Eurasian Bank

ON THE RIGHT TRACK

ANNUAL REPORT // 2013

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2013

Eurasian Bank JSC is a Kazakhstani bank offering corporate, SME and retail banking services to its clients. Eurasian Bank ended 2013 as the 9th largest bank in Kazakhstan by assets, with 3.8% of banking sector assets. It operates throughout Kazakhstan from its base in Almaty. It also has a Bank in Moscow, Russia. The Bank has had a B+ rating from Standard & Poor's since 2006, and since July 2013 with a Positive Outlook.

The Bank was founded in 1994 by the shareholders, initially to serve the financial needs of their industrial operations. Over the years, it has grown and diversified its client base to become the universal bank it is today. In 2010 the Bank acquired Troika Dialog Bank in Moscow, giving it a presence in the Russian market, and in 2011 they acquired the ProstoCredit consumer finance operations of Société Générale in Kazakhstan, giving them the platform to become one of the leading retail banking operations in the country. Michael Eggleton joined the Bank as CEO at the end of 2009, and assembled the current management team of local and international experienced experts.

Commercial banking is focused on Natural Resources, Energy and Power, Transport and Agriculture. The Bank has a small presence in Russia to assist Kazakhstan corporates trading within the Customs Union.

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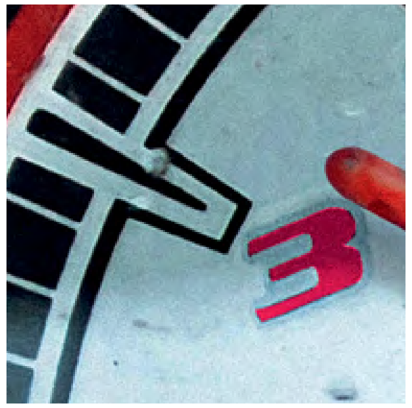

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EURASIAN BANK HIGHLIGHTS

KEY FINANCIAL FIGURES					
KZT BLN	2009	2010	2011	2012	2013
Total Assets	321.3	356.9	369.4	470.5	588.6
Customer Loans	149.0	213.3	256.0	354.6	432.5
Client Deposits	240.6	245.8	245.6	314.7	404.7
Equity	24.2	25.6	31.9	47.8	58.8
Operating Income	8.7	12.3	25.6	38.4	52.5
Costs	24.4	10.9	17.5	25.4	35.4
Net Income	-12.1	0.6	6.0	9.8	13.1
Cash Earnings	–2.7	1.7	11.0	15.9	18.2
Tier 1 Capital Adequacy Ratio (NBRK)	11.8%	9.4%	6.6%	8.0%	8.6%
Total Capital Adequacy Ratio (NBRK)	17.1%	14.2%	11.8%	13.0%	15.9%

MARKET SHARES					
%	2009	2010	2011	2012	2013
Assets	2.8%	3.0%	2.9%	3.4%	3.8%
Customer Loans (Net)	2.0%	2.5%	2.6%	3.2%	3.3%
Corporate Deposits	2.3%	3.3%	3.3%	3.9%	4.2%
Retail Deposits	5.1%	3.8%	2.3%	2.9%	3.5%

RATINGS			
	KZ-RATING		RATING DATE
INTERNATIONAL SCALE	BB+		28.12.2012
NATIONAL SCALE	A+		28.12.2012
OUTLOOK	Stable		28.12.2012
	STANDARD & POOR'S		RATING DATE
	FOREIGN CURRENCY	LOCAL CURRENCY	
LONG-TERM	B+	B+	12-Dec-11
SHORT-TERM	B	B	9-Nov-06
NATIONAL SCALE	kzBBB+		16-Jul-13
OUTLOOK	Positive		16-Jul-13
	MOODY'S		RATING DATE
Long-term rating	B1		9-Jul-03
Long-term Bank Deposits	B1		24-Feb-09
Senior Unsecured Debt	B1		30-Jun-10
Subordinated Debt	B2		18-Mar-11
Bank Financial Strength	E+		9-Jul-03
Short-term rating	NP		9-Jul-03
OUTLOOK	Negative		24-Feb-09

58.8
KZT BLN
TOTAL EQUITY

13.1
KZT BLN
NET INCOME

9.3
%
NET INTEREST MARGIN

51.4
%
COST TO INCOME RATIO

2.5
%
ROAA

24.7
%
ROAE

404.7
KZT BLN
TOTAL CUSTOMER ACCOUNTS AND DEPOSITS

588.6
KZT BLN
TOTAL ASSETS

9.9
%
NPLs

Michael Eggleton

Chairman
of the Management Board, CEO

Letter from the Chief Executive Officer

Dear Shareholders, Customers and Partners,

2013 has been a challenging year with good results and growth.

2013 brought another good year of financial results. Net Profit grew by 34% on the back of 22% loan growth. Return on Average Equity remained at high levels, reaching 24.7%. Our costs structure remains under control, with our Cost to Income ratio falling from 55.2% in 2012 to 51.4% in 2013. Our Net Interest Margin rose by 150 basis points to 9.3% on the back of the continued strong retail lending growth, this also was the cause for a rise in our NPL (more than 90 day overdue loans) to 9.9% of total loans.

Again we have outpaced our peers on many fronts: net loan growth of 22% (NBRK) outpaced the sector's 14% growth, NPLs rose slightly to 8.9% (NBRK) of the loan portfolio, against the 31.2% level of the sector, our Net Interest Margin rose to 8.3% (NBRK) against the sector average of 5.6%. Managing growth and loan quality means that we were able to deliver 24.7% Return on Average Equity to our shareholders while reducing the weight of expenses with a Cost to Income ratio that fell by 380 basis points to 51.4%. The Bank maintained its credit rating (S&P: B+ rating) throughout the crisis, though S&P upgraded the outlook from stable to positive in July 2013. Only two (larger) domestic banks have a higher rating.

These good results were achieved in a very challenging year. We faced significant regulatory uncertainty throughout the year, which put into question our plans for some of our business activities, how to manage our currency exposures, and caused great uncertainty in our ability to understand our future capital requirements. Although there is still some level of regulatory uncertainty, the regulatory decisions made to date have been better than anticipated. The second challenge was caused by currency uncertainty, with devaluation rumors starting in the middle of the year leading to challenging funding environment in the second half of the year. The KZT weakening against the USD (by 6 % in the year) led to both corporate and individual depositors focusing their deposits into USD, such that KZT deposits actually declined for the whole banking sector after June, and the entire muted growth of bank deposits came in USD deposits. This second challenge led us to slow down our lending in the Corporate and SME sectors in the second half, and favoring the higher margin Retail segment.

On February 11 of 2014 NBRK devalued the KZT versus the USD by 19%, setting the new exchange rate at 185 KZT per USD, with a 3 KZT range either side. While there has been pressure for KZT devaluation since the middle of last year, the suddenness and extent of the devaluation took many by surprise. In the short term, the uncertainty created by the devaluation will temper corporate and individual spending plans, as there is uncertainty if they have the ability to increase their income to match the higher costs. If they are able to increase their income to adjust for the devaluation impact, their existing KZT denominated liabilities will be a decreased burden. We may also see increased demand for USD denominated deposits, as it could take some time before confidence in KZT denominated assets recovers. If there is increased demand for USD deposits relative to KZT deposits, this will put pressure on the bank's ability to manage net currency exposures, as most assets are KZT denominated.

Kazakhstan's economy has shown another year of good growth, with GDP rising by 6%. This is up from the 5% growth seen in 2012. The year-on-year increase is mostly due to the growth in the services and engineering sectors. Oil prices remained firm, with Brent oil falling 2.7% from average 2012 levels, and oil exports rose by 8% in volume terms, or about 4% in USD terms. We have seen the strength of the service and agriculture sectors in our lending activity, both in the corporate loan book and in consumer lending. Consumer lending continues to be the driver of lending growth for the banking sector and us in particular. Overall gross loan growth in 2013 was 14% for the sector and 22% for Eurasian Bank, in retail lending the sector grew by 23% and Eurasian Bank grew by 40%. The slower growing Corporate and SME sector loan book was up 7.5%, but our top three sector exposures (wholesale trade, agriculture and construction) accounted for 57% of the corporate loan book and grew by 19%.

Our infrastructure has grown to handle the rapidly growing activity levels. We now have 20 branches, 143 outlets, and a total of 3,225 sales points (up from 1,941 in 2012). This network growth does not just help to drive our consumer loan growth, but it has also helped us in significantly increasing our ability to handle the repayment of consumer loans and other transactions in-house with lower costs and greater client service quality. In 2013, we went from handling 34% of the number of loan payments through our branches and outlets, to 70% (representing 77% of the value of loan repayments) by the end of the year. We believe that we will be handling about 90% of repayments by the end of the current year, as a result in further network, ATM and payment terminal growth, improved processes, and the roll-out of debit cards to a greater number of our clients.

While the retail segment was our fastest engine of growth, we also showed Corporate and SME growth of 7.5%, a bit slower than the sector's 8.9% growth. This more muted growth was mainly due to focusing our efforts in the higher yielding retail segment in the second half, when deposit growth in Kazakhstan was decelerating due to the weakening currency. We continue to see the importance of having a balanced business mix, for diversification of risk, to be able to access the larger and more resilient corporate deposit market, to enable us to cross-sell our entire product range through corporate relationships, and to participate in an important part of the economy.

As may be evident from the design motif of this annual report, we have launched a new multi-year marketing and advertising effort on the basis of our sponsorship of the leading Moto GP team — Yamaha. We also sponsor one of their two star riders, Jorge Lorenzo, who has brought excitement, courage and success to the team's efforts over the past years. Not only does Yamaha's long-term success based on teamwork and constant improvement resonate with our ethos, but this new campaign may appeal to our large and increasing retail client base. This new sponsorship allows us to create products based on the team and rider's success during the Moto GP season, and thus allows us to engage far more dynamically with our customers throughout the year, than our past campaign based on movie stars.

OUR STRATEGY

Our strategy over the past three years has been to clean up the loan portfolio and to grow our exposure to retail banking to make us a balanced universal bank in Kazakhstan, both in terms of our loan exposures and our deposit base. Behind the scenes, to convert this vision into growth of sustainable earnings and returns, we have set ourselves the ambition of having market leading risk control, operational efficiency, IT systems, quality of service, as well as product and service innovation. We believe that the results to date, both in absolute terms and relative to the banking sector in Kazakhstan, indicate that we are on the right path. We have included an article in this report on how Retail Banking has been leading the Bank's transformation. This article goes into some detail on how the strategy for Retail Banking is a strong driver to the ambitions I mentioned above.

Success in banking is about successful operational execution and management of risk. We continue to focus on these two key drivers, by investing in the right managers, the right people in general, in modern systems and infrastructure, and in training. We do all this with a constant eye on our cost base, so that we can deliver superior returns to our shareholders and this allows us to reward and motivate our employees. Lastly, as part of our managing risk, we always plan for surprises and do not rely too much on long term plans.

During our turnaround we retained all earnings to fund our strong growth opportunities, and in fact raised fresh capital from our shareholders. In 2013 we paid our shareholders a dividend of about 20% of 2012 earnings. While this payment marked a milestone of giving a tangible return to our shareholders, it does not necessarily set the benchmark for the future. Our shareholders fully support all our growth opportunities, if they deliver long-term value. In this vein, they would also support us with additional capital, if the right opportunity arose. The recent disposal of HSBC's local bank is the type of opportunity that we will analyze to see if it fits with our business and can be bought at a price that does not dilute our current returns.

OUR ACCOMPLISHMENTS IN 2013

2013 was another year of good financial results, but also a year of "firsts".

Sector leading returns on equity, earnings growth, and loan quality are mentioned above. 2013 was also the year of the first dividend since starting the turnaround in 2010. We paid out about 20% of 2012 earnings.

Our innovative approach to the auto lending segment has led us to financing about half of all financed auto purchases.

We reduced our exposure to Mortgage loans by selling about a third of the mortgage loan book.

We started our serviced retail loan assignment program, essentially a synthetic securitization of portions of our retail portfolio. This is unique and an absolute first in the market. Essentially, our strong retail lending engine does not have to lead to commensurate balance sheet growth, as we are able to sell a portion of these assets to financial institutions that want exposure to retail lending without setting up greenfield operations. We can do this because of our control of credit risk, and because our IT systems give us the ability and flexibility to keep customer servicing while assigning loan portfolios to investors that suit their risk, yield and segment preferences.

We have significantly increased the number of payments our retail borrowers make directly through our network, which has led to significant saving in fees paid to other financial institutions. This has been done with the growth of our branch network, as well as through technology with the roll out of payment terminals. The planned increase in debit and credit cards, as well as Internet banking should also help this trend into the future.

PAYMENT THROUGH PAYMENT TERMINALS WAS IMPLEMENTED IN SEPTEMBER 2012

EURASIAN BANK PAYMENT TERMINALS STATISTICS:	2013	2012	% CHANGE
Number of transactions	270,739	81,999	230%
Amounts in KZT thousand	5,887,060	1,651,983	256%

We have become much more analytical about our operational performance metrics in the past year — which gives us great insight into client experience and our efficiency. Our call centers handle over 250,000 calls per month and have reduced the missed calls from 27–30% down to 9% at the end of the year, and we aim to get this below 5%. We also measure the call center operator efficiency, not just in terms of number of calls, but in terms of their adhering to our standards on how the client is treated and what information he is provided. We have started measuring the on time opening of all our outlets and branches. There is no excuse for keeping clients waiting in this situation, and we aim to get occurrence of late openings below 2%. In a system that handles about 500,000 payments per month, we have reduced the need for manual handling from 2.5% to 0.6% during the past year. We measure the level of client complaints, the part of the Bank responsible for the complaint, the speed of their resolution, and if they are resolved to the client's satisfaction. We look at what systems (both internal and external) may be causing delays in credit application handling. We measure the efficiency of payments — how many returns, who is causing the errors. We measure our efficiency in rolling out our new branch technology — ATMs, payment terminals, electronic cashiers, etc. Without all the measurement, it is impossible to understand areas for improvement, and it is impossible to set reasonable targets for managers and employees in general.

New regulations in 2013 that allow banks to garnish funds of delinquent debtors from accounts in other banks have significantly improved the efficiency of our in-house hard collection efforts. While due to local legal requirements it is still a very paper based activity, we have been working to streamline our internal processes to enable us to handle the potentially significant volumes of such activity.

Our achievements have been noticed, and in 2013 we were awarded Best Retail Bank by Asian Banking and Finance Magazine and Best Bank by EMEA Finance Magazine.

OUR TARGETS FOR THE COMING YEARS

> We have been building a resilient banking model that should help us achieve superior results in most environments. The targets that I highlight below do depend on relatively normal conditions. 2013 may have had its challenges, but I would define it as normal. I only point this out in light of the recent devaluation that has added a lot of uncertainty into 2014, and uncertainty often makes individuals and companies more risk averse in terms of spending and leverage. At a macro level, oil prices are still buoyant, oil production could well increase if technical problems at the large Kashagan project are resolved, and infrastructure spending for the 2017 Expo in Astana is an added boost. After a very wet agriculture season in 2013, we would expect better performance in 2014 from the agriculture sector, especially as the devaluation may help it compete against other Customs Union (Russia and Belorussia) producers.

We believe that asset and loan growth of 15–20% per year over the next three years, if economic conditions remain similar to those of the past two years. If we achieve this level of balance sheet growth, we should also be able to manage Net Profit growth in the same range of 15–20% per year, and maintain our RoAE above 20%. While these targets may not seem challenging when compared to the performance of the past three years, one needs to remember that the three years represented a turnaround for the Bank, and a period in which a newly acquired retail franchised reached full potential.

While we appreciate the potential of fee income, and see wide potential to earn fee income from cross-selling products such as insurance to retail clients, we believe that we should not become over-reliant on fee income. We do not target fees to represent much more than 20% of income. This target is within the range of most banks in Kazakhstan, but significantly below some retail focused banks.

On the cost side, we believe that our new organization and investment in systems and technology will enable us to continue to make progress on the cost base. We believe that a cost income ratio below 50% is an achievable target. Automation and growth of our network has led to our being able to handle over 90% of retail loan repayments in-house, and the increased number of POS terminals is allowing a much higher amount of self-service transactions for both payments and deposits. We are looking to drive this self-service trend by getting higher penetration of Internet banking in both the retail and corporate segments, as well as increase the distribution of credit and debit cards. This effort is not only for the sake of efficiency, but we expect to make significant gains in client experience, as they will be able to reduce their banking transaction times and have greater control over their accounts.

We have launched a number of strategic projects aimed at improving efficiency and expanding our business. In our Network Optimization Project, we are carefully assessing our current branch network to assess its efficiency and to help us make good decisions on the location and configuration of new branches. This effort is using advanced geo-marketing techniques to assess the economic potential of specific locations for all business units, and have a benchmark for branch performance thereafter. We are preparing for the volume launch of credit cards in Retail Banking by implementing behavioral scoring, which will enable us to dynamically manage the credit risk for large number of customers in an automated manner. Our IT Security team is preparing for the higher utilization of online banking by both corporate and retail clients, by ensuring that our systems and capabilities for fraud detection are world class. These are all projects where we have invited leading companies in these fields to assist our efforts to implement world class solutions that will enable us to manage our risks and costs as we continue to grow dynamically.

We also target to maintain our NPL ratio as a percent of total loans in the current range of 8-10%. Turning around our loan losses was one of the biggest keys to our recent successes, and we maintain our focus on this aspect. Structurally the ratio increased slightly in 2013 due to the increased weight of retail lending, an area with higher potential loan losses, but with interest margins that more than compensate for the higher risk. There was also a minor deterioration of the Corporate and SME portfolios. It should be noted that our NPL data for the parent company that is compared with local peers is under local regulator standards, which have more restrictive criteria than IFRS, but do not include accrued interest. IFRS NPL data, presented in the consolidated figures, do include accrued interest. The net effect of the difference in 2013 is that the IFRS show a higher NPL percentage than the local NBRK criteria.

On the balance sheet side, we intend to keep corporate banking (including SME) to about the same size as retail banking. While the retail business has been growing faster, we intend to sell part of the retail portfolio to other financial institutions, something we have already started with some success. This will enable us to continue to benefit from the higher growth and higher margin retail business, while managing our business mix and risk exposures.

These targets do assume a normal environment for the economy and financial sector in Kazakhstan. I mention this in light of the recent 19% devaluation of the currency against the USD. We do not believe that this devaluation will have the same negative impact on the banking sector as in 2009, as the currency exposures are very different today and we are not in the middle of an asset bubble. The devaluation might have beneficial impact on a number of sectors of the economy. That said, we do need to be wary of the pressure on emerging market economies as the US Federal Reserve reduces its intervention that has been supporting asset prices over the past few years.

In closing, while the management has been very responsive to the expectations of shareholders and other stake holders, we are now making a considerable effort to align our formal corporate governance structures and processes with international best practices. This past year we welcomed onto the Board of Directors Simon Alexander Vine, an executive with significant banking experience in international markets, including the CIS. In April 2014 we welcomed Alun Bowen to the Board, who recently ended a long career with KPMG as the Partner in charge of the Kazakhstan and Central Asia Practice. Appointments such as these strengthen the Bank by having experienced high caliber individuals challenging our assumptions and helping us make better decisions.

