	(1 007)	-
Total other non-financial assets	**82 349**	**163 828**
Total other assets	**610 846**	**820 165**

The analysis of changes in provisions is as follows:

(in thousands of Tenge)	Financial Assets	Other Assets	Total
At 1 January, 2012	-	-	-
Net creation of reserves	(39 329)	(1 007)	(40 336)
Provision for impairment of other assets at 31 December 2012	**(39 329)**	**(1 007)**	**(40 336)**

11 Customer Accounts

(in thousands of Tenge)	31 December 2012	31 December 2011
State and public organisations		
- Current/settlement accounts	3 493 167	224 240
- Term deposits	7 472 777	1 017 573
- Deposits which are collateral for liabilities	560 184	-
Other legal entities	-	-
- Current/settlement accounts	17 655 196	6 842 421
- Term deposits	17 798 234	17 596 894
- Deposits which are collateral for liabilities	9 382 090	1 225 687
- Other deposits	31 792	2 372
Individuals	-	-
- Current/demand accounts	359 913	210 180
- Term deposits	14 816 879	4 608 722
- Deposits which are collateral for liabilities	1 389 814	1 380 016
Total customer accounts	**72 960 046**	**33 108 105**

11 Customer Accounts (continued)

Resolution of the Board of RK National Bank prohibiting acceptance of deposits from individuals up to 9 January 2013 applied only to acceptance of new deposits from individuals and opening new personal accounts.

As at 31 December 2012, the Bank had 11 customers with balances over 10% of the Bank's capital (31 December 2011: 10). Total balance of those customers was KZT 36,090,321 thousand (31 December 2011: KZT 22,290,277 thousand).

12 Other liabilities

(in thousands of Tenge)	31 December 2012	31 December 2011
Financial liabilities		
Accounts payable	46 383	37 991
Other financial liabilities	34 501	325
Total other financial liabilities	**80 884**	**38 316**
Non-financial liabilities		
Accrued employee costs	54 281	18 326
Accounts payable for goods and services	22 025	10 304
Accounts payable for capital expenditures	22 313	20 469
Other non-financial liabilities	8 871	27 534
Total non-financial liabilities	**107 490**	**76 633**
Total other liabilities	**188 374**	**114 949**

13 Share Capital

Below is the structure of the share capital as at 31 December 2012 and 31 December 2011:

(In thousands of Tenge except for number of shares)	Number of outstanding shares (in thousands)	Common Stock	Preferred Stock
At 1 January 2011	**332 290**	**3 322 900**	-
Shares issuance	167 710	1 677 100	-
At 31 December 2011	**500 000**	**5 000 000**	-
Shares issuance	950 000	5 000 000	4 500 000
At 31 December 2012	**1 450 000**	**10 000 000**	**4 500 000**

As at 31 December 2012 and 31 December 2011, the authorised share capital of the Bank made 1,500,000 of ordinary and 500,000 of preference shares. As at the reporting date, ordinary shares were paid for the amount of KZT 10,000,000 thousand, and preference shares – for the amount of KZT 4,500,000 thousand (31 December 2011: ordinary shares for the amount of KZT 5,000,000 thousand).

As at 31 December 2012 and 2011 the nominal value of one ordinary share with one-vote right was KZT 10,000. The nominal value of one preference share was KZT 10,000 as well.

13 Share Capital (continued)

Reserve Fund

In accordance with applicable laws and regulations of the NBRK, the Bank transferred retained earnings to provision for general bank risks and future losses. For the period ended 31 December 2012 the Bank transferred KZT 22,633 thousand (31 December 2011: KZT 44,156 thousand) to the reserve fund. Funds with common bank reserve may only be distributed with authorization of the shareholders.

Statutory Provision

As at 31 December 2012 statutory provision which reflects the difference between provision for impairment accrued according to IFRS, and the provision provided to the regulator according to regulatory requirements, amounted to KZT 128,583 thousand (not audited). The difference is caused by distinctions in provision for impairment calculation methodology, and mainly by distinction in assessing the effect collateral has on level of provision for impairment. The provision is accrued with retained earnings appropriation in accordance with regulatory requirements of the regulator.

14 Earnings per Share

The followings are the carrying amounts of one ordinary and one preference share as at 31 December 2012 and 2011:

Shares	31 December 2012			31 December 2011		
	Number of outstanding shares	Net assets	Book value per share	Number of outstanding shares	Net assets	Book value per share
Common	1 000 000	10 571 006	10 571	500 000	5 422 171	10 844
Preferred	450 000	4 500 000	10 000	-	-	-

Calculation of basic earnings per share belonging to the shareholders is as follows:

(in thousands of Tenge)	31 December 2012	31 December 2011
Profit for the year	**400 587**	**20 073**
Less dividends that may be paid to preferred shareholders in case of full profit distribution	360 000	-
Net profit attributable to common shareholders	40 587	20 073
Average weighted common shares to calculate basic and diluted earnings per share	1 013 846	406 047
Basic and diluted earnings per share on the profit attributable to the Bank's shareholders (KZT per share)	40	49