Michael Eggleton
Chief Executive Officer

Eurasian Bank. April 2014

Senior Management

Michael Eggleton
Chairman of the Management Board, CEO

Nurbek Ayazbayev
Deputy Chairman
Treasury and ALM

Ayaz Bakasov
Deputy Chairman
Wealth Management

Anna Bichurina
Deputy Chairman
Accounting, CFO

Zhanna Bubeyeva
Managing Director
International Relations and HR

Bertrand Gossart
Managing Director
Retail Banking and Consumer Finance

Romain Hochet
Managing Director
Operational Business, COO

Olga Kindyakova
Managing Director
Legal Affairs

Victor Korchagin
Managing Director
Distressed Assets, Collections

Roman Maszczyk
Deputy Chairman
Risk Management, CRO

Hermann Tischendorf
Managing Director, CIO
Information Technologies

Seitzhan Yermekbayev
Deputy Chairman
Corporate, SME, Trade Finance and FI

Gulmira Ubegaliyeva
Managing Director
Financial Controlling

Zhanar Zhubaniyazova
Managing Director
Cross Sales

5-YEAR SELECTED IFRS CONSOLIDATED FINANCIALS

BALANCE SHEET (KZT 000)	2009	2010	2011	2012	2013
Cash and short-term funds	35,860,721	17,520,590	35,232,520	29,661,462	52,812,441
Due from central banks	50,354,612	22,886,980	13,601,325	30,089,626	30,657,460
Trading securities	5,694,992	12,149,791	2,075,510	1,262,873	1,139,628
Inter-bank assets	26,760,893	2,198,950	3,487,077	3,357,079	2,598,850
Short Term KZT denominated Govt. securities	30,635,500	63,619,696	37,564,836	28,458,800	34,427,980
Liquid assets	149,306,718	118,376,007	91,961,268	92,829,840	121,636,359
Gross loans	171,135,871	234,692,354	281,221,084	383,519,294	468,099,544
NPLs	15,781,598	21,985,848	21,499,183	26,416,901	46,400,683
Allowance for loan impairment	(22,138,936)	(21,365,094)	(25,211,148)	(28,877,007)	(35,570,458)
Net loans	148,996,935	213,327,260	256,009,936	354,642,287	432,529,086
Securities held to maturity	—	1,738,532	1,487,044	277,993	—
Equities	10,000	10,000	10,000	13,945	14,198
Deferred tax asset	4,296,247	3,488,356	1,485,024	—	—
Property, equipment and intangible assets	11,672,012	12,563,367	14,279,043	16,760,598	19,758,591
Other assets	6,998,705	7,386,061	4,129,078	5,985,896	14,695,174
TOTAL ASSETS	321,280,617	356,889,583	369,361,393	470,510,559	588,633,408
Inter-bank liabilities	28,495,452	41,011,675	30,741,695	39,790,732	44,330,267
Total customer current accounts and deposits	240,618,500	245,795,513	245,611,140	314,720,398	404,673,786
Debt securities issued	26,746,684	42,555,870	57,510,058	62,313,268	68,455,644
Deferred tax liability	—	—	—	41,572	257,542
Other liabilities	1,189,747	1,935,867	3,616,859	5,860,386	12,097,805
TOTAL LIABILITIES	297,050,383	331,298,925	337,479,752	422,726,356	529,815,044
TOTAL CAPITAL	24,230,234	25,590,658	31,881,641	47,784,203	58,818,364
Tier 1 Capital (NBRK)	25,254,532	25,273,593	22,617,604	34,575,553	42,510,525
Tier 2 Capital (NBRK)	11,284,273	12,818,184	17,720,952	21,555,468	35,891,176
Total Adjusted Capital (NBRK)	36,730,838	38,294,090	40,434,679	56,131,021	78,422,913
Total contingent liabilities — all	64,087,555	58,008,955	73,772,761	51,675,161	73,776,801
Total contingent liabilities — legally binding, only	30,589,879	27,469,134	39,879,558	16,793,591	25,178,524

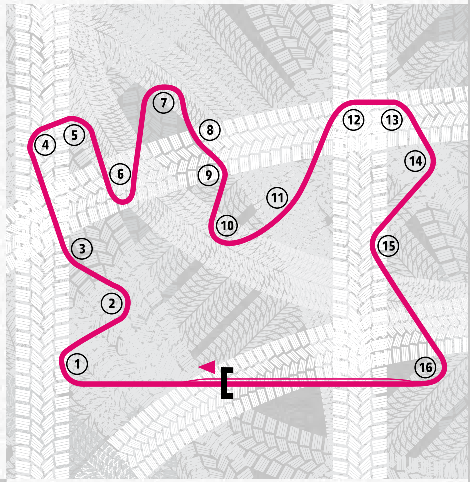
5-YEAR SELECTED IFRS CONSOLIDATED FINANCIALS

INCOME STATEMENT (KZT 000)	2009	2010	2011	2012	2013
Net Interest Income	4,297,618	6,032,676	18,643,222	26,936,667	39,813,673
Net trading income	1,628,117	2,460,923	3,431,257	4,105,006	2,642,196
Net fee & commissions income	2,088,876	2,752,600	3,526,202	7,924,317	9,701,341
Other operating income / (expense)	724,468	1,027,300	4,684	(518,779)	(704,574)
Gross operating income	8,739,079	12,273,499	25,605,365	38,447,211	52,537,228
Operating expenses	(9,223,236)	(9,293,371)	(13,376,393)	(21,207,465)	(27,010,932)
Pre-provision operating income/ (loss)	(484,157)	2,980,128	12,228,972	17,239,746	25,526,296
(Creation of) / release of provisions for loan impairment	(15,075,755)	(1,281,473)	(4,155,757)	(3,806,849)	(8,256,601)
Other provisions	(128,984)	(284,027)	308	(346,593)	8,837
Operating profit/ (loss)	(15,688,896)	1,414,628	8,073,523	13,086,304	17,278,532
Income tax benefit / (expense)	3,617,778	(860,433)	(2,026,785)	(3,254,251)	(4,132,351)
NET INCOME	(12,071,118)	554,195	6,046,738	9,832,053	13,146,181
Total Comprehensive Income	(9,703,452)	1,360,424	6,290,983	10,002,559	13,034,290

SELECTED RATIOS (%)	2009	2010	2011	2012	2013
Return on Average Assets	–4.0%	0.2%	1.7%	2.3%	2.5%
Return on Average Equity	–32.6%	2.2%	21.0%	24.7%	24.7%
Cost/Income	105.5%	75.7%	52.2%	55.2%	51.4%
Net Fees & Comm's / Gross Operating Income	23.9%	22.4%	13.8%	20.6%	18.5%
Pre-provision operating income / Average assets	–0.2%	0.9%	3.4%	4.1%	4.8%
Net Interest Margin	2.4%	2.4%	6.3%	7.8%	9.3%
Total Equity / Total Assets	7.5%	7.2%	8.6%	10.2%	10.0%
Off Balance Sheet / Total Adj Capital	174.5%	151.5%	182.4%	92.1%	94.1%
Capital Adequacy Ratio (NBRK)	17.1%	14.2%	11.8%	13.0%	15.9%
Gross Loans / Customer Deposits	71.1%	95.5%	114.5%	121.9%	115.7%
Liquid Assets / (Cust Dep+Inter-bank Liabilities)	55.5%	41.3%	33.3%	26.2%	27.1%
Liquid Assets / Total Assets	46.5%	33.2%	24.9%	19.7%	20.7%
Inter-bank Assets / Inter-bank Liabilities	93.9%	5.4%	11.3%	8.4%	5.9%
NPLs / Gross Loans	9.2%	9.4%	7.6%	6.9%	9.9%
Allowance for loan impairment / Gross Loans	12.9%	9.1%	9.0%	7.5%	7.6%
Allowance for loan impairment / NPLs	140.3%	97.2%	117.3%	109.3%	76.7%
Impairment losses on loans / Pre-provision Operating Income	NSF	43.0%	34.0%	22.1%	32.3%

POLE-POSITION

THE BEST STARTING PLACE ON THE GRID FOR THE RACE AND IS SECURED BY THE QUICKEST LAP IN QUALIFYING



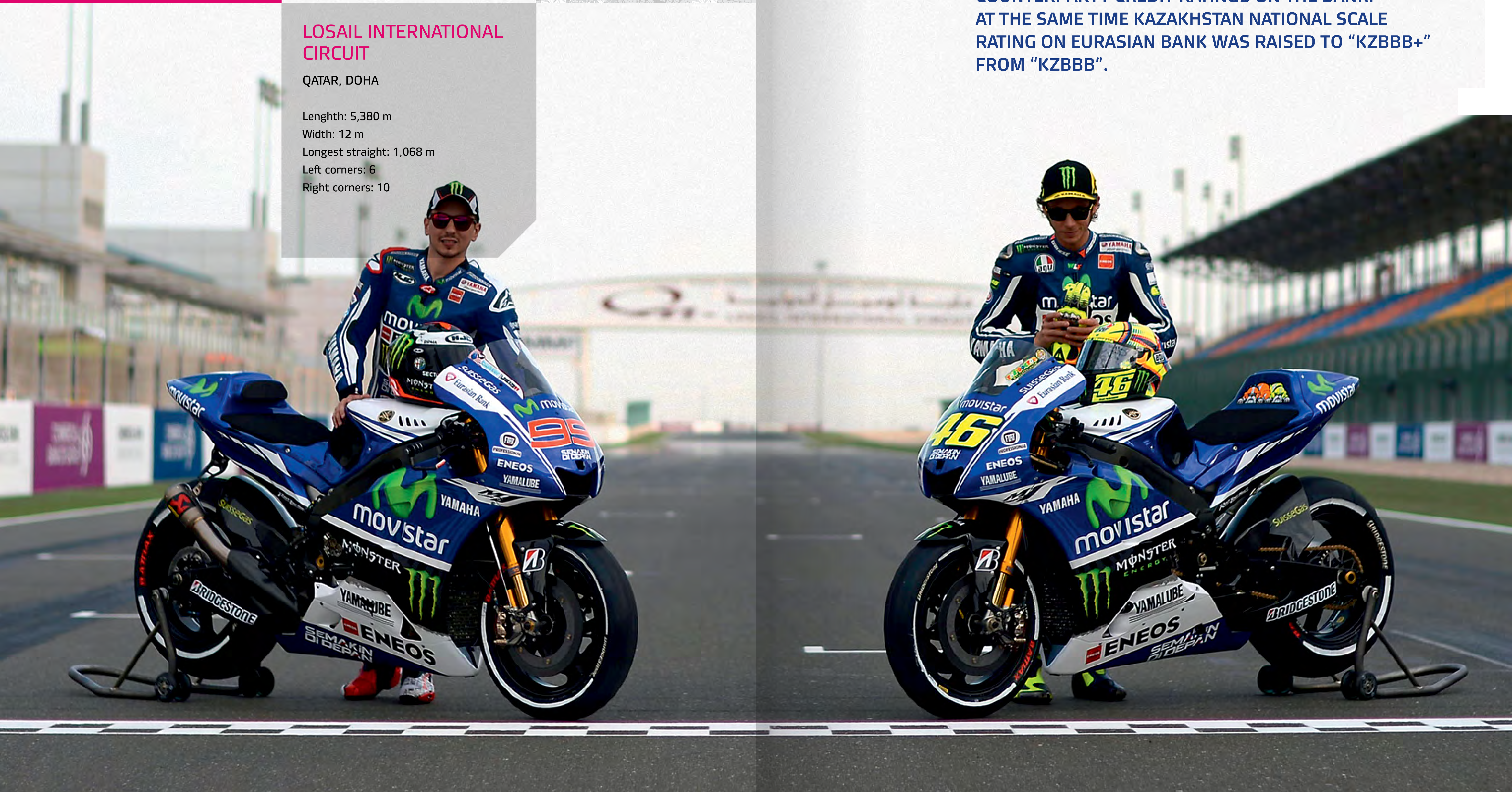
LOSAIL INTERNATIONAL CIRCUIT

QATAR, DOHA

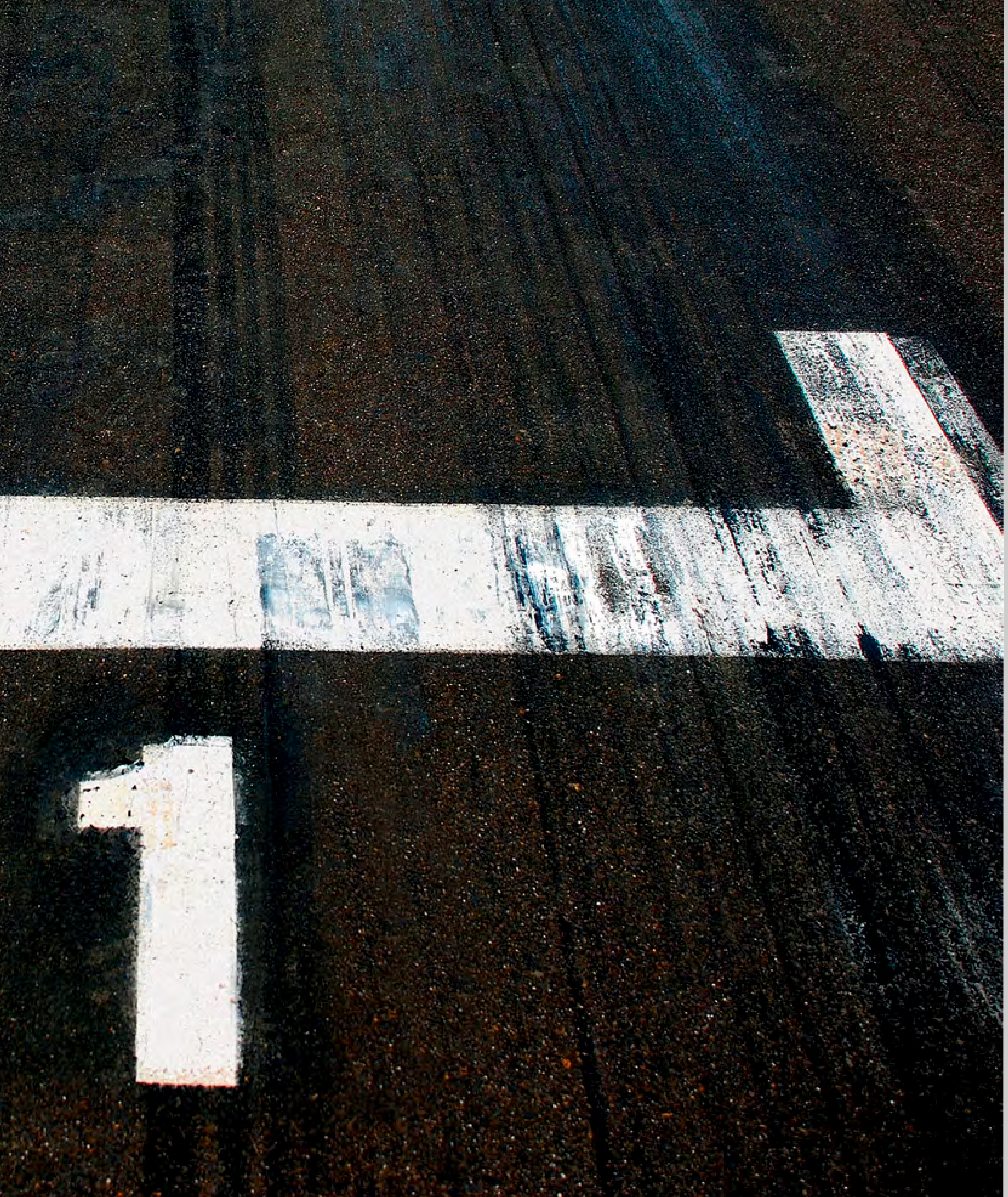
Lenghth: 5,380 m
Width: 12 m
Longest straight: 1,068 m
Left corners: 6
Right corners: 10

EVERY SPRINT NEEDS PREPARATION. THE RAPID PROGRESS OF THE BANK IS BASED ON A CAREFULLY DEVELOPED TEAM AND PLAN.

IN 2013 STANDARD & POOR'S, THE INTERNATIONAL RATING AGENCY, REVISED ITS OUTLOOK ON EURASIAN BANK TO POSITIVE FROM STABLE AND AFFIRMED ITS "B+" LONG TERM AND "B" SHORT-TERM COUNTERPARTY CREDIT RATINGS ON THE BANK. AT THE SAME TIME KAZAKHSTAN NATIONAL SCALE RATING ON EURASIAN BANK WAS RAISED TO "KZBBB+" FROM "KZBBB".



A LOOK INSIDE...



Retail Banking leading the Bank's transformation

Since 2010 we have completely transformed the Bank. This transformation has occurred in all areas of the Bank, starting by hiring qualified industry experts in all areas, cleaning up the problem loans of the past, setting up new systems, new targets, and new motivational schemes. This was all helped by the strong backing of our shareholders, including sizeable capital infusions. This effort has paid off with strong results in the past three years, both in terms of profitability, growth and risk management.

EURASIAN BANK WAS NAMED THE BEST RETAIL BANK BOTH IN 2012 AND 2013 BY ASIAN BANKING & FINANCE

One of the biggest transformations has been in our Retail business. Historically, this had been a business focused on payroll lending to employees of the ENRC group, as well as mortgage lending. An acquisition in 2010 of Société Générale's ProstoCredit business in Kazakhstan sowed the seed for what has grown to be more than 50% of our loan book, 58% of our interest income and 77% of our fee income. Retail banking can be very rewarding, but if not managed carefully can lead to significant problems, as has been seen in Kazakhstan and around the world.

The attraction in Kazakhstan was the low penetration of retail financing, the low penetration of consumer durable goods ownership, the strong economy, and the relatively lower level of competition. Competition was relatively low, as many of the larger banks were focused on repairing their balance sheets after the crisis, and not on growth opportunities.

We bought an operation with a position in the local market, and with experience in credit scoring in the local market. We hired management with experience in emerging markets — including Kazakhstan, and mature market. This gave us a base on which to create a strategy to develop the business. Strategy is not just focused on how to grow, but more importantly on how to support the growth. What we have built is a retail credit factory.

IT systems are at the core of this factory. Automation of processes is the only way to have a large operation with over 500,000 loans and over 865,000 active clients in the database.

This automation means **SPEED**: speed of loan processing that drives businesses like POS loans and auto financing, and speed of credit risk assessment to automatically evaluate each loan application. We process an average of 3,000 applications per day, of which only 30% need manual intervention.

The **AUTOMATION** means data management: data management drives our risk management — including fraud detection, drives our ability to diversify the loan maturities and loan types, drives our client management and enables loyalty programs and cross selling, and now drives our ability to sell a portion of our loan portfolio to financial institutions that want to have exposure to retail loans without starting a greenfield operation.

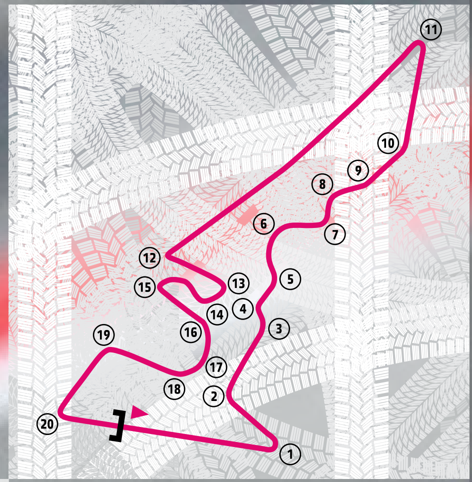
TEAMWORK has been essential in this transformation, as it involves all areas of the Bank. Teamwork has enabled training and motivating thousands of new employees, has enabled setting up the large POS presence in retailers and auto dealers, has enabled transformation of branches to handle large customer transaction levels (since 2011, loan repayments in Eurasian Bank branches and outlets has increased from 4% of loan repayment transactions in 2011 to 70% in 2013, leading to large cost savings), has enabled profitable cross selling of products like deposits and insurance, and has led to the large diversification of companies and government entities through which we can deliver payroll loans.

RISK and its management is what separates failure from success. With the help of a strong IT platform we are able to implement our risk management strategy. We can diversify by loan types and maturities, we can manage past due loans and creditors proactively and improve loan repayment rates, we can detect fraud in real time, we can price our loans based on their risk. We aim to be the most resilient retail franchise in the market, this means that we often have lower loan approval rates than our peers in certain segments. In addition to relying on our internal data and metrics, Kazakhstan has an advantage over a number of emerging markets in that it has reliable income data available through the person fund system, and a credit bureau that has been in existence since 2005 and has strong institutional support.

INNOVATION has been one of the keys to our success. While our auto lending operation may look very normal from outside, it has been revolutionary in the local market. We were the first to put our auto lending presence in the dealerships, and we developed a system that drove the time to obtain all auto documentation (registration, title and loan) from weeks to 24–48 hours, and reduced the cost of car insurance by selling insurance for the life of the loan. We have branches that are open on weekends and have long opening hours. On the loan collection side, our call center and soft loan collection process has led 93% efficiency in loan collection. Innovation has also led to our being able to keep on growing our franchise, while managing the burden on our balance sheet. We are the first bank in the market to sell performing loans to other financial institutions — our platform enables us to assign the loans, but to continue being the entity servicing the loans. While it is not as profitable as having the loans on the balance sheet, it enables us to be a constant and reliable presence in the market and to manage our exposure to retail lending within the Bank's overall business.

SLIPSTREAM

FOLLOWING COMPETITOR'S BIKE CLOSELY TO REDUCE DRAG.
THIS HELPS TO GET AN ADVANTAGE IN SPEED AND BUILD UP THE MOMENTUM TO OVERTAKE HIM



CIRCUIT OF THE AMERICAS

USA, AUSTIN

Length: 5,513 m
Width: 15 m
Longest straight: 1,200 m
Left corners: 11
Right corners: 9

CONFIDENT PROGRESS IS ACHIEVED BY FOLLOWING THE DEFINED GOAL. HAVING A CLEAR DIRECTION ENABLES US TO TAKE ADVANTAGE OF NEW OPPORTUNITIES THAT ARE CONSISTENT WITH OUR DIRECTION.

CONSISTENCY FOLLOWING ITS GOALS ALLOWED TO THE BANK TO RAPIDLY IMPROVE EFFICIENCY AND FINANCIAL RESULTS IN ALL AREAS.

OUR BUSINESS

The Economy and Market Environment

The following discussion may not contain all the information that is important to the reader of this Annual Report. For a more complete understanding of the events, risks and uncertainties, as well as liquidity, market, credit and operational risks, affecting Eurasian Bank and Subsidiaries ("Eurasian Bank" or the "Bank"), this Annual Report, and the audited financial statements and their accompanying notes included in this Annual Report, should be read in its entirety.

THE KAZAKHSTAN ECONOMY CONTINUED TO GROW IN 2013 WITH GDP ESTIMATED TO HAVE GROWN BY 6%

The Kazakhstan economy in 2013 continued to grow in 2013 with GDP estimated to have grown by 6%, though the currency began to come under pressure mid-year as a result of the weakening currency of Russia, a major trading partner. Inflation slowed to 4.8% from the 6.0% level of 2012. GDP per capita in nominal terms is now about USD13,000.

Gross external debt reached USD 145-150 bln, though it is only 67% of GDP (pre-devaluation). Over 49% of this debt is intercompany debt, which is how many international investors fund their operations. The banking sector only accounts for 8% of external debt, down from 47% in 2007. The decline for the bank sector is in both absolute and relative terms, as bank restructurings, difficult international credit markets, and regulatory controls have driven down the bank sector's reliance on external financing.

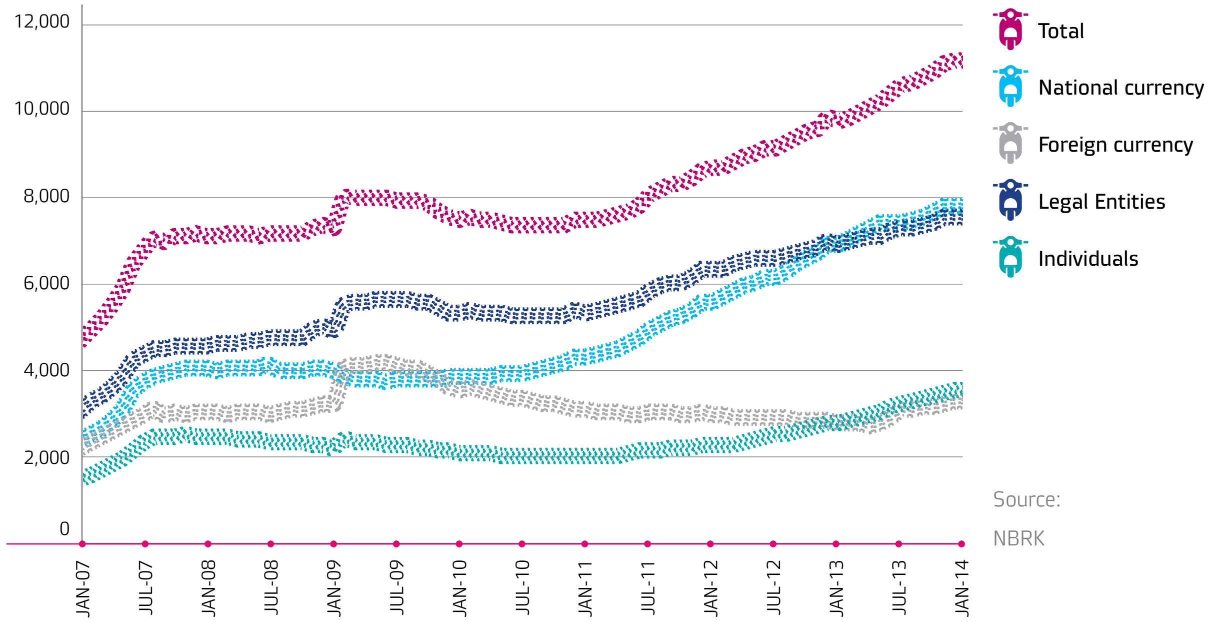
The Government is a net creditor, with a net debt to GDP ratio of minus 17.1%. Government finances are sustained by resource taxes and royalties. The apparent government deficit is only apparent, as it limits the amount of funds from the resource sector that go into the general budget, with the balance being invested in the National Fund.

According to the NBRK statistics, loan growth in the market increased by 14.3%. While in 2012 most of the loan growth was KZT denominated, in 2013 KZT loan growth was 12.8%, while foreign currency loans grew by 17.9%. Yet again this year, the lending growth was focused on loans to individuals, up 26.8%, against the corporate loan growth of 9.1%.

The currency started to come under pressure in the second half of 2013, weakening by 1.9% during the year against the USD. The pressure came from the weakness of the RUB, as Russia is a major trading partner for Kazakhstan. The RUB weakness meant that the KZT appreciated by 5.4% against the RUB during 2013, making Kazakhstan non resource goods such as manufactured and agricultural goods less competitive. This RUB weakness intensified into the beginning of 2014, losing another 4.7% against the KZT before the KZT itself was devalued on February 11, 2014. The impact was seen in the deposit market, which saw both corporate and individual depositors increase the proportion of foreign currency deposits. In spite of rising deposit rates for KZT deposits, the second half of 2013 saw no growth in KZT denominated deposits.

BANKING SECTOR EVOLUTION OF LOANS BY TYPE OF BORROWER AND CURRENCY (KZT BLN)

CHART 01



Source:

NBRK

Multilateral organizations remain positive for the country's prospects, but express concern on two factors: the lack of diversification in the economy (reliance on oil), and the weakness of the banking sector and its impact on the lack of credit to the non-resource sectors. Diversification of the economy is at the core of the Government's short, medium and long term strategy, but in an environment where the resource economy is expected to show significant growth, and the small population base make the objective challenging.

NBRK has put in place many measures to ensure that the sector does not fall into the same traps as in the previous boom. In particular it is promoting more domestic funding, deposit funding at sensible rates, more local currency lending, and less exposure to offshore borrowers. The three most troubled banks were restructured, one of them twice. The Sovereign Wealth Fund apparently sold its stake in BTA Bank to a joint venture between a local entrepreneur and Kazkommerts Bank, and have also announced at sale of Alliance Bank and Temir Bank to a local owner. Apart from the restructuring of the balance sheets, attracting experienced international banks to the market is challenging in the current global environment. In fact, we are seeing an exit of international banks, with the 2013 sale of ATF Bank by the Unicredit Group to a local owner, the local subsidiary of TAIB Bank to a local entrepreneur, and in February 2014 the announced sale of the local subsidiary of HSBC being sold to the local Halyk Bank.

While still uncertain and bumpy, there appears to be signs of economic recovery in a number of major economies. There appears to be some downward pressure on crude oil prices, caused by lower imports from the USA, deceleration of China demand growth, and initial signs of improving relations with Iran (which is currently under significant economic embargoes). The recent devaluation in Kazakhstan, while making some mining, agricultural and manufacturing sectors more competitive, is causing significant uncertainty and is sure to temper consumer spending growth. Analysts are estimating GDP growth of about 6% for Kazakhstan. The Government is targeting inflation at 6–8%, this is a target revised up from 3–4% after the devaluation. We expect true cost inflation to be higher than the measured CPI. The Government and NBRK are indicating that the KZT is sustainable at current levels against the USD, this should prove realistic as long as the RUB does not come under sustained pressure. These are forecasts based on Brent oil prices of around USD 90.

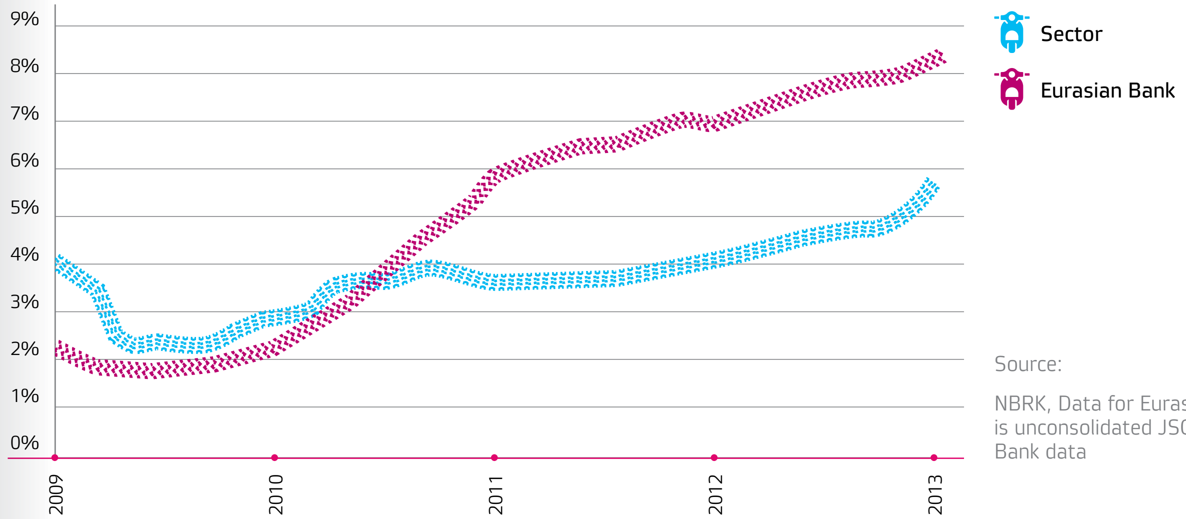
THE BANKING SECTOR AND COMPETITION

While the general economic conditions in Kazakhstan are positive for the banking sector, there are two themes that continue to give the sector concerns: increased regulatory pressure globally leading to a de-risking of banks around the world, and the continued restructuring of parts of the sector in Kazakhstan.

The regulatory pressure around the world, and the continued crisis in the EUR area means that international banks are unlikely to help in bringing the Kazakhstan banking sector to international levels of efficiency, risk management and customer services. If fact, since 2012 we have seen the exit of Unicredit Group, TAIB Bank, and now HSBC; all sold to local banks and entrepreneurs. Other international banks have been downscaling their presence.

NET INTEREST MARGIN EURASIAN BANK VS SECTOR (%, 2009–2013)

CHART 02



Source:

NBRK, Data for Eurasian Bank is unconsolidated JSC Eurasian Bank data

As a whole the banking sector is still very weak. Non-performing loans are still rising as a proportion of total loans, reaching 31.2% at the end of 2013, with the top ten banks having a ratio of 29.5%. The Government is very concerned and wants a plan to reduce the NPLs to below 15% in two years. So far, tax regulations and an inability to absorb crystallization of loan losses have been part of the stumbling blocks. Fresh capital to recapitalize banks is also a challenge, as foreign banks continue to increase their focus on home markets and the returns are not compelling enough to attract other strategic buyers. This loan book situation hampers the Banks ability to issue new loans.

Accrued interest (unpaid) and overdue fee income accounts for 64% of the banking sector equity capital and almost 9% of sector assets. Given the level of non-performing loans in the sector, this ratio of accrued interest to capital is somewhat concerning. Eurasian Bank accrued interest and fee income is 33% of capital.

While write-offs of loans did receive some favorable tax treatment, we believe that the magnitude of the problem loans relative to the capital bases of many banks is leading to few write-offs or disposals of loans to the Distressed Asset Fund, or to other distressed debt investors. We are looking at some SPV structures that may be able to buy distressed loans and avoid the tax consequences to the borrower and the lender indefinitely, and this could be a solution for us and the sector to get bad loans off the balance sheet, though it still requires a good capital position to be able to do this.

Business Segments

Four segments are client facing business lines: **Corporate, SME, Retail,** and **Treasury** with each segment having lending and deposit taking activity, and/or other income sources such as fees and commissions. The remaining segment is a support function: **Asset-Liability Management.**

Until the arrival of the current management team in 2010, the Bank had been managed and monitored as a whole, with no focus on the profitability by business lines. The Bank was only present in Kazakhstan.

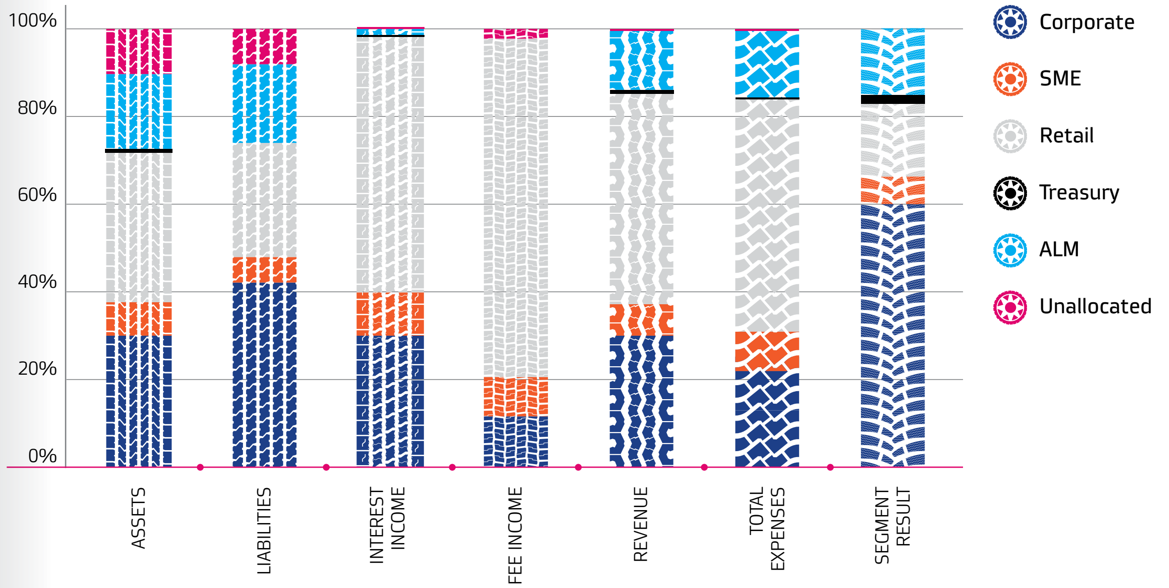
The current management team has instituted a reporting system that gives them the ability to make rational business decisions in all segments, and this is based on individual segment reporting. This was instituted during 2010, and the 2013 financials present this data for the third time. The Bank looks at results of five different segments. Four segments are client facing business lines: **Corporate, SME, Retail,** and **Treasury** with each segment having lending and deposit taking activity, and/or other income sources such as fees and commissions. The remaining segment is a support function: **Asset-Liability Management.**

Cost allocation is difficult in many organizations, especially financial organizations where cost of funding is allocated between business segments with excess funding and those that require funding. In addition, rapid growth of one segment can lead to disproportionate allocations of indirect costs if the allocation metric does not truly reflect the indirect cost base of a specific business unit. Management continues to study their cost allocation metrics, as 2013 again shows the fastest growing segment, with the highest interest and fee income (48% of total revenue) generating lower bottom line results than other segments (only 17% of total net income). While the retail business does have higher direct and indirect costs, comparison to some consumer focused peers may indicate that more work on cost allocation needs to be done. The biggest swing factor identified is the internal revenue that business lines generate for generating deposits from their client base that are used by other business segments.

As can be seen from the chart below, Corporate accounts for 30% of assets, and 42% of liabilities, with Retail accounting for 34% and 26%, respectively. ALM has a significant percentage of assets and liabilities, as it has the non-deposit funding (mostly bonds) and the liquidity position of the Bank with unallocated liquidity being maintained in this segment (i.e. negative carry). The detailed figures for this analysis can be found in Note 29 of the Audited Consolidated Financial Statements.

2013 SEGMENT BREAKDOWN FOR MAJOR BALANCE SHEET AND P&L ITEMS (%)

CHART **03**

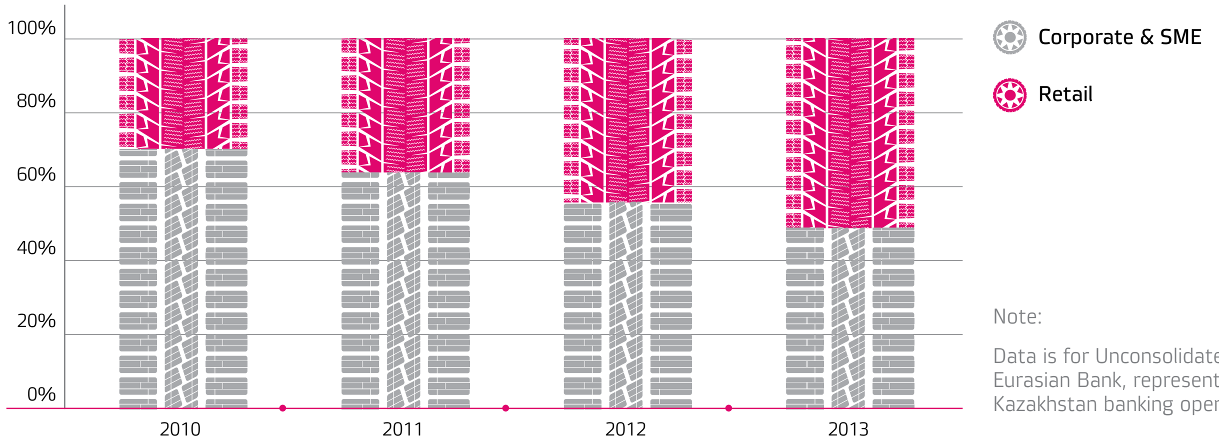


On the P&L side, it should be noted that Retail contributes 77% of total fee income, driven by commissions from the sale of insurance policies with loans. Corporate is the strongest contributor to the bottom line, as it accounts for 30% of revenues, and only 26% of expenses. Retail is also a positive contributor, with 48% of revenues and 51% of expenses, while SME accounts for 8% of revenues and 8% of expenses. ALM makes a significant bottom line contribution on the basis of intra-company transfer pricing for funding to the business units.

The Bank's strategy, as a full service universal bank, is to have a balance between the different segments, and the medium term goal is to have a loan book mix with about 50% Corporate and SME, and 50% Retail. This ratio was reached in 2013. The retail loan origination continues to outpace corporate and SME loan origination, and offers higher interest and fee income opportunities. Starting at the end of 2013 the Bank started a program that should allow the Bank to capture many of the benefits of the retail business, without having it represent to large a portion of its balance sheet. The loan assignment program for standard retail loans will allow the Bank to sell loan portfolios to other financial institution and investors who are seeking exposure to retail lending without setting up greenfield operations. The Bank will continue to service the loans for a fee, and does not have to constantly change its participation in the retail market to adjust for balance sheet constraints. This strategy reflects the growth opportunities presented by the market, as well as balancing the risks and earning potential of the various segments. Management does not intend to rely solely on Retail banking, as this takes away the risk mitigation of a diversified business mix and also takes away a strong source of stable funding for the Bank.

LOAN MIX EVOLUTION 2010–2013 (%)

CHART 04



Note:

Data is for Unconsolidated JSC Eurasian Bank, representing the Kazakhstan banking operations.

CORPORATE BANKING

The Bank was originally founded to serve the needs of affiliated companies of the shareholders. The Corporate segment has always been at the heart of the Bank, even as it expanded from its original mission to become a universal financial institution. Corporate Banking at Eurasian Bank includes both the Kazakhstan based Corporate client activity, as well as the activity of the Russian subsidiary. The corporate business is important for cross selling (retail for employees), treasury, deposits and payments.

The strategy for the Corporate Client segment is that it remains a core segment of the Bank in the near and mid term. It is managed together with the SME segment, and going forward we target to have approximately half of the loan portfolio in Corporate and SME. In 2013 the Corporate loan book accounted for 41% of the loan book, and SME accounted for 8%.

Lastly, it is the focus of management to reduce the top 20 exposures to Total Capital to between 125-150% in the mid term. In 2013 this ratio was 184%, down from 205% the previous year.

In the second half of 2013, as the deposit funding situation became more difficult for all banks, we focused our deposits into the higher yielding retail loan activity, which led to slow growth in the corporate portfolio and a decline in the SME portfolio.