15 Interest Income and Expense

(in thousands of Tenge)	2012	2011
Interest income		
Loans to customers	5 958 652	1 409 625
Investment securities available-for-sale	479 135	111 076
Reverse REPO transaction	7 279	1 701
Correspondent accounts in other banks	1 126	267
Due from other banks	11 236	748
Total interest income	**6 457 428**	**1 523 417**
Interest expense		
Term deposits	2 278 431	516 620
REPO transactions	23 797	4 114
Subordinated debt	11 583	706
Total interest expense	**2 313 811**	**521 440**
Net interest income	**4 143 617**	**1 001 977**

16 Fee and Commission Income and Expense

(in thousands of Tenge)	2 012	2 011
Fee and commission income		
- Cash transactions	199 529	61 496
- Transactions on sale and purchase of foreign currency	143 012	27 866
- Settlement transactions	85 155	37 093
- Guarantees issued	397 599	117 631
- Other	23 618	15 571
Total fee and commission income	**848 913**	**259 657**
Fee and commission expense		
- Settlement transactions	13 472	8 041
- Agent's services	35 970	-
- Sale and purchase of securities	10 314	2 349
- Other	3 294	257
Total fee and commission expense	**63 050**	**10 647**
Net fee and commission income	**785 863**	**249 010**

17 Net Income from Foreign Currency Transactions

	2012	2011
Net dealing transactions	226 125	61 543
Net exchange differences	9 822	3 614
Total	**235 947**	**65 157**

18 Net Income from Financial Assets Available-for-Sale

	2012	2011
Government securities of the Republic of Kazakhstan	9 745	-
Other	73 132	655
Total	**82 877**	**655**

19 Administrative and Other Operating Expenses

(in thousands of Tenge)	2012	2011
Staff costs	1 557 255	666 933
Advertising and marketing services	370 506	103 946
Depreciation and amortization	167 613	27 791
Rent expenses	149 504	44 016
Security expenses	141 260	35 607
Professional services	124 970	117 292
Taxes other than on income	118 268	37 577
Contributions to the Deposits Guarantee Fund	100 425	16 038
Repairs and maintenance	50 258	29 604
Expenditures for maintenance and administrative buildings leased	38 200	35 361
Transportation	33 811	10 687
Communication expense	27 648	15 779
Business trip expenses	19 274	6 470
Stationery	12 331	5 850
Representative expenses	5 541	3 915
Staff trainings	4 065	557
Other	138 183	50 862
Total administrative and other operating expenses	**3 059 112**	**1 208 285**

20 Income Tax Expenses

(in thousands of Tenge)	2012	2011
Current income tax expense		
Current tax payable	15 547	-
Income tax overpaid in previous periods	587	-
	16 134	-
Deferred income tax expense		
Origination and reversal of temporary differences	6 112	9 367
Total income tax expense	**22 246**	**9 367**

Tax rate applied to current and deferred taxes is 20% (2011: 20%).

Reconciliation of effective tax rate

(in thousands of Tenge)	2012	%	2011	%
Profit before tax	**422 833**	**100,00**	**29 440**	**100,00**
Income tax at effective income tax rate	84 567	20,00	5 888	20,00
Non-taxable yeild on securities	(78 423)	(18,55)	13 034	44,27
Income tax overpaid in previous periods	587	0,14	-	-
Non-deductible expenses	15 515	3,67	(9 555)	(32,46)
Income tax expenses	**22 246**	**5,26**	**9 367**	**31,82**

20 Income Tax Expenses (continued)

Deferred Tax Requirements and Liabilities

The Bank calculates income tax for the current period on the basis of tax accounting maintained in accordance with the requirements of Tax legislation of the Republic of Kazakhstan where the Bank operates, which may differ from IFRS.

Certain permanent tax differences arise because some expenses are not accounted for tax purposes, and there is non-taxable income.

Deferred tax reflects the tax effect from temporary differences between the carrying amount of assets and liabilities for financial statements purpose, and the amount determined for tax purposes. Temporary differences as at 31 December 2012 and 2011 are mainly related to various methods of income and expense accounting, as well as to the carrying amount of some assets.

Movement of temporary differences for the years ended 31 December 2012 and 31 December 2011 is presented below:

2012 (in thousands of Tenge)	2011	Recognised in profit or loss	Recognised in other comprehensive income	2012
Accrued commission income on loans to customers	2 946	27 228	-	30 174
Vacation reserve	3 653	7 203	-	10 856
Other financial liabilities	58	81	-	139
Deferred tax assets	**6 657**	**34 512**	-	**41 169**
Fixed and intangible assets	(89 216)	(21 187)	-	(110 403)
Revaluation of financial assets available-for-sale	-	-	(29 142)	(29 142)
Provision for impairment of loan portfolio and guarantees	-	(19 437)	-	(19 437)
Deferred tax liabilities	**(89 216)**	**(40 624)**	**(29 142)**	**(158 982)**
Total deferred liabilities	**(82 559)**	**(6 112)**	**(29 142)**	**(117 813)**

2011 (in thousands of Tenge)	2010	Recognised in profit or loss	2011
Accrued commission income on loans to customers	589	2 357	2 946
Other financial liabilities	820	(762)	58
Vacation reserve	560	3 093	3 653
Deferred tax assets	**1 969**	**4 688**	**6 657**
Fixed assets	(75 161)	(14 055)	(89 216)
Deferred tax liabilities	**(75 161)**	**(14 055)**	**(89 216)**
Total deferred liabilities	**(73 192)**	**(9 367)**	**(82 559)**

21 Segment Analysis

The main format for segment reporting of the Bank is to provide information on operating segments.

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the operating decision makers and for which discrete financial information is available. Operating decision maker is a person or group of persons who allocate resources and assess the performance for the entity.

Functions of the operating decision maker are performed by the Bank's Board. The Board regularly uses IFRS-based financial information to make operating decisions and allocate resources.

Products and services as the source of income for each reportable segment
The Bank's operations are organised in three major business segments:

Corporate banking, being direct debit instruments, current accounts, deposits, overdrafts, loans and other lending instruments, currency and derivative products.

Retail banking, being private bank services, private current customer accounts, savings, deposits and consumer loans.

Investment activities on assets and liabilities required to maintain liquidity, the Bank's financing requirements, management of asset and liability.

The table below presents segment information by reportable segment assets for the year ended 31 December 2012:

(in thousands of Tenge)	Corporate banking	Private banking services	Investment banking	Total
Assets				
Due from other banks	9 346	-	-	9 346
Loans and advances to customers	56 185 938	9 146 934		65 332 872
Investment securities available-for-sale	-	-	12 612 385	12 612 385
Other financial assets	336 791	91 676	100 030	528 497
Total segment assets	**56 532 075**	**9 238 610**	**12 712 415**	**78 483 100**
Liabilities				
Customer accounts	56 393 440	16 566 606	-	72 960 046
Other financial liabilities	31 164	49 720	-	80 884
Total segment liabilities	**56 424 604**	**16 616 326**	-	**73 040 930**

21 Segment Analysis (continued)

The table below presents segment information by reportable segment assets for the year ended 31 December 2011:

(in thousands of Tenge)	Corporate banking	Private banking services	Investment banking	Total
Assets				
Due from other banks	1 781	-	-	1 781
Loans and advances to customers	12 397 173	3 465 513		15 862 686
Investment securities available-for-sale	-	-	9 603 554	9 603 554
Amounts receivable under reverse repurchase agreements	-	-	4 933 523	4 933 523
Other financial assets	556 307	-	100 030	656 337
Total segment assets	**12 955 261**	**3 465 513**	**14 637 107**	**31 057 881**
Liabilities				
Customer accounts	26 909 187	6 198 918	-	33 108 105
Amounts payable under repurchase agreements	-	-	96 001	96 001
Other financial liabilities	32 061	5 936	319	38 316
Total segment liabilities	**26 941 248**	**6 204 854**	**96 320**	**33 242 422**

21 Segment Analysis (continued)

The table below presents segment information by performance ratios for the year ended 31 December 2012. This information was revised as compared to the previous presentation.

The Bank has the transfer pricing system, where each business segment either receives transfer income or incurs transfer expense (depending on excess or deficit of resources to finance their active operations) based on predetermined tariffs by currency and timing.

The system provides the Bank with a fair view of interest margin allocation for all operations and allows to determine the profit-earning capacity of each business segment.

(in thousands of Tenge)	Corporate banking	Private banking services	Investment banking	Elimination	Total
Interest income	5 225 269	753 024	479 135	-	6 457 428
Interest expense	(1 324 640)	(989 171)	-	-	(2 313 811)
Internal interest income/expense	(261 398)	413 391	(166 979)	14 986	-
Net interest income	**3 639 231**	**177 244**	**312 156**	**14 986**	**4 143 617**
Net provision for loan portfolio impairment	(1 834 178)	(10 891)	-	-	(1 845 069)
Net interest income after provision for loan portfolio impairment	**1 805 053**	**166 353**	**312 156**	**14 986**	**2 298 548**
Fee and commission income from reportable segments	821 007	27 906	-	-	848 913
Fee and commission expense from reportable segments	(15 957)	(36 451)	(10 642)	-	(63 050)
Net income from foreign currency transactions	235 947	-	-	-	235 947
Net income from financial assets available-for-sale	-	-	82 877	-	82 877
Segment result	**2 846 050**	**157 808**	**384 391**	**14 986**	**3 403 235**

21 Segment Analysis (continued)

The table below presents segment information by performance ratios for the year ended 31 December 2011:

(in thousands of Tenge)	Corporate banking	Private banking services	Investment banking	Elimination	Total
Interest income	1 274 949	135 691	112 777	-	1 523 417
Interest expense	(412 157)	(105 168)	(4 115)	-	(521 440)
Internal interest income/expense	33 636	(10 762)	(145 926)	123 052	-
Net interest income	**896 428**	**19 761**	**(37 264)**	**123 052**	**1 001 977**
Net provision for loan portfolio	(85 560)	(5 215)	-	-	(90 775)
Net interest income after provision for loan portfolio impairment	**810 868**	**14 546**	**(37 264)**	**123 052**	**911 202**
Fee and commission income from reportable segments	250 676	8 981	-	-	259 657
Fee and commission expense from reportable segments	(8 187)	-	(2 460)	-	(10 647)
Net income from foreign currency transactions	65 157	-	-	-	65 157
Net income from financial assets available for sale	-	-	655	-	655
Segment result	**1 118 514**	**23 527**	**(39 069)**	**123 052**	**1 226 024**