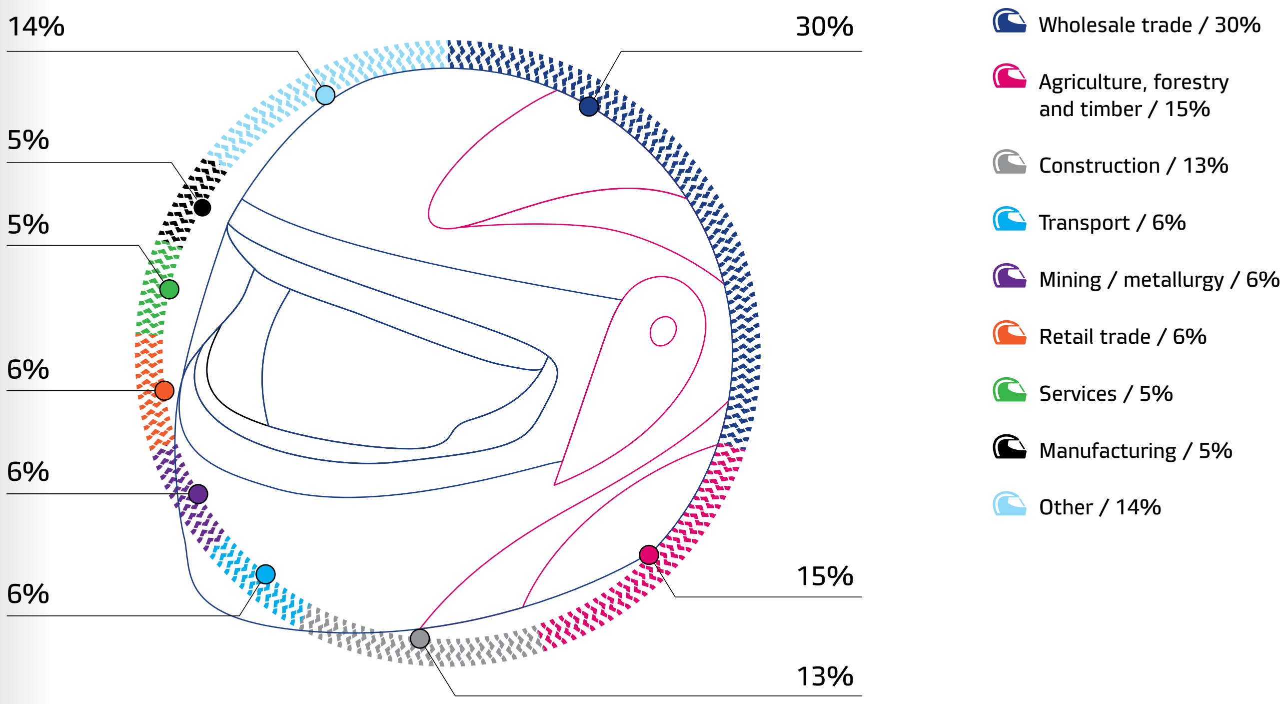
Given the low cost of funding for most of the international banks present in Kazakhstan, and also some of the larger domestic banks, Eurasian Bank does not compete with these banks in lending to the top 30 "blue-chip" corporates market and largest SOEs market (given its standing in the banking sector, the Bank is an active participant with these clients with liability and treasury products). Although the Bank is associated with one of the largest corporates in Kazakhstan, its relative lack of small scale domestic financing needs and Eurasian Bank's focus on limiting related party exposures, means that even this company (ENRC) does not account for any significant amount of the Bank's lending business (related parties do account for significant deposit funding, and when received tends to be very short term). The impact of HSBC's exit from the market is still to be seen, as they may still be able to retain the large corporate client base from outside of Kazakhstan.

What the Bank does focus on is mid tier companies that have binding contracts with the large corporates and SOEs.

A combination of these contract revenue flows and other security give the Bank the asset quality that it is looking for. In practice, this means that some of these borrowers have a two-step credit scoring: on the company itself based on cash flows, and on the contract or business that is being financed. The Bank has also tended to limit exposure to real estate, both as an activity to lend to, and as collateral to accept, although given local regulations this is not always possible. The chart below shows the sector exposure of the corporate lending portfolio in 2013, and as can be seen, trade, agriculture and construction and transport have significant weight. When we do compete with other banks, it tends to be the Bank's ability to make swift loan decisions, rather than interest rate that puts it in front.

SECTOR EXPOSURE OF CORPORATE SEGMENT LOAN BOOK AT YE 2013 (%)

CHART 05



Note:

In Note 16 (d) of the Audited Consolidated Financial Statements is a more detailed sector breakdown for SME and Corporate clients combined.

SME

SME accounted for just under 8% of the gross loan book in 2013. Exposure to the SME segment adds balance to the mix of exposures, and can be the beginning of future corporate clients and it feeds the retail business as well.

SME is the most difficult segment to manage in Kazakhstan, as the business sophistication of the entrepreneurs is lower than larger corporates, the risk of loss is higher, and the rewards are limited due to low interest rate Government programs in this segment. In addition, the proposed new Dynamic Risk Provisioning that NBRK may introduce soon, could well make this segment less attractive for the banking sector — especially when all the coefficients of the risk metrics are fully implemented. While this segment has declined in importance within the Bank's portfolio, no loan originated in 2013 in the segment became an NPL. All things other things being constant, if we can continue to achieve the credit quality achievements, the segment does have the prospects of being more attractive.

Eurasian Bank is currently committed to the segment, and management believes that the improved loan quality and muted loan growth in the segment is a sign that the credit scoring system, that has now been fully rolled out to cover all Bank clients, is achieving the aim of helping the Bank manage its credit risk.

In line with the Bank's credit rating system in the Corporate Segment, management not only looks at the credit worthiness of the borrower on a stand-alone basis, but also looks at contracts and business that the borrower has with companies and entities that are very good credits. These contracts, together with collateral, help the Bank to manage risks in this segment.

RETAIL

Retail banking at Eurasian Bank was completely transformed by the 2010 ProstoCredit acquisition. Perhaps the surprise is how this one acquisition is transforming the Bank as a whole. This acquisition is behind the greater part of loan book growth in 2011–2013, behind the six fold increase of active clients, behind the branch and network development, and behind the increased awareness of the Bank that is allowing it to fund the increased deposit base at attractive rates.

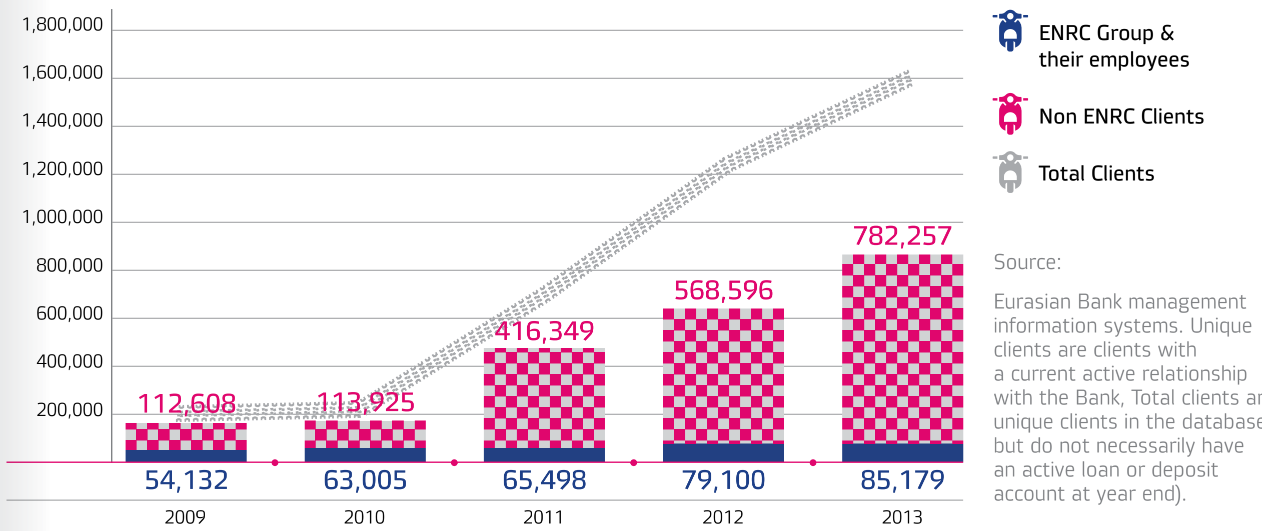
In 2013 the loan book in this area grew by 40% to KZT 238.4 bln. Total loan origination (NBRK) in the year grew by 60% to KZT 213 bln. NPLs (NBRK) grew slightly from 6.4% in 2012 to 8.8% in 2013. The NPLs (NBRK) for just the loans originated in the past four years in Retail lending are running at 7.3%, and represent 3.5% of loans originated during this period. Given the short duration of most of the consumer finance business, the relatively high interest rates charged, and the opportunities for fee income, the NPL levels are very sustainable. Our credit scoring system that relies on credit bureau data, pension fund data on salaries, and internal client historical data, now has seven years of history, and is proving to be reliable at granting fast, automated credit approvals, while keeping problem loans within acceptable levels.

Notable in 2013 was the rapid growth of auto loans, which are collateralized. Loans in this segment increased by 164% in the year, and accounted for 32% of the retail segment loan book at year end (up from 17% the previous year). This growth was both due to the Bank's focus on this segment and the first to market offering a "Car in One Day" product, as well as the very high increase in auto sales in 2013. 2014 may be a more challenging year for this segment, as most vehicles are imported and the devaluation is having a significant impact on prices. We have been focused on the cheaper segments of the market, and we hope that this will allow us to perform better than the car market as a whole. The growth of this segment of the retail portfolio has given us greater diversification of the portfolio, as has the focus on payroll loans.

Management would like to see the retail lending business account for about half of the loan book (it was 51% at year end, up from 44% in 2012), and have begun to see the potential to use the distribution network in ways that production growth will not always result in proportional increase of the Bank's loan book, and this is what our standard loan assignment program is doing. The efficiency of our network and the loan quality that we have been able to achieve, is making us attractive partners for institutions looking to have exposure to this segment without having to set up a network.

EVOLUTION OF EURASIAN BANK UNIQUE CLIENTS NUMBERS

CHART 06



Source:

Eurasian Bank management information systems. Unique clients are clients with a current active relationship with the Bank, Total clients are unique clients in the database, but do not necessarily have an active loan or deposit account at year end).

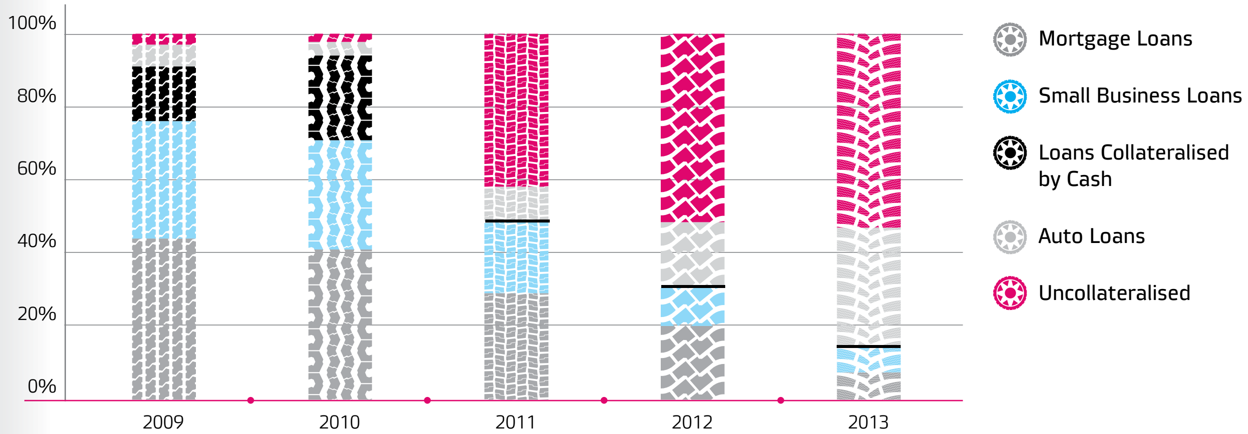
At year end 2013 the Bank's network included 20 full branches, 143 service centers and 413 ATMs, and 252 payment terminals.

In addition, at the end of 2013 there were 656 staffed POS locations, and a further 401 unstaffed POS locations. There were also 116 POS serving 95 car showrooms, and 98 POS for pension fund and offices and corporate client offices. The IT platform for retail banking that was rolled out in January 2012 is proving to be a reliable and flexible platform, and is showing itself adaptable to our new product requirements and to our new loan assignment program.

The product mix of the retail loan portfolio has transformed over the past four years, as can be seen in the chart below. In 2010 mortgages, small business loans and loans collateralized by cash accounted for 94% of the loan portfolio in the retail segment. These three areas only accounted for 15% of the portfolio at the end of 2013. During the period, auto loans and uncollateralized loans have grown from 6% to 85% of the portfolio. With this transformation, interest margins have grown and loan losses have declined. It should be noted that mortgage loans decreased significantly at the end of 2013, as we sold a portfolio of mortgage loans to the Kazakhstan Mortgage Company, and have an agreement in place to originate further loans on their behalf.

RETAIL LOAN MIX 2009–2013 (%)

CHART 07



WEALTH MANAGEMENT

Wealth management in full variety of its forms is seen as a target strategic area by the Bank. The vision of wealth management is that it goes far beyond private banking, and is aimed at catering to entrepreneurs' private and business needs. Private banking itself is not really a market in Kazakhstan, as there is no old passive money. Entrepreneurs in Kazakhstan are looking to grow their wealth, and are often looking for debt and equity financing to do it.

In order to optimally meet the needs of the market of affluent clients the Bank has fundamentally reconsidered its strategy towards the segment of the local HNWI recognizing their entrepreneurial nature and creating for HNWIs a new business model — Entrepreneurial Banking. For the Bank it is a primarily commission based business, for the clients it is a fusion of debt, private equity and advisory services offered from one hand — from the Bank.

Essential part of the Entrepreneurial Banking services is delivered over the Entrepreneurial Club and Diamond Club of Eurasian Bank. Latest at the stage where the entrepreneurs, investors and financiers go to mutual disclosure and contractual relations the funds, which are indispensible for the entrepreneurial enterprise, flow to the Bank as traditional Private Banking term deposits.

The Bank is actively developing agreements with a number of renowned international external providers of asset and wealth management services, and we are to offer services to our corporate and retail clients, ensuring that together with our partners we can assist them in all their local and international wealth management needs, including tax and legal structuring.

The activity is transversal across the Bank's entire client base, and results show up in the individual business segments. Our Corporate department is already in contact with business owners, whose potential service needs go well beyond the corporate segment product offer. Similarly, there may be high net worth individuals who are clients that may benefit from services of the Corporate segment. In essence we should be able to have longer term and broader relationships with our clients.

TREASURY

Eurasian Bank's Treasury provides a wide range of treasury products to its customers, though the main activity is focused on spot FX transactions with the Bank's customers.

Treasury is an active player in currency trading on KASE and the interbank market. In addition, Treasury is involved in hedging transactions for customers by providing various solutions for currency and interest rate risk hedges. The Bank is a primary dealer in the Government securities market, enabling customers to participate in auctions for treasury bills of the Ministry of Finance of Kazakhstan, and also trades government and corporate securities for its own account, both on the KASE and on international markets. Treasury is also actively involved in the interbank money market operations. Eurasian Bank's Treasury is one of the leaders in the banknote trading business in Kazakhstan, both in terms of the volumes and in the trading turnover. The Bank is included in the KazPrime's representative list, and is one of the top five banks for defining KZT rates at the interbank deposit market. Treasury's financial performance in 2013 was lower than in 2012 due to overall market suatuation. Treasury's client base increased by 78 clients, giving us a base for higher fee generation in the coming years.

ASSET-LIABILITY MANAGEMENT

Asset-Liability Management manages the Bank's liquidity and non-deposit funding (mainly bonds). This is the department that actively manages the duration and currency exposures of the Bank's assets and liabilities.

The department has targets of managing:

- Net Interest Margin (NIM, with 2013 YE at 8.3% against a target of 6%),
- Cost of liabilities (including deposits, YE 2013 6.6% against a target of <6%),
- Liquid assets as % of total assets (20.7% at YE 2013, with current target of >15%),
- Return on liquid assets, and net Loan to Deposit ratio of less than 120% (108% at YE2013).

These targets are medium term targets that may be changed in the future.

Deposits at the central banks declined slightly in 2013 to 25% of liquid assets, up from 1.2% in 2012. It should be noted that any deposits at the NBRK (there are certain mandatory levels based on foreign and domestic liabilities) penalize returns on liquid assets (mandatory deposits are non-yielding, and other deposits yield less than 1%).

It is worth mentioning that during the past four years international banks continue to limit their exposures and lines to Kazakhstan's banking sector. In this environment, the Bank has managed to increase its lines with international banks significantly.

While the Bank suffered no direct impact from the Government's decision to merge the privately run pension funds into a single entity controlled by the NBRK, there is prospectively one potential impact of this event. The Bank has placed locally listed bonds with the pension funds, and has also attracted deposits from them. In the future, instead of 14 counterparties to seek funding from, there will only be one. As the pension funds collectively are the single largest institutional investor base, this merger leads to great concentration and increases the funding risk for us, and all corporates seeking local funding. We believe that we have in place mechanisms to ensure our future funding, though this move does make the task of diversification of the funding base even more important.

RUSSIA

Eurasian Bank acquired a bank in Moscow from Troika Dialog in 2010. The acquired bank was essentially an empty shell, but had a complete set of banking licenses to operate in Russia.

Management saw this as a key to eventual growth outside of the core Kazakhstan market, and thus the acquisition can been seen as opportunistic in the short term. Since the acquisition, Kazakhstan entered into a Customs Union with the Russian Federation and Belarus.

This Customs Union has led to greater need of the Bank's corporate client base for banking support for their trade flows with Russia. Going forward, management is looking at the possibility of opening branches in a couple of cities in the regions close to the Kazakhstan border, to better serve the needs of the Bank's corporate clients operating cross border.

Currently, management does not see the need to replicate the breadth of product and segments that they serve in Kazakhstan. Russia is a market with strong domestic banks, and management sees the focused niche strategy as the way to have profitable growth.

This activity is accounted for within the Corporate banking segment.

Major Events of 2013

JANUARY 2013

EURASIAN BANK BECAME PRINCIPAL MEMBER OF MASTERCARD

JANUARY 2013

EURASIAN BANK OPENED ITS PRIVATE BANKING BRANCH FOR VIP CLIENTS, OFFERING WEALTH MANAGEMENT SERVICES FROM INTERNATIONAL PARTNERS

FEBRUARY 2013

EURASIAN BANK LAUNCHED ITS BRANCH OF THE FUTURE PLAN WITH AUTOMATED ELECTRONIC CASHIERS IN TWO BRANCHES IN ALMATY AND ATYRAU

MAY 2013

EURASIAN BANK AND ENTREPRENEURSHIP DEVELOPMENT FUND "DAMU" SIGNED MEMORANDUM OF COOPERATION AND SUPPORTING SMALL AND MEDIUM ENTERPRISES

MAY 2013

MICHAEL EGGLETON, THE CEO, RECEIVED THE CEO OF THE YEAR — 2013 AWARD FROM THE AMERICAN CHAMBER OF COMMERCE IN KAZAKHSTAN

MAY 2013

EURASIAN BANK RECEIVED AN AWARD FROM DEUTSCHE BANK AG (GERMANY) FOR THE EXCELLENT QUALITY OF PAYMENT TRANSACTIONS

MAY 2013

EURASIAN BANK OPENED ITS NEW BRANCH IN KOKSHETAU

JULY 2013

INTERNATIONAL RATING AGENCY STANDARD & POOR'S REVISED ITS OUTLOOK ON EURASIAN BANK TO POSITIVE FROM STABLE AND AFFIRMED ITS "B+" LONG-TERM AND "B" SHORT-TERM COUNTERPARTY CREDIT RATINGS ON THE BANK. AT THE SAME TIME KAZAKHSTAN NATIONAL SCALE RATING ON EURASIAN BANK WAS RAISED TO "KZBBB+" FROM "KZBBB"

JULY 2013

EURASIAN BANK WAS NAMED THE BEST RETAIL BANK IN KAZAKHSTAN IN 2013 BY ASIAN BANKING & FINANCE

JULY 2013

EURASIAN BANK OPENED A CENTER FOR RETAIL SERVICES IN AKSAI

OCTOBER 2013

EURASIAN BANK AND "VIRAZH" AUTOMOBILE HOLDING COMPANY ANNOUNCED ABOUT EXECUTION OF PARTNERSHIP AGREEMENT

OCTOBER 2013

EURASIAN BANK PRESENTED ITS NEW 20-TH BRANCH IN KYZYLORDA

OCTOBER 2013

EURASIAN BANK WON BRONZE OF THE FIRST KAZAKHSTAN HR-BRAND AWARD, AN INDEPENDENT ANNUAL AWARD FOR THE MOST SUCCESSFUL WORK ON THE COMPANY'S REPUTATION AS AN EMPLOYER. EURASIAN BANK WAS COMPETING AGAINST TWENTY TWO OTHER BANKS AND COMPANIES FOR THE AWARD

NOVEMBER 2013

MICHAEL EGGLETON, CHAIRMAN OF THE BOARD OF THE EURASIAN BANK RECEIVED COMMEMORATIVE MEDAL TO MARK THE 20TH ANNIVERSARY OF THE TENGE "FOR CONTRIBUTION TO THE FINANCIAL SYSTEM OF KAZAKHSTAN" FROM KAIRAT KELIMBETOV IN THE NAME OF HEAD OF THE STATE

DECEMBER 2013

EURASIAN BANK SUCCESSFULLY CLOSED RETAIL LOAN ASSIGNMENT & SERVICING TRANSACTION UNDER WHICH THE BANK HAS ASSIGNED A PORTION OF ITS CONSUMER LOAN PORTFOLIO TO ONE OF KAZAKHSTAN'S SECOND-TIER BANKS

DECEMBER 2013

EURASIAN BANK AND KAZAKHSTAN MORTGAGE COMPANY REPORTED THE SUCCESSFUL COMPLETION OF A TRANSACTION INVOLVING THE TRANSFER OF MORTGAGE LOAN PORTFOLIO RECEIVABLES OF THE BANK. THE AMOUNT OF THE TRANSACTION WAS KZT 13.2 BLN

Recent Developments

We have an ongoing roll-out of further payment, deposit and withdrawal self-service units.