Below is the reconciliation of profit, assets and liabilities of reportable segments:

(in thousands of Tenge)	31 December 2012	31 December 2011
Total segment assets	**78 483 100**	**31 057 881**
Fixed assets	1 813 640	1 129 382
Cash and cash equivalents	8 286 492	6 519 444
Other assets	82 349	163 828
Total Assets	**88 665 581**	**38 870 535**
Total segment liabilities	**73 040 930**	**33 242 422**
Current income tax payable	15 547	-
Deferred tax liability	117 813	82 559
Other liabilities	107 490	76 633
Total Liabilities	**73 281 780**	**33 401 614**

21 Segment Analysis (continued)

Below is the reconciliation of profit, assets and liabilities of reportable segments (continued):

(in thousands of Tenge)	2012	2011
Total segment result	**3 403 235**	**1 226 024**
Other operating income	119 046	11 701
Administrative and other operating expenses	(3 059 112)	(1 208 285)
Provisions for impairment of other assets	(40 336)	-
Profit before tax	**422 833**	**29 440**
Income tax expense	(22 246)	(9 367)
Total Income for the year	**400 587**	**20 073**

All of the Bank's income is generated in Kazakhstan. Geographical areas of the Bank's operations are presented in Note 22 to these financial statements based on the physical location of the counterparty, i.e. based on economic risk rather than legal risk of the counterparty.

22 Financial Risk Management

Risk management underlies the banking and is the essential part of the Bank's activities. The risk management function within the Bank is carried out in respect of financial risks (credit, market, geographical, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

Credit risk. The Bank takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Exposure to credit risk arises as a result of the Bank's lending and other transactions with counterparties giving rise to financial assets. The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment.

The Bank developed the policy and procedures to manage the credit risk, including placing limits on the loan portfolio concentration and establishing credit committees, which actively monitor credit risk of the Bank. Bank's Credit Policy is considered and approved by the Board of Directors.

The Bank controls the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers. Such risks are monitored on a revolving basis and subject to an annual or more frequent review.

In addition the Bank has the following concentration limits based on the total amount of finance arrangement of the borrower/group of borrowers:

- limits on the risk concentration;
- limits on collateral concentration;
- limits on industry concentration;
- limits on geographical concentration.

22 Financial Risk Management (continued)

Credit risk (continued). The Bank established several credit committees which are responsible for approving credit limits for borrowers:

- The Board of Directors reviews and approves limits above 20% of the Bank's equity and meets as per the regulations. It is also responsible for issuing guidance to the Credit Committee;
- The Management Board reviews and approves limits from 5% to 20% of equity and meets as per the regulations;
- The Credit Committee of the Bank's Head Office reviews and approves credit limits below 5% of equity and meets as necessary.
- SME Credit Committee, Retail Business Credit Committee, Branch Credit Committees review and approve credit limits within their established powers and meet as necessary.

Loan applications originated by the relevant client relationship managers are passed on to the Credit Committee for approval of credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate and personal guarantees.

In considering applications from individuals for loans, scoring models and procedures for verification of the data specified in loan applications are used, which were developed together with the Risk Department.

Credit risk is monitored through a regular analysis by the Credit Risk Committee of the reports submitted by divisions, using the following criteria:

- customer's business and financial performance;
- compliance with intended use of the credit product;
- adequacy of collateral, and
- deteriorating creditworthiness.

Based on the monitoring results, the Risks Department classifies a loan and, where necessary, internal ratings of the borrowers are reviewed.

Bank Operations Administration Department analyses credits by maturities and subsequently controls past due balances.

The Management Board regularly tracks the level of credit risk by analyzing the management accounts, as well as by holding regular meetings with operational units.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

In the light of current economic environment, the Bank reviews the fair values of all collaterals on the market twice a year.

Market risk. The Bank is exposed to market risks. Market risks arise from open positions in (a) currency, (b) interest rate, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. The Bank carries out stress testing of the market risk sensitivity on a monthly basis, which allows to prevent losses exceeding the established limits in case of more significant changes in the market.

22 Financial Risk Management (continued)

Currency risk. Currency is a risk of origination of expenses (losses) as the result of change of foreign currency exchange rates in the normal course of the Bank's operation. The danger of expenses (losses) arises due to revaluation of the Bank's positions by currencies in value terms. The Bank has assets and liabilities in different foreign currencies. Currency risk arises when existent or forecast assets in some currency exceed or less than existent or forecast liabilities in the same currency.

The Bank manages the currency risk by placing limits on open currency positions of financial instruments, maturities and types of currencies, which are controlled on the regular basis, reconsidered and approved by the authorized body of the Bank.

The Bank is controlling compliance with the established limits on currencies on a daily basis. The table below shows a general analysis of the Bank's currency risk as at 31 December 2012:

	At 31 December 2012		
(in thousands of Tenge)	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Tenge	71 069 993	(56 907 041)	14 162 952
US Dollars	12 930 797	(13 431 788)	(500 991)
Euros	2 417 834	(2 377 931)	39 903
Russian Roubles	348 318	(324 170)	24 148
Pound Sterling	2 650	-	2 650
Total	**86 769 592**	**(73 040 930)**	**13 728 662**

The table below shows a general analysis of the Bank's currency risk as at 31 December 2011:

	At 31 December 2011		
(in thousands of Tenge)	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Tenge	34 159 837	(29 884 097)	4 275 740
US Dollars	2 342 714	(2 345 184)	(2 470)
Euros	1 079 067	(1 077 365)	1 702
Russian Roubles	10 437	(9 598)	839
Total	**37 592 055**	**(33 316 244)**	**4 275 811**

22 Financial Risk Management (continued)

The table below shows changes in financial performance and own funds resulting from possible changes in exchange rates used as at the reporting date, herewith, all other variables remain unchanged:

(in thousands of Tenge)	Impact on profit or loss 31 December 2012	31 December 2011
US Dollars strengthening by 5%	(5 010)	(25)
US Dollars weakening by 5%	5010	25
Euro strengthening by 15%	1197	51
Euro weakening by 15%	(1 197)	(51)
Russian Rouble strengthening by 15%	724	17
Russian Rouble weakening by 15%	(724)	(17)
Total effect of strengthening	**(3 089)**	**43**
Total effect of weakening	**3 089**	**(43)**

The Bank's currency risk as at the reporting date does not reflect a typical risk during a year. The table below shows changes in financial performance and own funds resulting from possible changes in exchange rates used in respect to an average currency risk amount during a year, herewith, all other variables remain unchanged:

(in thousands of Tenge)	Impact on profit or loss Average exposure during 2012	Average exposure during 2011
US Dollars strengthening by 5%	(4 736)	149
US Dollars weakening by 5%	4 736	(149)
Euro strengthening by 15%	987	(149)
Euro weakening by 15%	(987)	149
Russian Rouble strengthening by 10%	707	19
Russian Rouble weakening by 10%	(707)	(19)
Total effect of strengthening	**(3 042)**	**19**
Total effect of weakening	**3 042**	**(19)**

Interest rate risk. The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management sets limits on the level of mismatch of interest rate repricing that may be undertaken and controls their maintenance on a regular basis.

The Bank applies gap analysis for interest rate risk management. The Bank combines financial assets and financial liabilities into periods of maturity or contractual repricing, whichever occurs earlier, and identifies the gap. The positive gap implies that increase in interest rates for this particular maturity would lead to increase of net interest income (decrease of interest rates would lead to decrease of net interest income). The negative gap implies that increase in interest rates for this particular maturity would lead to decrease of net interest income (decrease of interest rates would lead to increase of net interest income).

22 Financial Risk Management (continued)

When interest rates are expected to increase the Bank increases maturity of borrowings; reduces fixed rate loans; reduces maturity of investment portfolio; disposes of securities; and recalls credit lines.

When interest rates are expected to decrease the Bank decreases maturity of borrowings; increases share of fixed rate loans; invests in securities with longer maturity; and extends credit lines.

Also the Bank monitors interest rates for the similar instruments at the market and evaluates probable exposures on weekly basis.

The Banks monitors interest rates for the financial instruments. The table below summarises interest rates based on reports reviewed by the Bank's key management personnel:

In % p.a.	At 31 December 2012		
	Tenge	**USD**	**Other**
Assets			
Cash and cash equivalents	2,03	0,26	1,68
Loans and advances to customers	14,52	14,02	5,00
Investment securities available-for-sale	2,54	2,80	6,98
Liabilities			
Customer accounts	5,34	6,33	4,87
- term deposits of legal entities	4,64	3,29	4,45
- term deposits of individuals	9,79	7,02	4,93

In % p.a.	At 31 December 2011		
	Tenge	**USD**	**Other**
Assets			
Cash and cash equivalents	-	0,94	0,15
Loans and advances to customers	16,58	11,63	5,00
Investment securities available-for-sale	2,80	4,97	-
Liabilities			
Customer accounts			
- term deposits of legal entities	5,18	2,00	-
- term deposits of individuals	9,72	6,49	2,93

The sign "-" in the table above means that the Bank does not have the respective assets or liabilities in corresponding currency.

22 Financial Risk Management (continued)

Geographical risk concentrations. The geographical concentration of the Bank's financial assets and liabilities at 31 December 2012 is set out below:

(in thousands of Tenge)	Kazakhstan	OECD	Other countries	Total
Financial assets				
Cash and cash equivalents	4 520 028	3 378 744	387 720	8 286 492
Due from other banks	9 346	-	-	9 346
Loans and advances to customers	65 332 872	-	-	65 332 872
Investment securities available-for-sale	9 907 939	164 400	2 540 046	12 612 385
Other financial assets	528 489	8		528 497
Total financial assets	**80 298 674**	**3 543 152**	**2 927 766**	**86 769 592**
Financial liabilities				
Customer accounts	72 862 937	60 100	37 009	72 960 046
Other financial liabilities	80 376	508	-	80 884
Total financial liabilities	**72 943 313**	**60 608**	**37 009**	**73 040 930**
Net balance sheet position	**7 355 361**	**3 482 544**	**2 890 757**	**13 728 662**
Credit related commitments 24	**11 053 549**	-	-	**11 053 549**