In total, the network growth is being done to increase the geographic coverage of the Bank in the country, and to improve the network so as to allow a greater volume of consumer finance repayments to come through Eurasian Bank locations.

97% OF THE POPULATION IS AWARE OF THE BANK

DEVALUATION

On February 11, 2014, the NBRK changed the range at which they would intervene on the KZT to a 3 KZT range either side of 185 KZT to the USD. This was a 19% devaluation in the day.

While there has been pressure for devaluation since the middle of 2013, mainly on the back of the weakening RUB, the extent and suddenness of the devaluation did surprise most market participants and the population. It should be noted that Russia is a major trade partner, and until the February devaluation, the RUB had weakened against the KZT by 5.4% in 2013, and by a further 4.7% to the day before the devaluation.

The devaluation brings uncertainty to individuals and corporates in the country. This uncertainty can affect their propensity to spend, and to indebt themselves. Especially in light of the fact that incomes are falling in USD terms, something felt by all in a country that imports many goods. A number of sectors are announcing 10% wage increases, though this still reduces spending power.

This devaluation also spurred some market rumors that spurred a run on deposits at a number of local banks. We have been fortunate not to be the object of this run on deposits.

Even in absence of this run, deposits are still a concern, both because of lower discretionary income, and because there is an increased propensity to seek safety by switching deposits to USD deposits. This trend started already in 2013, with corporates reducing their proportion of KZT deposits from 75% to 67%, and individuals from 61% to 56%. We could see an acceleration of this trend in 2014. As a bank, in part due to regulation, and to risk management, we are not able to adjust our assets in the same way that depositors are adjusting our liabilities.

At the Bank we have taken immediate measures to address the fall out of the devaluation. We rapidly increased our liquidity to ensure that we have sufficient funds for any client transaction or withdrawal. We have also looked at ways to help clients with longer-term liabilities to manage their repayments, potentially with an extension of the maturity and reduced payments. We have revised all our business plans for the year to ensure that we do not allocate resources to areas that are unlikely to generate the results that were anticipated before the devaluation. Higher import prices will affect businesses that depend on imports, and it will also affect the ability of individuals to buy imported goods — and this could reduce the demand for autos and for some higher value consumer goods. While the devaluation does boost the value of our assets in KZT terms, we have to ensure that profitability is maintained.

BRANCH OPENINGS

The Bank launched its Branch of the Future network development plan in 2012. The plan covered the opening of 97 outlets and 2 full-service branches during the 2012–2013 period.

To date, two branches and 97 service centers have been already opened. We have an ongoing roll-out of further payment, deposit and withdrawal self-service units. In total, the network growth is being done to increase the geographic coverage of the Bank in the country, and to improve the network so as to allow a greater volume of consumer finance repayments to come through Eurasian Bank locations. The network development allows us to come into contact with the retail customers on a continuing basis, which allows for cross-sales opportunities, greater control over the client service experience, and reduced third party costs. The branch openings are targeting new locations only, and extend the branch network to all of Kazakhstan's regions. The redevelopment of existing branches started in the second half of 2013. The new format of the branches and outlets has been designed by an international firm, and allows for a better client experience, and a greater variety of self-service banking transactions.

CONSUMER AWARENESS

The Bank maintained its marketing expenditure at the same levels as 2012. It conducts tracking consumer research to better understand consumer needs and the Bank's perception among the population.

The most recent survey (October-December 2013) conducted by TNS Central Asia (ex. Gallup) research has shown that spontaneous consumer awareness of Eurasian Bank (in the 43–52% range throughout 2013) remains at the level only beaten by the large banks with far higher marketing budgets and physical presence. Aided awareness is in the 96–97% range.

The surveys do show high recognition of our retail loans products, and there is a continued perception of us as a modern high-tech bank — something that we are trying to emphasize making significant investments in self-service facilities that help customers spend less time on their banking transactions.

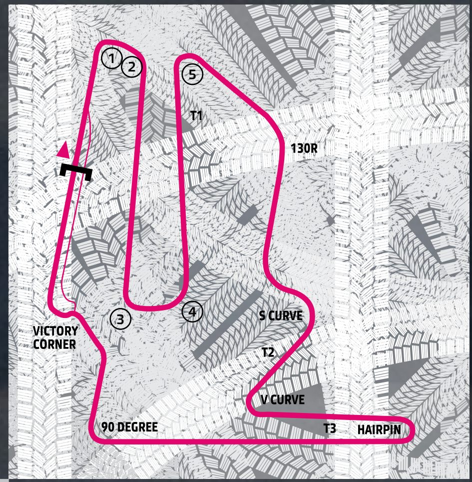
After a three year campaign focused on local and international actors, we are now launching advertising tied to our sponsorship of the leading motorcycle racer of the Yamaha team. We believe that this will help us communicate the core values and capabilities of the Bank to a wider audience.

BOARD APPOINTMENT

We have nominated Alun Bowen to join the Board of Directors and to chair the Audit Committee. Alun Bowen was until recently the Managing Partner of KPMG's practice in Kazakhstan and Central Asia. His appointment is subject to approval by the Regulator. We hope that nomination of this high profile candidate will allow us to continue adding members to the Board of Directors who have wide international and industry experience, making our governance in line with the best international practices.

PELOTON

MAIN GROUP OF RIDERS
IN THE RACE



TWIN RING MOTEGI

JAPAN, MOTEGI

Length: 4,801 m
Width: 15 m
Longest straight: 762 m
Left corners: 6
Right corners: 8

A STRONG INCENTIVE IS ALWAYS REQUIRED FOR SUCCESS IN A COMPETITIVE ENVIRONMENT. IT REQUIRES ACTIONS AND INVESTMENTS TO OUTPERFORM.

OUR SUCCESS IN RETAIL BANKING IS BASED ON INVESTMENT IN SYSTEMS AND BRANCH NETWORK TO BEST SERVE THE CUSTOMER BASE.

FINANCIAL STATEMENT HIGHLIGHTS

Statement of Income 2013 vs 2012

Eurasian Bank reported Net Profit of KZT 13,146 mln in 2013, up 34% from 2012. The Return on Average Assets reached 2.5%, while the Return on Average Equity remained at the 2012 level of 24.7%. The drivers for this improvement were the continued growth of the loan book, the positive contribution of the retail lending activity, and the elimination of the negative carry costs.

NET INCOME 34% GROWTH IN 2013

KZT MLN	2013	2012	% CHANGE
Interest income	69,303	50,388	38%
Interest expense	–29,489	–23,451	26%
NET INTEREST INCOME	39,814	26,937	48%
Impairment charges	–8,248	–4,153	99%
NET INTEREST INCOME AFTER IMPAIRMENT CHARGE	31,566	22,783	39%
Net fee and commission income	9,701	7,924	22%
Other non-interest income	3,022	3,586	–16%
Other non-interest expenses	–27,011	–21,207	27%
Profit before income tax expense	17,279	13,086	32%
Income tax expense	–4,132	–3,254	27%
PROFIT FOR THE YEAR	13,146	9,832	34%

NET INTEREST INCOME

Net interest income rose 48% in 2013, as interest income rose by 38% and interest expense rose by only 26%.

On the interest income side, the biggest source of improvement was on the loans to customers side, where the gross loan book grew by 22% in the year, and the higher yielding retail loan book moved from 44% to 51% of the total loan book. Effective interest rates remained stable in the retail portfolio, while they declined by 30 basis points in the SME loan book and 50 basis points in the Corporate loan book. Loans to customers accounts for over 98% of all interest income. Net interest income accounts for just over 76% of operating income.

KZT MLN	2013	2012	% CHANGE
NET INTEREST INCOME	39,814	26,937	48%
INTEREST INCOME			
Loans to customers	67,884	49,628	37%
Held-to-maturity investments	807	331	144%
Available-for-sale financial assets	330	214	54%
Financial instruments at fair value through profit or loss	73	108	–32%
Placements with banks	141	62	126%
Cash and cash equivalents	41	23	77%
Amounts receivable under reverse repurchase agreements	27	21	26%
TOTAL	69,303	50,388	38%
INTEREST EXPENSE			
Current accounts and deposits from customers	21,046	15,669	34%
Debt securities issued	3,007	3,236	–7%
Subordinated debt securities issued	2,746	2,718	1%
Other borrowed funds	1,600	1,258	27%
Deposits and balances from banks	651	475	37%
Amounts payable under repurchase agreements	439	96	358%
TOTAL	29,489	23,451	26%

IMPAIRMENT CHARGES

Impairment charges were up almost 100% from the low levels of 2012.

The growth is not surprising, given the continued fast growth of the retail portfolio, where impairment charges are made on loan issuance at a predetermined level. Corporate and SME loan impairment charges were up from their unusually low 2012 levels. Loans originated since 2010 are showing low NPL levels, which gives management confidence on the current quality of the overall loan portfolio (see table in discussion of Allowance for Loan Impairment). The table below shows the impairment charges for customer loans and other assets for 2012 and 2013.

KZT MLN	2013	2012	% CHANGE
Loans to customers	8,257	3,807	117%
Other assets	–37	347	–111%
Provision for contingent liabilities	28	0	NSF
TOTAL	8,248	4,153	99%

NET FEE AND COMMISSION INCOME

Net fee income grew by 22% to KZT 9,701 mln. These fees account for 18% of operating income.

The biggest component, and the entire 2013 growth, of these fees continues to be Agent services (67% of fee income in 2013, up from 53% in 2012), mostly commissions on the sale of insurance policies with our consumer loans. This high growth reflects the underlying growth of our consumer business, as well as our success in cross-selling products such as low cost insurance for our auto loan clients. The balance of the remaining fee income items actually declined in 2013. The level of fee income from the consumer business is structural, and should be viewed as recurring.

KZT MLN	2013	2012	% CHANGE
NET FEE AND COMMISSION INCOME	9,701	7,924	22%
FEE AND COMMISSION INCOME			
Agent services	7,782	4,714	65%
Settlement	1,414	1,404	1%
Cash withdrawal	970	1,012	–4%
Guarantee and letter of credit issuance	590	1,034	–43%
Payment card maintenance fees	569	432	32%
Custodian services	60	64	–8%
Cash delivery	51	47	9%
Other	253	248	2%
TOTAL	11,688	8,956	31%
FEE AND COMMISSION EXPENSE			
Agent services	1,244	522	138%
Settlement	372	265	40%
Cash withdrawal	247	168	47%
Payment card maintenance fees	86	52	64%
Custodian services	22	15	55%
Other	15	9	60%
TOTAL	1,987	1,031	93%

OTHER NON-INTEREST INCOME

Other non-interest income accounts for just 5.8% of operating income.

Performance in 2013 was down from the previous year, principally due to the decline of net foreign exchange income.

It should be noted that the Bank does not trade equities and trading is seen as a fee business, rather than a risk trading business.

KZT MLN	2013	2012	% CHANGE
Net foreign exchange income	2,642	4,105	–36%
Net gain on available-for-sale financial assets	0	–22	NSF
Other	380	–497	NSF
TOTAL	3,022	3,586	–16%

OPERATING COSTS

Operating cost rose by 27% in 2013, significantly less than the 37% increase in operating income. Employee cost rose by 26%, as headcount rose 20% to 5,552 (ex-maternity leave employees). Most of the head count growth was focused on front office personnel to cater for the retail business growth. Middle and Back Office staff grew at very modest rates (2% and 8%, respectively).

Employee costs declined from 31% to 29% of operating income. Other expenses grew 29%, slower than our employee costs. The cost/income ratio fell from 55% in 2012 to 51% in 2013. We believe that we have gone through the inefficient rapid growth phase of building up the retail business, and that there is scope for continued improvement in our cost base. Going forward we plan to have the cost/income below 50%.

KZT MLN	2013	2012	% CHANGE
Wages, salaries, bonuses and related taxes	14,495	11,524	26%
Other employee costs	576	447	29%
TOTAL EMPLOYEE COSTS	15,071	11,971	26%
OTHER OPERATING COSTS			
Depreciation and amortisation	2,642	1,927	37%
Operating lease expense	1,438	1,056	36%
Communications and information services	1,183	1,045	13%
Advertising and marketing	1,071	1,028	4%
Taxes other than on income	1,034	804	29%
Insurance of car loans	993	0	NSF
Security	701	467	50%
Repairs and maintenance	486	536	–9%
Travel expenses	301	305	–1%
Professional services	293	146	102%
Services of State Center for pension payments	223	160	39%
Loan servicing	157	647	–76%
Cash delivery services	129	69	88%
Insurance	126	86	47%
Stationery and office supplies	64	188	–66%
Transportation	59	57	5%
Payment cards production	38	29	28%
Trainings	26	48	–46%
Representation expenses	13	30	–56%
Other	962	609	58%
TOTAL	27,011	21,207	27%

Balance Sheet Highlights 2013 vs 2012

Gross loans increased by 22% in 2013, driven by the 40% growth in the Retail segment and 10% growth in the Corporate segment.

ASSETS

As can be seen from the chart below, the Bank saw 25% asset growth in 2013, driven by the 22% growth of the net loan book, and 31% growth in liquid assets.

After focusing our efforts on balance sheet efficiency since the end of 2010, when liquid assets represented 33% of assets, we had driven this ratio down to 20% in 2012. The slight rise to 21% of assets is not particularly significant in terms of cost of negative carry. In 2013 the net loan book accounted for two thirds of the increase in assets.

Management continues to focus on balance sheet efficiency. The liquid assets position is managed with care, and needs to take into consideration external market factors. After the recent devaluation there was a deposit run on three other local banks, spurred by false rumors. We were fortunate to avoid a decline in deposits, but phenomena of this type do lead us to raise liquidity in the short term as a precautionary measure.

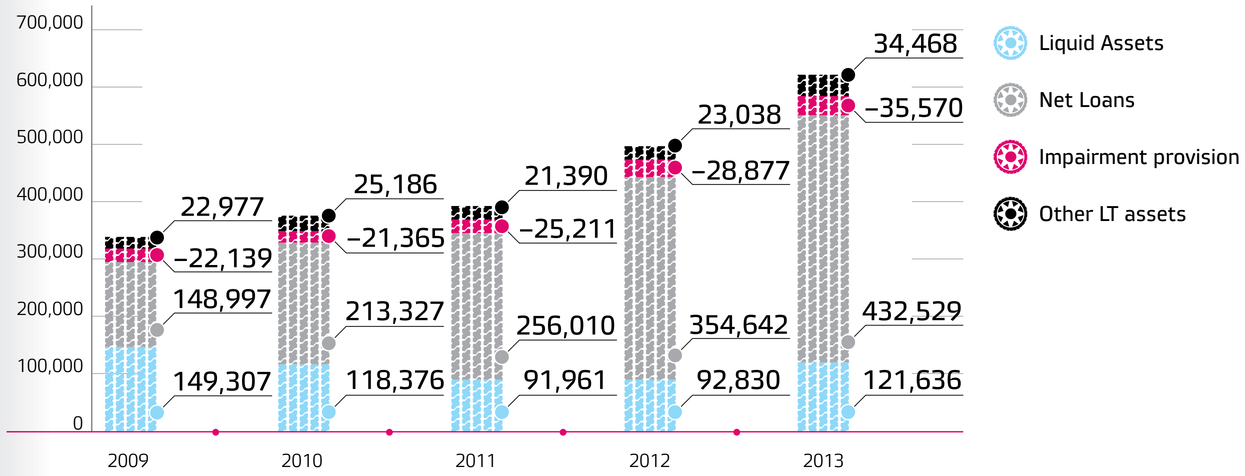
LOANS

Gross loans increased by 22% in 2013, driven by the 40% growth in the Retail segment and 10% growth in the Corporate segment.

The SME loan book decreased by 3%. The strong Retail segment growth was mainly in the uncollateralized loans (up 44%) and auto loans (up 164%). These increases reflected our focus on the point of sales and auto dealers networks in a period when consumer spending has been growing rapidly. Our sales points (branches, outlets, POS, ATMs, etc) grew by 66% to 3,225, including growth of 42% in staffed sales points (up to 1,454). Our mortgage portfolio declined by 47%, as we sold a portfolio of mortgage loans to the Kazakhstan Mortgage Company, and have an agreement for future mortgage loan origination on their behalf. Net loans grew by 22%, in line with the gross loan growth.

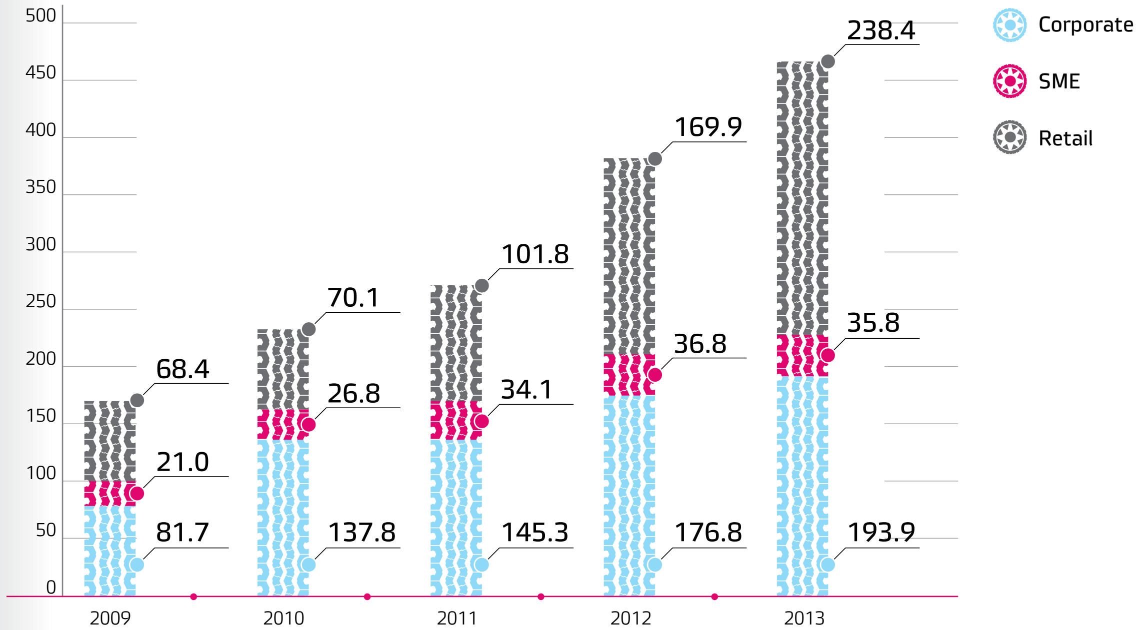
ASSET STRUCTURE EVOLUTION (KZT MLN)

CHART 08



GROSS LOANS EVOLUTION BY SEGMENT (KZT BLN)

CHART 09



KZT MLN	2013	2012	% CHANGE
LOANS TO CORPORATE CUSTOMERS			
Loans to large corporate	193,916	176,841	10%
Loans to small and medium size companies	35,784	36,774	–3%
TOTAL LOANS TO CORPORATE CUSTOMERS	229,700	213,615	8%
LOANS TO RETAIL CUSTOMERS			
Car loans	76,369	28,903	164%
Mortgage loans	17,943	33,832	–47%
Small business loans	16,665	18,629	–11%
Loans collaterised by cash	171	529	–68%
Private banking loans	151	0	NSF
Uncollateralised consumer loans	127,100	88,012	44%
TOTAL LOANS TO RETAIL CUSTOMERS	238,400	169,904	40%
GROSS LOANS TO CUSTOMERS	468,100	383,519	22%
Impairment allowance	–35,570	–28,877	23%
NET LOANS TO CUSTOMERS	432,529	354,642	22%

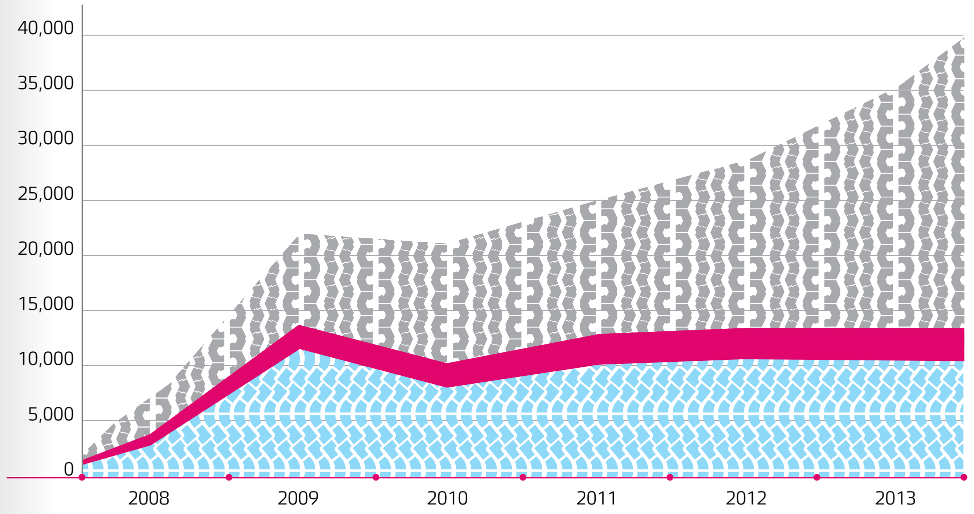
ALLOWANCE FOR LOAN IMPAIRMENT

KZT MLN	2013	2012	% CHANGE
Impairment allowance	35,570	28,877	23%
Impairment losses	8,257	3,807	117%

The loan impairment allowance increased by 23% in 2013, in line with our 22% loan growth. As can be seen from the chart below, the largest contributor to impairment allowance is the retail segment, driven by its higher growth and the inherent higher provisioning levels which tend to be compensated by the higher interest rates charged on these loans.

As a percentage of gross loans, our impairment allowance continues to show improvement in Corporate loans falling from 6.2% to 5.5% in the year, in SME loans it grew from 7.0% to 9.0%, and in Retail loans it edged up from 9.0% to 9.1%. The increase in the SME segment is driven by the decline in the loan book, which leads to non-performing loans to grow as a proportion of total loans. Our allowance for impaired loans stood at 77% of non-performing loans at year-end, this is a decline from 109% and is entirely due to the growth of the retail portfolio and the provisioning rules for that portfolio. With aggregate NPLs for loans originated in the past four years running at 1.54%, management is confident that the provisioning levels reflect the underlying state of the loan book.

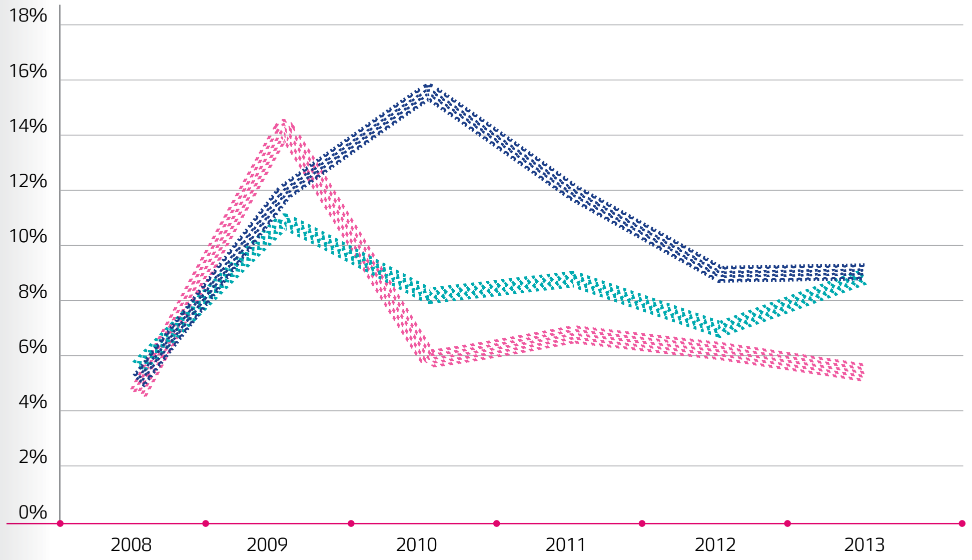
IMPAIRMENT ALLOWANCE BY SEGMENT (KZT MLN) CHART 10



Source:
Note 16 (a) of the Audited Consolidated Financial Statements

The chart below shows the impairment allowances by sector as a percent of gross loans for that segment. As can be seen, in spite of 40% growth in retail loans in 2013, the impairment allowance was steady percentage terms. This is in great part due to the rigorous credit assessment that is applied to all loans. It should be mentioned that the impairment data is far better than the sector average, even if the restructured banks are eliminated from the analysis.

IMPAIRMENT ALLOWANCE BY SEGMENT AS % OF GROSS LOANS (%) CHART 11



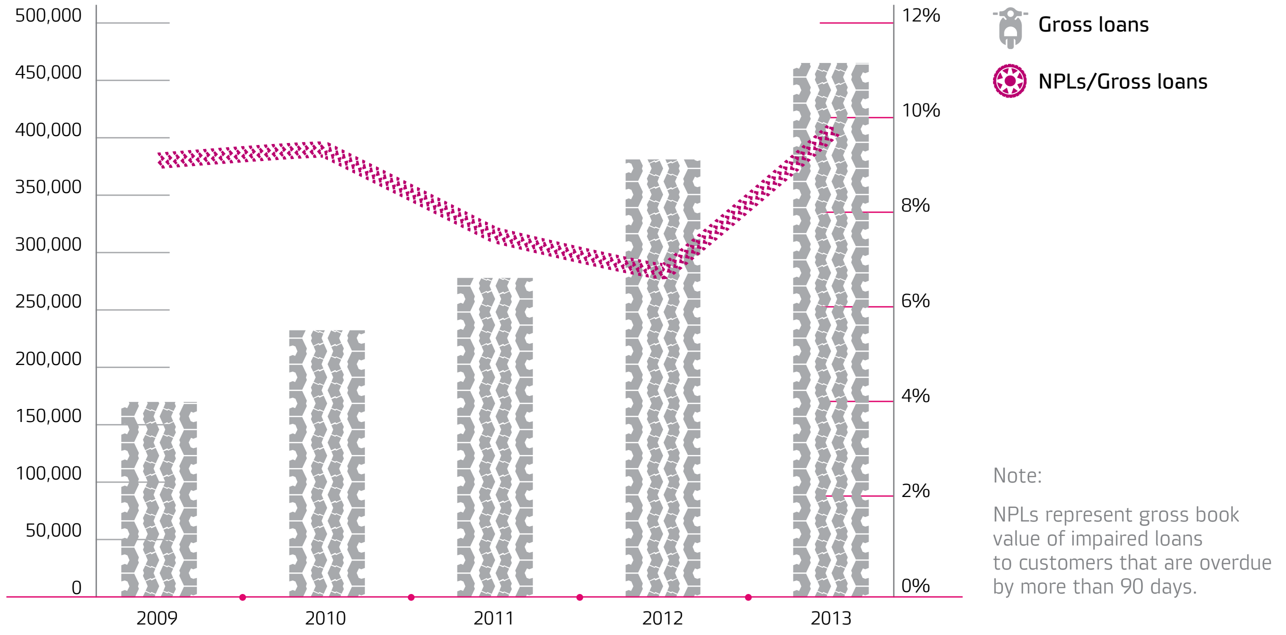
The chart below shows the gross customer loans and the NPL to gross loan ratio. As can be seen, the NPL ratio peaked in 2010 at 9.4%, and in spite of strong loan growth in 2010-2012, it fell significantly, driven by the implementation of credit scoring for all loans and the significantly improved soft and hard loan collection efforts. In 2013 the NPL to gross loans ratio rose to 9.9%, principally driven by the greater proportion of retail loans and the decline of the SME loan book quality (caused by the decline on the total value of SME loans outstanding). Eurasian Bank's metrics are far better than the sector average (less than one third the sector level), even if the restructured banks are eliminated from the analysis.

In the past years we have presented an analysis of loans quality by business segment and year originated. We present it in shortened form this year, as the trend shown in previous years is still valid. When the current management team started in 2010, the loan book was very similar in terms of problems and NPL statistics to essentially, with the help of supportive shareholders, the current management team was able to pursue new growth opportunities, while implementing business processes that ensured that loan performance in all segments would be radically different from the past and from industry averages. Today the Bank has the best NPL statistics in the sector in Kazakhstan, with NPLs at 8.9% of total loans. This number comes out of a stock of loans which is 87% originated in in the past four years, and has an NPL ratio of 6.1% (1.5% NPLs on loans originated), in spite of a significantly bigger retail lending operation; and a 13% of loans stub of the past with 29% NPLs. That said, progress has also been made on the stub, as balances have declined by over 35% in the past two years alone.

In the table below we show the remaining stub of the past, the 2013 loans, and the cumulative of 2010–2013.

NPLs TO GROSS LOANS RATIO AND GROSS LOAN PORTFOLIO (KZT MLN)

CHART **12**



Note:

NPLs represent gross book value of impaired loans to customers that are overdue by more than 90 days.

ANALYSIS BY SEGMENT OF LOANS AND NPLs FOR LOANS ORIGINATED BEFORE AND FROM 2010 (WITH REMAINING BALANCES AS OF 2013) (KZT MLN)

LOANS ORIGINATED PRIOR 2010	TOTAL	CORPORATE	SME	RETAIL
Balance at 01.01.14	55,709	33,278	12,623	9,808
NPLs	16,069	3,449	8,713	3,907
% NPLs (Balance at 01.01.14)	28.8%	10.4%	69.0%	39.8%
LOANS ORIGINATED IN 2013	TOTAL	CORPORATE	SME	RETAIL
Originations	469,383	220,223	35,747	213,414
Amortizations	250,191	165,085	20,567	64,539
Balance at 1.01.14	219,193	55,138	15,180	148,875
NPLs	4,130	231	–	3,899
% NPLs (Balance at 01.01.14)	1.9%	0.4%	0.0%	2.6%
% NPLs on Originations	0.9%	0.1%	0.0%	1.8%
LOANS ORIGINATED IN 2010–2013	TOTAL	CORPORATE	SME	RETAIL
Originations	1,536,548	926,835	173,067	436,645
Amortizations	1,146,871	780,955	136,101	229,815
Balance at 1.01.14	389,677	145,880	36,966	206,830
NPLs	23,588	6,857	1,545	15,186
% NPLs (Balance at 01.01.14)	6.1%	4.7%	4.2%	7.3%
% NPLs on Originations	1.5%	0.7%	0.9%	3.5%
GROSS LOANS (BALANCE AT 01.01.14)	445,386	179,158	49,590	216,638
NPLs	39,656	10,306	10,258	19,093
% NPLs	8.9%	5.8%	20.7%	8.8%

*The figures appearing in this Vintage Analysis are unconsolidated standalone calculations in accordance with the NBRK requirements.

DEPOSITS BY TYPE

In 2013 deposits grew by 29%, as the Bank funded a significant portion of its asset growth with deposits. As can be seen from the table below, term deposits grew by 39%, while current accounts and demand deposits declined by 8%.

Corporate deposits continue to be the mainstay of the deposit funding base, though the Bank had greater retail deposit growth again in 2013. Corporate term deposits grew by 34%, while retail term deposits grew by 48%.

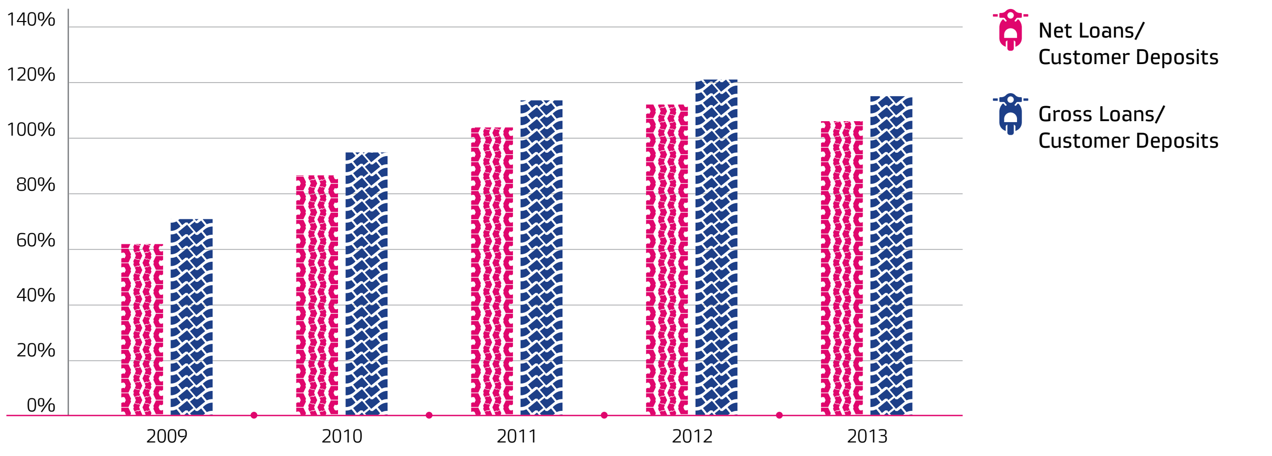
For current accounts and demand deposits, corporates fell by 11%, while retail grew by 6%. Overall, corporate deposits account for 65% of total deposits, down from 69% in 2012.

KZT MLN	2013	2012	% CHANGE	2013 % OF TOTAL
CURRENT ACCOUNTS & DEMAND DEPOSITS	65,737	71,185	–8%	16%
– Retail	15,211	14,390	6%	4%
– Corporate	50,526	56,795	–11%	12%
TERM DEPOSITS	338,937	243,535	39%	84%
– Retail	125,445	84,625	48%	31%
– Corporate	213,492	158,910	34%	53%
TOTAL	404,674	314,720	29%	

The gross loans to deposits ratio declined in 2013 from 122% to 116%, due to deposit growth being higher than loan growth in 2013. The ratio is essentially at the upper end of our medium term target range of about 105–115%. Management aims to have a diversified funding base, and fixed income markets help the Bank to diversify not only the source, but also allows the Bank to have longer maturities that are essential in its effort to issue longer term loans to the Bank's clients.

GROSS AND NET LOANS TO DEPOSIT RATIOS (%)

CHART 13



REGULATORY CAPITAL AND CAPITAL ADEQUACY

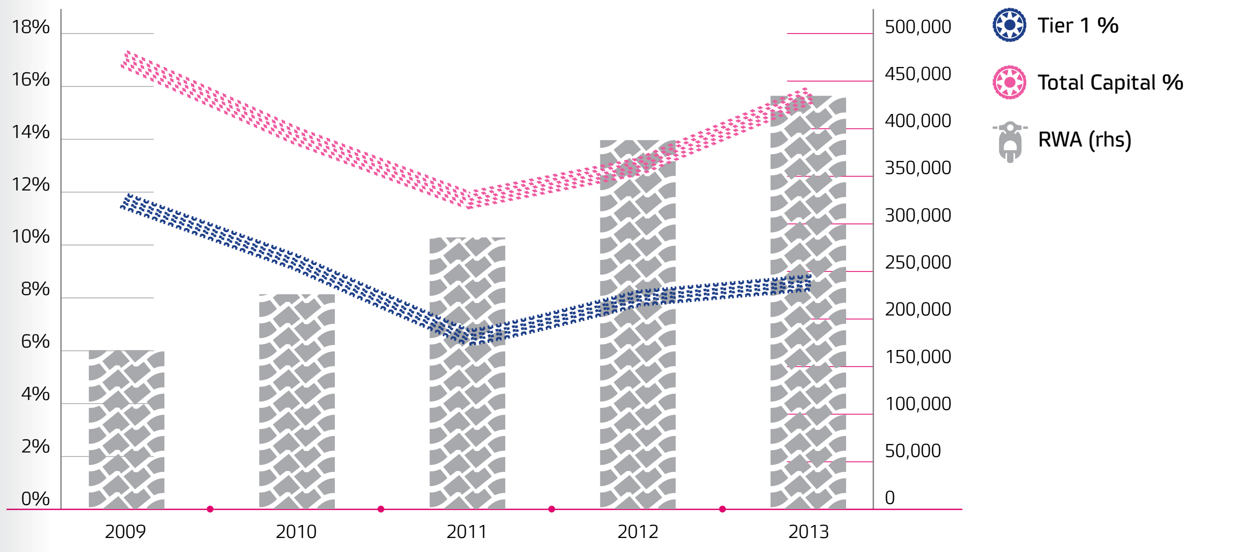
The chart below shows the evolution of the Tier 1 and Total Capital Adequacy Ratios. These are calculated under the local regulators criteria, and banks must have at least 5% Tier 1 ratio and at least 10% Total Capital Adequacy Ratio. The Bank meets these criteria: At year end 2013 the Bank had a Tier 1 adequacy ratio (k1.2) of 8.6%, and a Total Capital Adequacy Ratio (k2) of 15.9%.

In 2013 the NBRK implemented its dynamic provisioning requirement. This is a local non-IFRS loan provisioning requirement that applied specific provisioning coefficients to existing loans and the growth in the stock of loans. These provisions are separate from those that the Bank makes in the normal course of business, and would have an impact on capital adequacy measures. Eurasian Bank provided for these new requirements during 2013, though the NBRK decided at the end of the year to provisionally set both coefficients at zero, thus deferring the impact of these provisioning requirements until a later date when they set the coefficients at a value greater than zero.

The NBRK has announced its intention transition to Basel III capital and liquidity requirements, but the timeline is still up in the air. There is a tentative deadline of mid-2014, but this may slip due to certain elements that have yet been finalized. Kazakhstan currently has adopted Basel I requirements. At Eurasian Bank we are evaluating the potential changes to our business that the Basel III requirements would bring. Our Risk department is moving towards having credit risk evaluation that will be compliant, and we are looking at all of the Bank's business, balance sheet structure, processes and systems to ensure that we are able to continue to succeed under the future regulatory environment.

TIER 1 AND TOTAL CAPITAL ADEQUACY RATIO AND RISK WEIGHTED ASSETS (KZT MLN)

CHART 14



EQUITY

There are 16,211,133 shares outstanding as of December 31, 2013.

No new shares were issued during the 2013 fiscal year. The shares are not listed. Authorized capital is 33 million ordinary shares and 3 million preference shares. The balance of the ordinary shares and all the preference shares remain unissued. A dividend was paid to equity holders in 2013 of KZT 2 bln (123.38 KZT per share), representing about 20% of 2012 earnings.

RELATED PARTY TRANSACTIONS

In 2013 loans to related parties accounted for 5.0% of the total loan book (up from 1.3% in 2012), and the interest rates on the loans were between 6.06%–13.05%. Average rates extended to clients were between 11.76% and 17.67%, depending on the currency. Deposits from related parties accounted for 12.1% of the deposit base (down from 16.5% in 2012), with deposit rates varying from 0.37–7.80%.

Average deposit rates for corporate customers were between 2.55% and 7.38%, depending on the currency. The low exposure to related party loans is a core value of the Bank, while the relatively high exposure to related party deposits is a reflection of its historic banking relationship with affiliated entities (particularly in the mining sector). All of the related party loans were to companies under common control or under significant influence of the ultimate beneficial owners. The related party deposits, in addition to the categories mentioned above, include deposits from subsidiaries of the same parent company.

The majority of "related party" clients are employees of ENRC (employees are not technically related as per regulations, and almost all are not included in the transactions listed above). At year end 2013, ENRC Group employees accounted for 9.8% of the Bank's 867,436 unique clients (the number of accounts is greater than number of clients). ENRC Group clients grew by about 6,079 in the year, against total client growth of almost 219,740, driven by the consumer lending growth. The higher number of new ENRC clients in 2012 was due to the consumer lending business approaching many corporate clients, including ENRC, to offer payroll loans to their employees. The proportion of ENRC Group employee clients fell from 12.2% to 9.8% over 2013, and Management expects further decreases in the mid term.

Statement of Income 2012 vs 2011

Eurasian Bank reported Net Profit of KZT 9,832 mln in 2012, a second year of notable results. The Return on Average Assets reached 2.3%, while the Return on Average Equity reached 24.7%. The drivers for this improvement were the continued growth of the loan book, the positive contribution of the retail lending activity, the reduction in negative carry costs, and the continued quality improvement of the loan portfolio.

NET INTEREST MARGIN
★ 7.8 % ★
IN 2012

OVERVIEW

KZT MLN	2012	2011	% CHANGE
Interest income	50,388	38,089	32%
Interest expense	–23,451	–19,445	21%
NET INTEREST INCOME	26,937	18,643	44%
Impairment charges	–4,153	–4,155	0%
NET INTEREST INCOME AFTER IMPAIRMENT CHARGE	22,783	14,488	57%
Net fee and commission income	7,924	3,526	125%
Other non-interest income	3,586	3,442	4%
Other non-interest expenses	–21,207	–13,382	59%
Profit before income tax expense	13,086	8,074	62%
Income tax expense	–3,254	–2,027	61%
PROFIT FOR THE YEAR	9,832	6,047	63%

NET INTEREST INCOME

Net interest income rose 44% in 2012, as interest income rose by 32% and interest expense rose by only 21%.

On the interest income side, the biggest source of improvement was on the loans to customers side, where the net loan book grew by 39% in the year. Interest income did not grow as much as the loan book, as the high growth in the retail loans (which grew by 67%) was counterbalanced by a 80 basis points decline in the market rates for corporate loans. Loans to customers accounts for over 98% of all interest income. Net interest income accounts for just over 70% of operating income.