The geographical concentration of the Bank's financial assets and liabilities at 31 December 2011 is set out below:

(in thousands of Tenge)	Kazakhstan	OECD	Other countries	Total
Financial assets				
Cash and cash equivalents	5 194 810	1 324 634	-	6 519 444
Due from other banks	1 781	-	-	1 781
Loans and advances to customers	15 862 686	-	-	15 862 686
Amounts receivable under reverse repurchase agreements	4 933 523	-	-	4 933 523
Investment securities available-for-sale	9 603 554	-	-	9 603 554
Other financial assets	656 337	-	-	656 337
Total financial assets	**36 252 691**	**1 324 634**	-	**37 577 325**
Financial liabilities				
Customer accounts	33 108 105	-	-	33 108 105
Amounts payable under repurchase agreements	96 001	-	-	96 001
Other financial liabilities	38 316	-	-	38 316
Total financial liabilities	**33 242 422**	-	-	**33 242 422**
Net balance sheet position	**3 010 269**	**1 324 634**	-	**4 334 903**
Credit related commitments 24	**4 079 855**	-	-	**4 079 855**

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Cash on hand and fixed assets have been allocated based on the country in which they are physically held.

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10 percent of equity, industry concentration, geographical concentration, etc.

22 Financial Risk Management (continued)

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw downs, guarantees and from margin and other calls on cash settled derivative instruments.

The Bank does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Bank.

The Bank seeks to maintain a stable funding base comprising primarily amounts due to other banks, corporate and retail customer deposits and invest the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Bank requires considering the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans and monitoring liquidity ratios against regulatory requirements.

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Bank as a whole.

The daily liquidity position is monitored by the Treasury Department, and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Treasury and Risk Departments.

The table below shows liabilities at 31 December 2012 and 31 December 2011 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows and gross loan commitments. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.

When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

22 Financial Risk Management (continued)

The maturity analysis in accordance with contract terms of financial instruments at 31 December 2012 is as follows:

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	28 212 148	7 846 214	24 846 935	12 009 749	45 000	72 960 046
Other financial liabilities	13 201	-	-	67 383	300	80 884
Undrawn credit lines	11 053 549	-	-	-	-	11 053 549
Guarantees issued	2 628 486	8 008 700	10 023 612	51 307	-	20 712 105
Total potential future payments for financial obligations	**41 907 384**	**15 854 914**	**34 870 547**	**12 128 439**	**45 300**	**104 806 584**

The maturity analysis in accordance with contract terms of financial instruments at 31 December 2011 is as follows:

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	12 936 801	4 169 527	11 906 918	4 094 859	-	33 108 105
Amounts payable under repurchase agreements	96 001	-	-	-	-	96 001
Other financial liabilities	38 316	-	-	-	-	38 316
Undrawn credit lines	4 079 855	-	-	-	-	4 079 855
Other liabilities	7 178	20 469	4 771	16 681		49 099
Guarantees issued	3 864 577	128 389	791 245	386 603	-	5 170 814
Total potential future payments for financial obligations	**21 022 728**	**4 318 385**	**12 702 934**	**4 498 143**	-	**42 542 190**

22 Financial Risk Management (continued)

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors expected maturities, which may be summarised as follows at 31 December 2012:

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Cash and cash equivalents	8 286 492	-	-	-	-	8 286 492
Due from other banks	9 346	-	-	-	-	9 346
Loans and advances to customers	8 450 601	10 292 178	20 703 353	23 291 360	2 746 249	65 483 741
Investment securities available-for-sale	12 612 385	-	-	-	-	12 612 385
Other financial assets	373 279	10 661	31 333	11 656	101 568	528 497
Total financial assets	**29 732 103**	**10 302 839**	**20 734 686**	**23 303 016**	**2 847 817**	**86 920 461**
Customer accounts	28 212 148	7 846 214	24 846 935	12 009 749	45 000	72 960 046
Other financial liabilities	13 201	-	-	67 383	300	80 884
Total financial liabilities	**28 225 349**	**7 846 214**	**24 846 935**	**12 077 132**	**45 300**	**73 040 930**
Net liqidity gap at 31 December 2012	**1 506 754**	**2 456 625**	**(4 112 249)**	**11 225 884**	**2 802 517**	**13 879 531**
Cumulative gap at 31 December 2012	**1 506 754**	**3 963 379**	**(148 870)**	**11 077 014**	**13 879 531**	**13 879 531**

22 Financial Risk Management (continued)

The analysis by expected maturities may be summarised as follows at 31 December 2011:

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Cash and cash equivalents	4 522 814	1 996 630	-	-	-	6 519 444
Due from other banks	1 781	-	-	-	-	1 781
Loans and advances to customers	1 031 097	2 087 074	6 687 616	6 046 649	24 980	15 877 416
Amounts receivable under reverse repurchase agreements	4 933 523	-	-	-	-	4 933 523
Investment securities available-for-sale	2 896 379	212 170	5 321 200	318 649	855 156	9 603 554
Other financial assets	869	-	555 438	-	100 030	656 337
Total financial assets	**13 386 463**	**4 295 874**	**12 564 254**	**6 365 298**	**980 166**	**37 592 055**
Customer accounts	12 936 801	4 169 527	11 906 918	4 094 859	-	33 108 105
Amounts payable under repurchase agreements	96 001	-	-	-	-	96 001
Other financial liabilities	38 316	-	-	-	-	38 316
Total financial liabilities	**13 071 118**	**4 169 527**	**11 906 918**	**4 094 859**	**-**	**33 242 422**
Net liqidity gap at 31 December 2011	**315 345**	**126 347**	**657 336**	**2 270 439**	**980 166**	**4 349 633**
Cumulative gap at 31 December 2011	**315 345**	**441 692**	**1 099 028**	**3 369 467**	**4 349 633**	**4 349 633**

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest and exchange rates.

23 Management of Capital

The Bank actively manages its capital adequacy to cover the risks inherent to its operations. The capital adequacy is controlled by the Financial Supervision Committee (FSC).

The key objective of the capital management is to ensure the Bank's compliance with external capital requirements and maintain a high credit rating and capital adequacy ratios necessary to realise and maximise the shareholder value.

The Bank manages its capital structure and adjusts it to reflect changes in economic circumstances and risk characteristics of its activities. As compared to the prior year, no changes were made to the capital management objectives, policies and procedures, however, the Board of Directors has this issue in view on an ongoing basis.

Under the current capital requirements set by the FSC, banks have to maintain a minimum level of regulatory capital and capital adequacy ratios K1 – a ratio of Tier 1 capital to total assets at or above the required minimum of 6 percent (2011: 6 percent) and K2 - a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum of 12 percent (2011: 12 percent).

As at 31 December 2012 the Bank was in compliance with the Committee's requirements to follow prudential standards. As at 31 December 2012 the Bank's ratios were as follows: k1.1 – 16.6%, k1.2 – 17.3%, k2 – 18.0%.

24 Contingencies and Commitments

Legal proceedings

The Bank is potentially subject to legal proceedings with respect to its business operations. As at the reporting date the Bank was not involved in any legal proceedings, accordingly no provision for losses resulting from legal proceedings was formed.

Contingent tax liabilities

Kazakhstani tax legislation is subject to varying interpretations, and changes, which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant authorities.

The Kazakhstani tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to inspections by the authorities in respect of taxes for five calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

The outcome of such tax inspections may not be reliably estimated; however, they may be material for the financial position and/or the entity's operations as a whole.

The management believes that tax liabilities were recognised in the financial statements in full based on the management's interpretation of the current Kazakhstan tax laws and official comments on regulatory documents.

24 Contingencies and Commitments (continued)

Credit related commitments. The Bank has advance commitments. The Bank provides financial guarantees and arranges letters of credit as security for obligations of its customers to the third parties.

When providing contingent liabilities, financial guarantees and letters of credit the Bank applies the same risk management policies and procedures as to provision of loans to customers.

Advance commitments include the undrawn commitment amount authorised by the Bank for providing loans, guarantees or letters of credit. The Bank's advance commitments expose it to the risk of loss equivalent to the total undrawn commitments.

However, the exposure is less than the total amount of advance commitments, as the major part of advance commitments depends on the customers' compliance with certain solvency requirements.

The Bank monitors the remaining maturities of credit related commitments as generally long-term commitments have a higher level of credit risk than short-term commitments.

Credit related commitments are as follows:

(in thousands of Tenge)	**31 December 2012**	**31 December 2011**
Guarantees issued	20 712 105	5 170 814
Undrawn credit lines	11 053 549	4 079 855
Total credit related commitments	**31 765 654**	**9 250 669**

Many of the above commitments may be terminated without a partial or full discharge. Therefore, the above commitments are not expected to result in a cash outflow.

As at 31 December 2012 and 2011 the Bank had no customers with off-balance sheet liabilities exceeding 10% of the total off-balance sheet liabilities.

25 Operating Lease

Operating lease liabilities that cannot be canceled unilaterally as at 31 December were as follows:

(in thousands of Tenge)	**31 December 2012**	**31 December 2011**
Less than a year	156 769	136 765
From 1 to 5 years	458 305	559 298
Total lease liabilities	**615 074**	**696 063**

The Bank entered into a number of premises operating lease agreements. Such agreements are normally signed for initial term from 1 to 5 years with an option of renewal upon expiration thereof. Lease payments are usually increased annually, which reflects market trends. Operating lease liabilities do not include contingencies.