KZT MLN	2012	2011	% CHANGE
NET INTEREST INCOME	26,937	18,643	44%
INTEREST INCOME			
Loans to customers	49,628	36,713	35%
Held-to-maturity investments	331	633	–48%
Available-for-sale financial assets	214	438	–50%
Financial instruments at fair value through profit or loss	108	217	–50%
Placements with banks	62	11	464%
Cash and cash equivalents	23	54	–57%
Amounts receivable under reverse repurchase agreements	21	24	–13%
TOTAL	50,388	38,089	32%
INTEREST EXPENSE			
Current accounts and deposits from customers	15,669	12,265	28%
Debt securities issued	3,236	2,777	17%
Subordinated debt securities issued	2,718	2,674	2%
Other borrowed funds	1,258	1,556	–19%
Deposits and balances from banks	475	151	215%
Amounts payable under repurchase agreements	96	22	336%
TOTAL	23,451	19,445	21%

IMPAIRMENT CHARGES

Impairment charges were in line with 2011 levels.

The split of the impairment charges is driven by the strong growth of the retail business, where impairment charges are made on loan issuance at a predetermined level. Corporate loan impairment charges were in line with 2011, and the SME portfolio showed a vast improvement, with a positive recovery in 2012.

Loans originated since 2010 are showing low NPL levels, which gives management confidence on the current quality of the overall loan portfolio (see table in discussion of Allowance for Loan Impairment). The table below shows the impairment charges for customer loans and other assets for 2011 and 2012.

KZT MLN	2012	2011	% CHANGE
Loans to customers	3,807	4,156	–8%
Other assets	347	–189	284%
Provision for contingent liabilities	0	189	NSF
TOTAL	4,153	4,155	0%

NET FEE AND COMMISSION INCOME

Net fee income grew by 125% to KZT 7,924 mln.

These fees account for 21% of operating income. The biggest components of these fees is now Agent services (53% of fee income in 2012, up from 1% in 2011), mostly commissions on the sale of insurance policies with our consumer loans.

While this high growth in part reflects the underlying growth of our consumer business, it also reflects the full integration of the ProstoCredit consumer lending business under the same legal entity. The balance of the remaining fee income and expense items did not show the same change. The level of fee income from the consumer business is structural, and should be viewed as recurring.

KZT MLN	2012	2011	% CHANGE
NET FEE AND COMMISSION INCOME	7,924	3,526	125%
FEE AND COMMISSION INCOME			
Agent services	4,714	32	14,631%
Settlement	1,404	1,291	9%
Guarantee and letter of credit issuance	1,034	1,161	–11%
Cash withdrawal	1,012	826	22%
Payment card maintenance fees	432	371	17%
Custodian services	64	91	–29%
Cash delivery	47	52	–10%
Other	248	107	132%
TOTAL	8,956	3,932	128%
FEE AND COMMISSION EXPENSE			
Agent services	522	71	635%
Settlement	265	67	296%
Cash withdrawal	168	157	7%
Payment card maintenance fees	52	68	–23%
Custodian services	15	29	–50%
Other	9	14	–33%
TOTAL	1,031	405	154%

OTHER NON-INTEREST INCOME

Other non-interest income accounts for 9% of operating income. Performance in 2012 was in line with the previous year, as the 20% increase in foreign exchange income was compensated mainly by negative fair value adjustments.

KZT MLN	2012	2011	% CHANGE
Net foreign exchange income	4,105	3,431	20%
Net gain on available-for-sale financial assets	–22	172	–113%
Other	–497	–161	209%
TOTAL	3,586	3,442	4%

OPERATING COSTS

Operating cost rose by 58% in 2012, slightly more than the 50% increase in operating income. Employee cost rose by 72%, as headcount rose 95% to 4,615 (ex-maternity leave employees). Most of the head count growth was due to the acquisition and subsequent growth of the ProstoCredit consumer lending activity, as well as the full headcount of this activity coming under our corporate entity in January 2012.

Employee costs rose from 27% to 31% of income. Other expenses also grew during the year, but actually declined as a percentage of income, with large increases in spending on advertising, security and professional services. The cost/income ratio rose from 52% in 2011 to 55% in 2012. We planned to have the cost/income in the range of 50–55% in 2013.

KZT MLN	2012	2011	% CHANGE
Wages, salaries, bonuses and related taxes	11,524	6,669	73%
Other employee costs	447	289	55%
TOTAL EMPLOYEE COSTS	11,971	6,958	72%
OTHER OPERATING COSTS			
Depreciation and amortization	1,927	1,204	60%
Operating lease expense	1,056	713	48%
Communications and information services	1,045	503	108%
Advertising and marketing	1,028	699	47%
Taxes other than on income	804	485	66%
Loan servicing	647	1,110	–42%
Repairs and maintenance	536	298	80%
Security	467	269	74%
Travel expenses	305	212	44%
Stationery and office supplies	188	69	172%
Services of State Center for pension payments	160	6	NSF
Professional services	146	278	–48%
Insurance	86	38	127%
Cash delivery services	69	41	68%
Transportation	57	42	33%
Trainings	48	27	80%
Representation expenses	30	14	119%
Payment cards production	29	33	–11%
Other	609	384	58%
TOTAL	21,207	13,382	58%

Balance Sheet Highlights 2012 vs 2011

In 2012 net loan book accounted for 97.5% of the increase in assets. Liquid assets accounted for 20% of the balance sheet, down from 25% in 2011.

ASSETS

As can be seen from the chart 15, the Bank saw 27% asset growth in 2012, driven by the 39% growth of the net loan book.

This came after two years of working on the efficiency of our balance sheet to reduce the negative carry effect, years in which the loan book increase was always greater than the asset increase.

In 2012 the loan book accounted for 97.5% of the increase in assets. Liquid assets now only account for 20% of the balance sheet, down from 25% in 2011. Provisions for loan impairment and other long term assets grew modestly in the year, and still account a combined 6% of assets.

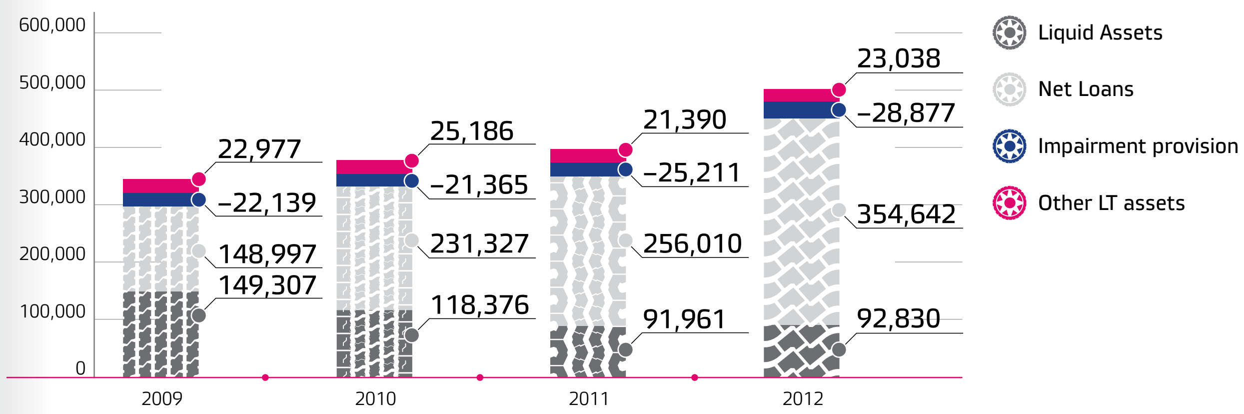
LOANS

Gross loans increased by 36% in 2012, driven by the 67% growth in the Retail segment and 22% growth in the Corporate segment.

The SME loan book increased by 8%. The strong Retail segment growth was mainly in the uncollateralized loans (up 107%) and auto loans (up199%). These increases reflected our focus on the point of sales and auto dealers networks in a period when consumer spending has been growing rapidly. Net loans grew by 39%, as the impairment allowance grew by 15%. Management expected that future asset growth would come almost entirely from loan book growth.

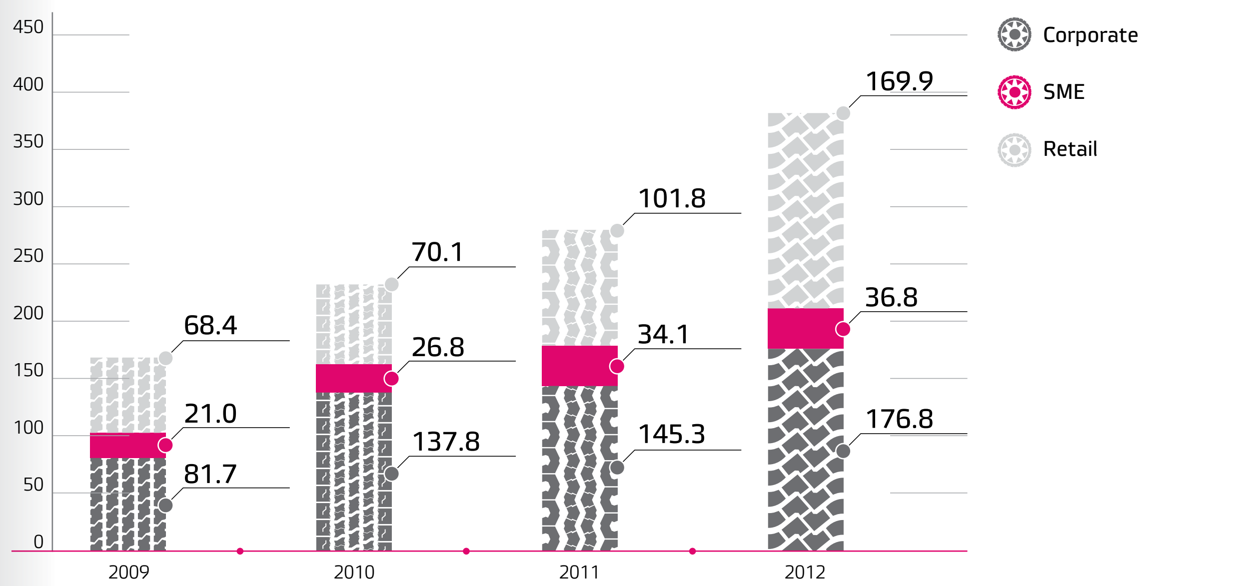
2009–2012 EVOLUTION OF ASSET COMPOSITION (KZT MLN)

CHART 15



GROSS LOANS EVOLUTION BY SEGMENT (KZT BLN)

CHART 16



KZT MLN	2012	2011	% CHANGE
LOANS TO CORPORATE CUSTOMERS			
Loans to large corporate	176,841	145,270	22%
Loans to small and medium size companies	36,774	34,144	8%
TOTAL LOANS TO CORPORATE CUSTOMERS	213,615	179,414	19%
LOANS TO RETAIL CUSTOMERS			
Mortgage loans	33,832	29,868	13%
Car loans	28,903	9,661	199%
Small business loans	18,629	19,300	-3%
Loans collateralised by cash	529	464	14%
Uncollateralised consumer loans	88,012	42,514	107%
TOTAL LOANS TO RETAIL CUSTOMERS	169,904	101,807	67%
GROSS LOANS TO CUSTOMERS	383,519	281,221	36%
Impairment allowance	-28,877	-25,211	15%
NET LOANS TO CUSTOMERS	354,642	256,010	39%

ALLOWANCE FOR LOAN IMPAIRMENT

KZT MLN	2012	2011	% CHANGE
Impairment allowance	28,877	25,211	15%
Impairment losses	3,807	4,156	-8%

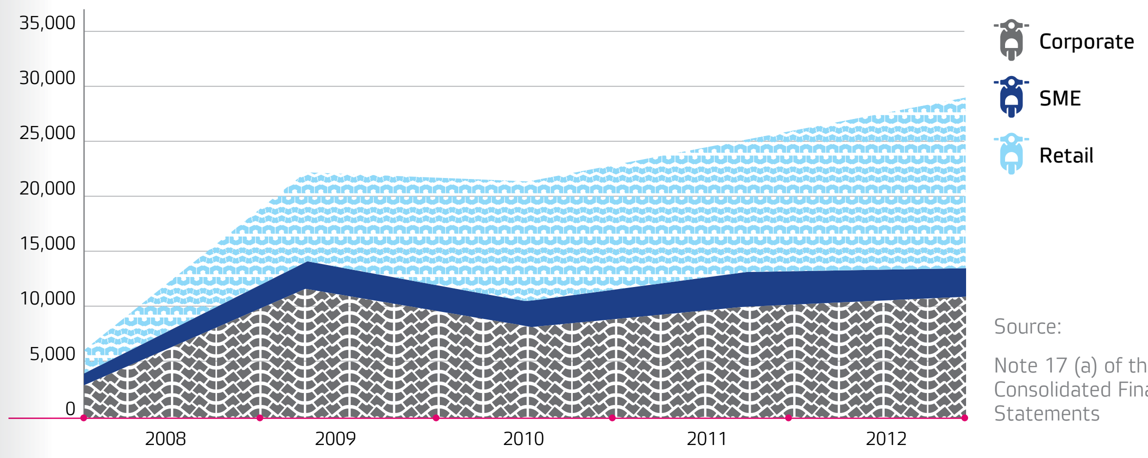
The loan impairment allowance increased by 15% in 2012, significantly less than loan growth.

As can be seen from the charts below, the largest contributor to impairment allowance is the retail segment, though this tends to be compensated by the higher interest rates charged on these loans. As a percentage of gross loans, our impairment allowance continues to show improvement: in Corporate loans falling from 6.9% to 6.2% in the year, in SME loans falling from 8.9% to 7.0%, and in Retail loans falling from 12.0% to 9.0%. Our allowance for impaired loans stood at 109% of non-performing loans at year end. With aggregate NPLs for loans originated in the past three years running at 2.1%, management is confident that the provisioning levels reflect the underlying state of the loan book.

The chart below shows the impairment allowances by sector as a percent of gross loans for that segment. As can be seen, in spite of 67% growth in retail loans in 2012, the impairment allowance fell in percentage terms. This is in great part due to the rigorous credit assessment that is applied to all loans. It should be mentioned that the impairment data is far better than the sector average, even if the restructured banks are eliminated from the analysis.

IMPAIRMENT ALLOWANCE BY SEGMENT (KZT MLN)

CHART 17

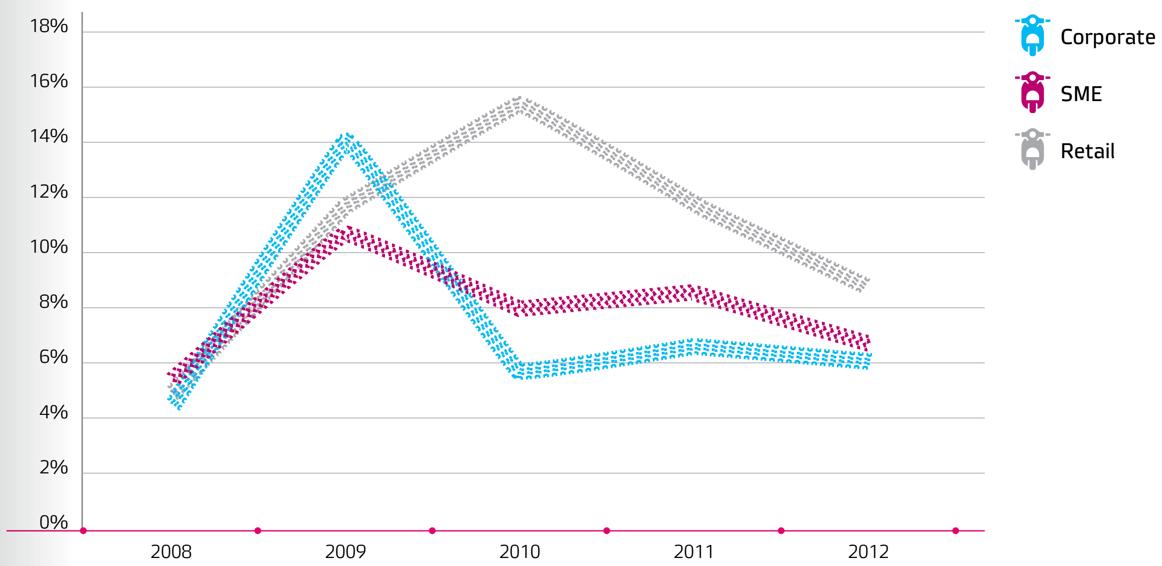


Source:

Note 17 (a) of the Audited Consolidated Financial Statements

IMPAIRMENT ALLOWANCE BY SEGMENT AS % OF GROSS LOANS (%)

CHART 18

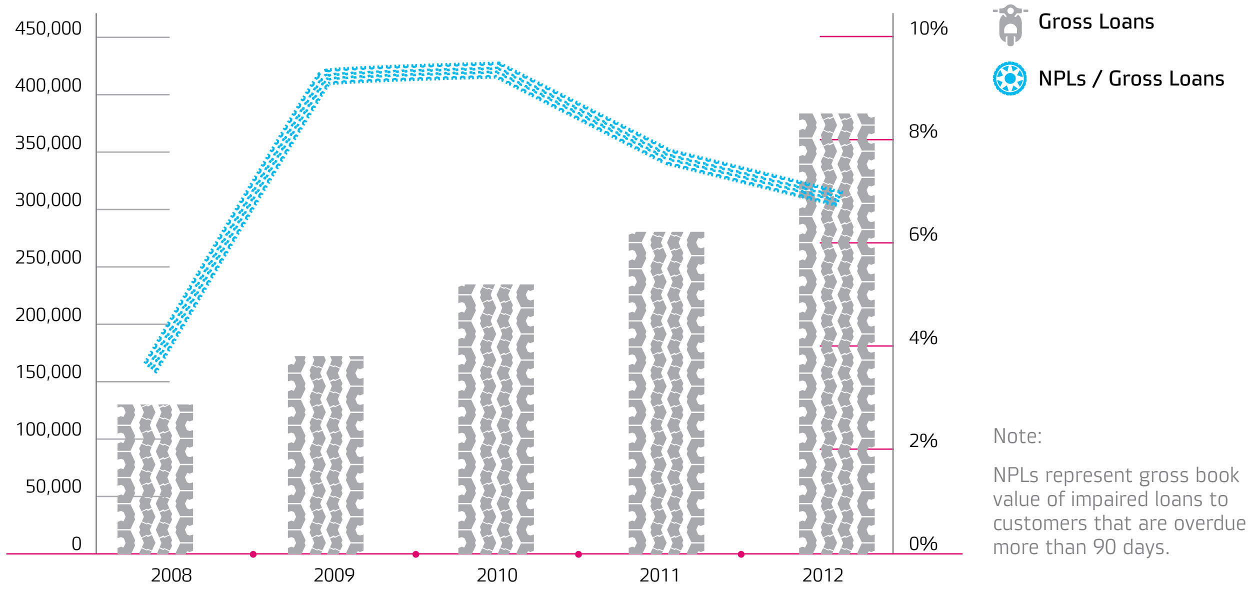


For retail clients, the assessment occurs at the time of loan demand, and is based on verifiable earnings, credit bureau and internal bank data. It should be noted that the higher percentage of impaired loans for retail clients is more than compensated by the interest margin and fees earned from this segment.

The chart 19 shows the gross customer loans and the NPL to gross loan ratio. As can be seen, the NPL ratio peaked in 2010 at 9.4%, and in spite of strong loan growth in 2010-2012, it fell significantly. In 2012 the NPL to gross loans ratio fell to 6.9%. Eurasian Bank's metrics are far better than the sector average (less than one third the sector level), even if the restructured banks are eliminated from the analysis.

NPLs TO GROSS LOANS RATIO AND GROSS LOAN PORTFOLIO (KZT MLN)

CHART **19**



Note:

NPLs represent gross book value of impaired loans to customers that are overdue by more than 90 days.

DEPOSITS BY TYPE

In 2012 deposits grew by 28%, as the Bank funded a significant portion of its asset growth with deposits. As can be seen from the table below, term deposits grew by 38%, while current accounts and demand deposits grew by 4%.