26 Fair Value and Accounting Classifications of Financial Instruments

Below is the information on carrying amount and fair value of financial assets and liabilities as at 31 December 2012 and 31 December 2011:

(in thousands of Tenge)	Loans and receivables	Available-for-sale	Other, carried at amortized cost	Carrying value	Fair value
Assets					
Cash and cash equivalents	8 286 492	-	-	8 286 492	8 286 492
Due from other banks	9 346	-	-	9 346	9 346
Loans and advances to customers	65 332 872	-	-	65 332 872	65 483 741
Investment securities available-for-sale	-	12 612 385	-	12 612 385	12 612 385
Other financial assets	428 467	-	100 030	528 497	528 497
Total assets	**74 057 177**	**12 612 385**	**100 030**	**86 769 592**	**86 920 461**
Liabilities					
Customer accounts	-	-	72 960 046	72 960 046	72 960 046
Other financial liabilities	-	-	80 884	80 884	80 884
Total liabilities	-	-	**73 040 930**	**73 040 930**	**73 040 930**

(in thousands of Tenge)	Loans and receivables	Available-for-sale	Other, carried at amortized cost	Carrying value	Fair value
Assets					
Cash and cash equivalents	6 519 444	-	-	6 519 444	6 519 444
Due from other banks	1 781	-	-	1 781	1 781
Loans and advances to customers	15 862 686	-	-	15 862 686	15 877 416
Amounts recievable under reverse repurchase agreements	-	-	4 933 523	4 933 523	4 933 523
Investment securities available-for-sale	-	9 603 554	-	9 603 554	9 603 554
Other financial assets	556 307	-	100 030	656 337	656 337
Total assets	**22 940 218**	**9 603 554**	**5 033 553**	**37 577 325**	**37 592 055**
Liabilities					
Customer accounts	-	-	33 108 105	33 108 105	33 108 105
Amounts payable under repurchase agreements	-	-	96 001	96 001	96 001
Other financial liabilities	-	-	38 316	38 316	38 316
Total Liabilities	-	-	**33 242 422**	**33 242 422**	**33 242 422**

26 Fair Value and Accounting Classifications of Financial Instruments (continued)

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.
The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distressed sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

For financial instruments carried at fair value, the level in the fair value hierarchy into which the fair values are categorised are as follows:

(in thousands of Tenge)	**31 December 2012 Quoted price in an active market (Level 1)**	**31 December 2011 Quoted price in an active market (Level 1)**
Financial assets		
Investment securities available-for-sale		
Government securities of the Ministry of Finance of the Republic of Kazakhstan	7 425 242	2 401 412
Notes of the NBRK	994 687	5 850 396
Samruk-Kazyna SWF securities	304 840	307 183
International financial organization securities	214 687	-
Foreign government securities	646 150	-
Corporate bonds	3 026 779	1 044 563
Total financial assets carried at fair value	**12 612 385**	**9 603 554**

The methods and assumptions applied in determining fair values. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Bank used valuation techniques.

Financial instruments carried at fair value. Investment securities available for sale are carried on in the statement of financial position at their fair value. Fair values were determined based on quoted market prices.

Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Loans and receivables carried at amortised cost. The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Customer accounts. Customer accounts are carried at amortised cost. Fair values were determined based on average market rates.

Derivative financial instruments. All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. Their fair values are based on observable market prices.

27 Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2012 and 31 December 2011, the outstanding balances with related parties were as follows:

	31 December 2012				31 December 2011			
(in thousands of Tenge)	% rate	Share-holders	Members of the Board	Other	% rate	Share-holders	Members of the Board	Other
Gross amount of loans and advances to customers in KZT	6% - 21%	-	14 793	1 517 322	12% - 16%	-	17 443	552 074
Gross amount of loans and advances to customers in USA Dollars	12,50%	-	-	152 727	-	-	-	-
Current customer accounts	-	25 053	2 052	353 686	-	154 440	412	30 753
Customer accounts, deposit (KZT)	3%-10%	29 669	-	3 699 152	4%-10%	71 712	-	238 780
Customer accounts, deposit (USA)	6,5%-7%	8 084	840 943	971 507	6,5%	-	-	69 402
Undrawn credit lines	-	-	-	-	-	-	-	25 804
Guarantees issued	-	-	-	65 520	-	-	-	-

The income and expense items with related parties for the years ended 31 December 2012 and 31 December 2011 were as follows:

	31 December 2012			31 December 2011		
(in thousands of Tenge)	Shareholders	Members of the Board	Other	Shareholders	Members of the Board	Other
Interest income	-	1 905	141 651	-	2 220	24 868
Interest expense	1 448	42 819	235 217	1 712	-	5 429
Commission income	-	-	-	-	-	-
Administrative and other operating expenses, including:	-	104 100	-	-	-	-
Remuneration of members of the Board	-	32 547	-	-	22 801	-
Remuneration of members of the Board of Directors	-	71 553	-	-	59 613	-

ДЛЯ АУДИТОРСКИХ ОТЧЕТОВ

27 Related Party Transactions (continued)

Other related parties as at 31 December 2012 were legal entities controlled by the Bank's officers or their close relatives, and individuals who are the Bank's officers or their close relatives.

The Bank's policy is to lend funds to related parties if they have an appropriate credit history and provide sufficient guarantees from third parties or pledge collateral valued in excess of the committed credit lines.

28 Subsequent Events

Since 10 January 2013 the License was extended as applicable to deposit acceptance and opening of personal accounts which was suspended in July 2012.

In February 2013 Expert RA Kazakhstan Rating Agency assigned A credit rating to the Bank (high credit rating) and A rating to two of the Bank's planned bond issues (high level).