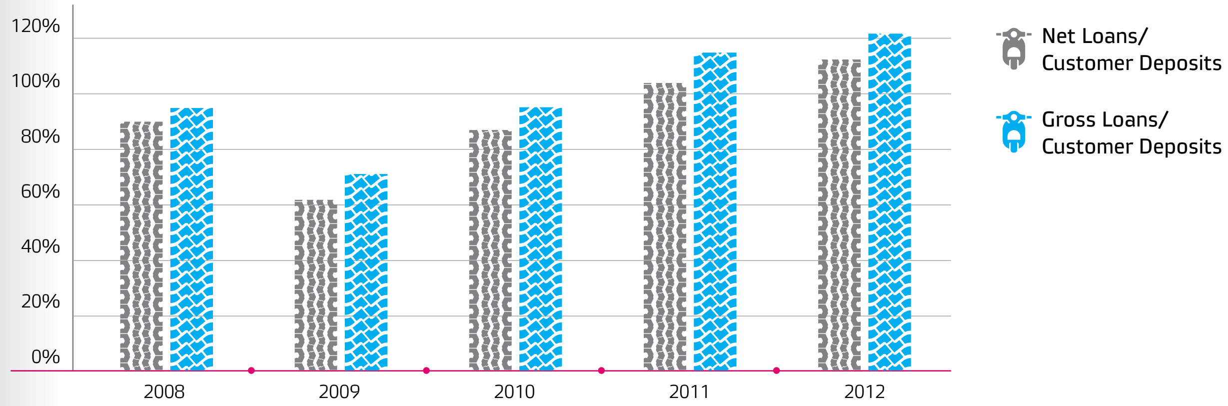
Corporate deposits was the mainstay of the deposit funding base, though the Bank had greater retail deposit growth in 2012. Corporate term deposits grew by 29%, while retail term deposits grew by 58%. For current accounts and demand deposits, corporates fell by 2%, while retail grew by 37%. Overall, corporate deposits accounted for 69% of total deposits, down from 74% in 2011.

KZT MLN	2012	2011	% CHANGE	2012 % OF TOTAL
CURRENT ACCOUNTS & DEMAND DEPOSITS	71,185	68,701	4%	23%
– Retail	14,390	10,542	37%	5%
– Corporate	56,795	58,159	–2%	18%
TERM DEPOSITS	243,535	176,910	38%	77%
– Retail	84,625	53,687	58%	27%
– Corporate	158,910	123,223	29%	50%
TOTAL	314,720	245,611	28%	

The gross loans to deposits ratio has increased over the past three years from the 2009 low of 71%, reaching 122% at the end of 2012. The 2009 low was mostly due to the fact that deposits grew by 76%, while gross loans grew by only 32%. In 2010–2011 deposits hardly grew, while loan growth was significant, allowing the Bank to deploy substantial excess liquidity. In 2012 both loans and deposits grew, though loans grew at a greater rate. The medium term target is a ratio of about 105–115%. Management aims to have a diversified funding base, and fixed income markets help the Bank to diversify not only the source, but also allows the Bank to have longer maturities that are essential in its effort to issue longer term loans to the Bank's clients.

GROSS AND NET LOANS TO DEPOSIT RATIOS (%)

CHART **20**



REGULATORY CAPITAL AND CAPITAL ADEQUACY

The chart below shows the evolution of the Tier 1 and Total Capital Adequacy Ratios. These are calculated under the local regulators criteria, and banks must have at least 5% Tier 1 ratio and at least 10% Total Capital Adequacy Ratio.

The Bank meets these criteria:

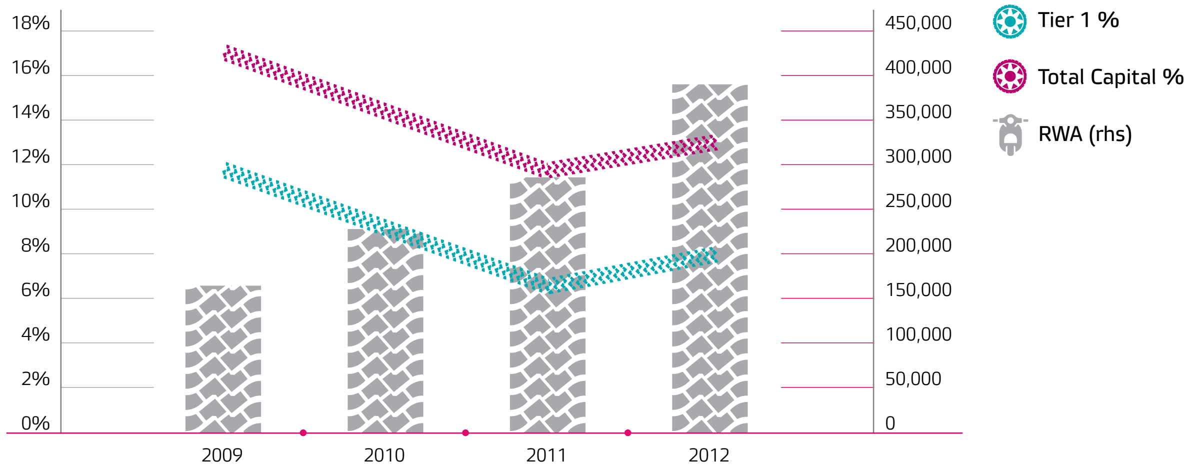
At year end 2012 the Bank had a Tier 1 adequacy ratio (k1.2) of 8.0%,

and a Total Capital Adequacy Ratio (k2) of 13.0%.

The NBRK has announced its intention transition to Basel III capital and liquidity requirements, but the timeline is still up in the air. Kazakhstan currently has adopted Basel I requirements. At Eurasian Bank we are evaluating the potential changes to our business that the Basel III requirements would bring. Our Risk department is moving towards having credit risk evaluation that will be compliant, and we are looking at all of the Bank's business, balance sheet structure, processes and systems to ensure that we are able to continue to succeed under the future regulatory environment.

TIER 1 AND TOTAL CAPITAL ADEQUACY RATIO AND RISK WEIGHTED ASSETS (KZT MLN)

CHART 21



EQUITY

There are 16,211,133 shares outstanding as of December 31, 2012. 903,163 new shares were issued during the 2012 fiscal year, raising KZT 5.9 bln from existing shareholders.

The shares are not listed. Authorized capital is 33 million ordinary shares and 3 million preference shares. The balance of the ordinary shares and all the preference shares remain unissued.

RELATED PARTY TRANSACTIONS

In 2012 loans to related parties accounted for 1.3% of the total loan book (down from 3.0% in 2011), and the interest rates on the loans were between 10.12–14.00%.

Average rates extended to clients were between 12.29% and 18.83%, depending on the currency. Deposits from related parties accounted for 16.5% of the deposit base (down from 19.6% in 2011), with deposit rates varying from 0.14–9.5%. Average deposit rates for corporate customers were between 3.25% and 6.88%, depending on the currency. The low exposure to related party loans is a core value of the Bank, while the relatively high exposure to related party deposits is a reflection of its historic banking relationship with affiliated entities (particularly in the mining sector).

All of the related party loans were to companies under common control or under significant influence of the ultimate beneficial owners. The related party deposits, in addition to the categories mentioned above, include deposits from subsidiaries of the same parent company.

The majority of "related party" clients are employees of ENRC (employees are not technically related as per regulations, and almost all are not included in the transactions listed above). At year end 2012, ENRC Group employees accounted for 12.2% of the Bank's 647,696 unique clients (the number of accounts is greater than number of clients). ENRC Group clients grew by about 13,600 in the year, against total client growth of almost 165,849, driven by the consumer lending growth. The higher number of new ENRC clients in 2012 was due to the consumer lending business approaching many corporate clients, including ENRC, to offer payroll loans to their employees. The proportion of ENRC Group employee clients fell from 13.6% to 12.2% over 2012, and Management expects further decreases in the mid term.

PIT-BOX

A TEMPORARY GARAGE WITH ACCESS DIRECTLY ONTO THE PIT LANE FOR EACH TEAM PARTICIPATING IN THE MOTO GP RACE

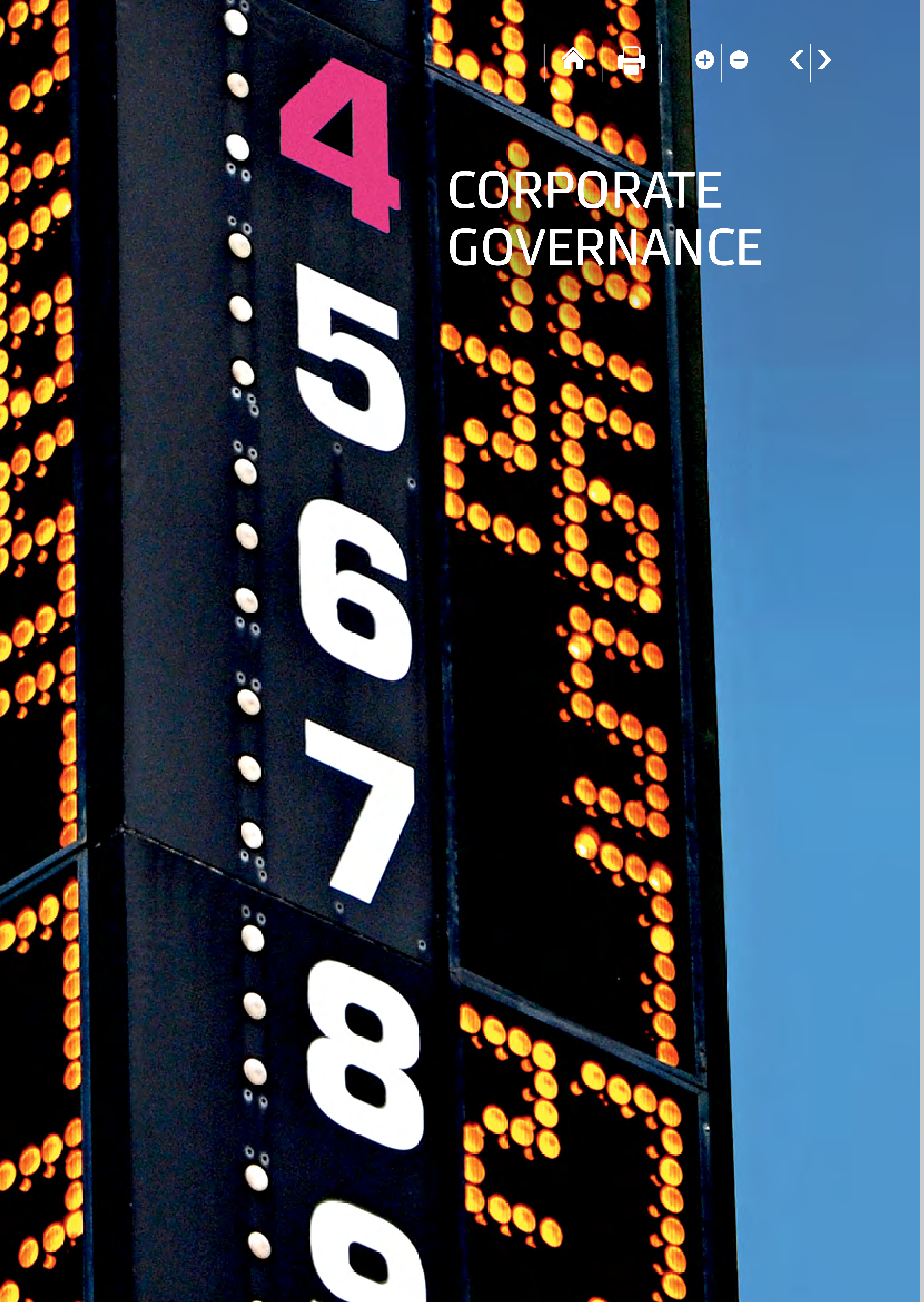
AUTOMOTODROM BRNO

CZECH REPUBLIC, BRNO

Length: 5,403 m
Width: 15 m
Longest Straight: 636 m
Left corners: 6
Right corners: 8

NO INDIVIDUAL WINS THE RACE — THE TEAM WINS. A WINNING TEAM IS A GROUP OF PROFESSIONALS IN WHICH EVERYONE HAS CLEAR RESPONSIBILITIES AND TARGETS, AND HAS THE INCENTIVE TO ACHIEVE THE TARGETS.

EURASIAN BANK'S RECENT SUCCESS IS BASED ON THE TEAM, RESPONSIBILITIES, TARGETS AND INCENTIVES PUT IN PLACE STARTING IN 2010.



4 CORPORATE GOVERNANCE

Corporate Governance Overview

Eurasian Bank, like all banks in Kazakhstan, has corporate governance standards that are mandated by **JSC Law (Company Law)** and by **Banking regulation**.

MICHAEL EGGLETON, THE CEO, RECEIVED THE CEO OF THE YEAR — 2013 AWARD FROM THE AMERICAN CHAMBER OF COMMERCE IN KAZAKHSTAN

As a JSC, the Bank operates with a two-tier governance structure: a Board of Directors and a Management Board. The Board of Directors has by law a minimum number of independent directors. The Board has eight members appointed for five year terms; five board members are shareholder representatives and three are independent Board members. The Board of Directors receives on the Bank on weekly and monthly basis management reports. In addition to this, there are six board committees that are responsible for different aspects of the Bank's operations and governance.

All members of the Management Board and Board of Directors are subject to approval by the FMSC. The FMSC can disallow individuals, or may require them to pass relevant exams. The FMSC also performs periodic audits of banks to ensure that they are in compliance with all applicable regulations and laws. In addition to these local requirements, the Bank has gone out of its way to hire a Management Board with significant international and local bank experience.

New management instituted voluntary annual polygraph testing for all key employees. In a region where bank employees have not always adhered to their fiduciary duties to their employer, it is seen as a sensible measure to promote correct behavior at Eurasian Bank. Eurasian Bank believes it pays above average salaries, and has a variable compensation scheme that is above local standards. These measures together are aimed at having a motivated staff focusing on profitability and the strategy set by management.

The Bank has three equal ultimate beneficial owners. They are all members of the Board of Directors. Management believes that any item that concerns the shareholders is dealt with in an appropriate manner. Management also believes that the rights of shareholders are balanced with the rights of other stakeholders, as demonstrated in the section on Related Party transactions.

The Bank has to submit monthly data to the regulator on P&L, balance sheet and loan quality parameters. This data is made public by the regulator (NBRK, at www.nationalbank.kz). In addition, with bonds listed on the KASE, it is also subject to certain reporting and information disclosure requirements by KASE (http://www.kase.kz).

Board of Directors

The Board of Directors has eight Members appointed for five year terms; five Board members are shareholder representatives and three are independent Board members.

20% OF 2012 EARNINGS WAS PAID AS DIVIDEND IN 2013

SUPERVISORY BOARD (BOARD OF DIRECTORS)

Alexander Mashkevich

1954	Chairman of the Supervisory Board, Shareholder
15.09.1998 — present	Chairman of the Board of Directors of Eurasian Bank JSC
18.03.2010 — present	Chairman of the Board of Directors of Eurasian Production Company JSC
09.10.2009 — present	Member of the Board of Directors of Eurasian Industrial Company JSC
03.03.2008 — present	Chairman of the Board of Directors of Eurasian Financial Company JSC

Alijan Ibragimov

1953	Board Member, Shareholder
14.09.1998 — present	Member of the Board of Directors of Eurasian Bank JSC
15.03.2010 — present	Member of the Board of Directors of Eurasian Production Company JSC
10.10.2009 — present	Chairman of the Board of Directors of Eurasian Industrial Company JSC
11.07.2008 — present	Member of the Board of Directors of Eurasian Financial Company JSC

Patokh Shodiyev

1953	Board Member, Shareholder
14.09.1998 — present	Member of the Board of Directors of Eurasian Bank JSC
15.03.2010 — present	Member of the Board of Directors of Eurasian Production Company JSC
09.10.2009 — present	Member of the Board of Directors of Eurasian Industrial Company JSC
11.07.2008 — present	Member of the Board of Directors of Eurasian Financial Company JSC

Michael Eggleton

1968	Board Member, CEO
10.03.2011 — present	Member of the Board of Directors of Eurasian Bank JSC
05.04.2010 — present	Chairman of the Board of Directors of Eurasian Bank OJSC (Moscow)
14.10.2009 — present	Chairman of the Management Board of Eurasian Bank JSC

Boris Umanov

1955	Board Member
02.05.2008 — present	Member of the Board of Directors of Eurasian Bank JSC
29.07.2009 — present	Member of the Board of Directors of Eurasian Financial Company JSC
31.03.2009 — present	Chairman of the Board of Directors of Eurasian Capital JSC
18.06.2003 — present	Chairman of the Management Board of Eurasia Insurance Company
09.02.2002 — present	Member of the Board of Directors of Eurasia Insurance Company
27.02.2008 — 14.04.2011	Chairman of the Board of Directors of Eurasian Saving Pension Fund JSC

Nikolay Radostovets

1955	Independent Board Member
10.03.2011 — present	Independent Director, Member of the Board of Directors of Eurasian Bank JSC
23.09.2011 — present	Independent Director, Member of the Board of Directors of Bank RBK JSC
20.01.2011 — 23.09.2011	Independent Director, Member of the Board of Directors of KazIncomBank JSC
15.11.2010 — 19.01.2011	Acting as Member of the Board of Directors, Independent Director of KazIncomBank JSC
03.08.2005 — present	Executive Director of the Republican Association of Mining and Metallurgical Enterprises
12.10.2004 — present	President of Union of Producers and Exporters of Kazakhstan

Simon Alexander Vine

1962	Independent Board Member
12.12.2013 — present	Independent Director, Member of the Board of Directors of Eurasian Bank JSC
15.07.1998 — present	Co-director of the Corporate and Investment Bank Block in Alfa-Bank JSC (Russia)

Olga Rozmanova

1965	Independent Board Member
24.06.2011 — present	Independent Director, Member of the Board of Directors of Eurasian Bank JSC
14.08.1998 — present	Chief Financial officer — Chief accountant of Centraudit-Kazakhstan LLP
21.03.2006 — 11.07.2011	Director of Independent apprisal and consulting company Centraudit

BOARD OF DIRECTORS COMMITTEES

The Board has six committees responsible for oversight, direction and decision making on specific areas. The committees are: Strategic Planning, Asset and Liability Management, Credit, Audit, Staff and Remuneration and Social Issues. The tasks of each committee are shown below, together with the members of each committee. The committees are all chaired by an independent Board member and include members of the Management Board and other Bank employees, as appropriate.

With the increase in independent directors with international experience, we foresee a greater diversity of Board members on the committees going forward.

STRATEGIC PLANNING COMMITTEE

MEMBERS:	Nikolay Radostovets (Chair), Michael Eggleton (CEO and Board Member), Anna Bichurina (CFO)
RESPONSIBILITY:	The Strategic Planning Committee has three basic functions. It should bring for full Board approval documents on the Bank's strategic plans, on the implementation plans for the strategies, and on how the Bank approaches strategic planning. The second function is to analyze and provide recommendations to the Board on strategic priorities and changes thereof, ensuring that the assets and liability structure is in line with the strategic goals, improving corporate governance, improving the effectiveness of Bank units, and diversification of the Bank's activities. The third function is to monitor the progress of the implementation of strategic plans.

ASSET AND LIABILITY MANAGEMENT COMMITTEE

MEMBERS:	Nikolay Radostovets (Chair), Nurbek Ayazbayev, Roman Maszczyk (CRO)
RESPONSIBILITY:	This Committee has a strong role of oversight of the Bank's balance sheet, its risk and profitability, and also in proposing for full Board approval rules and regulations on the balance sheet structure, the types of assets and liabilities, including off balance sheet exposures. It is fundamentally involved in decisions on liquidity levels of the Bank. The committee receives weekly and quarterly reports on balance sheet, profitability and risk metrics. This is the committee of the board with the most significant constant oversight responsibility.

AUDIT COMMITTEE

MEMBERS:	Olga Rozmanova (Chair), Michael Eggleton (CEO and Board Member), Anna Bichurina (CFO), Bagytzhan Kozhrakhov (Head of Internal Audit), Valery Dorjiyev.
RESPONSIBILITY:	The Audit Committee has four core responsibilities. It is tasked with ensuring that financial statements provided to management, the Board and to external entities are accurate and complete, it is tasked with ensuring that the internal control and risk management systems are reliable and efficient, it is tasked with ensuring that the external auditor is independent, and lastly that the internal audit function is independent. This committee works intensively with the external auditors, with internal audit, compliance and risk management departments the first two departments report directly to the board, and not through the management chain). While the ALCO is mainly ensuring management of external risks, the Audit Committee is ensuring management of internal risks. This is also a committee with significant ongoing responsibilities.

BOARD OF DIRECTORS CREDIT COMMITTEE

MEMBERS:	Nikolay Radostovets (Chair), Michael Eggleton (CEO and Board Member), Roman Maszczyk (CRO)
RESPONSIBILITY:	The Credit Committee is implementation of the internal credit policies and monitoring the credit quality of the Bank's loan portfolio. In addition, it is responsible for evaluating all credit applications for sums larger than 5% of the Bank's equity; and if the evaluation is positive it brings the credit application for full Board approval.

STAFF AND REMUNERATION COMMITTEE

MEMBERS:	Nikolay Radostovets (Chair), Michael Eggleton (CEO and Board Member), Anna Bichurina (CFO)
RESPONSIBILITY:	This Committee is tasked with ensuring that the Board of Directors, its committees and the top management of the Bank is staffed with the appropriate people, that these individuals have the correct incentives and contractual terms, that the appropriate level of training and educational support is available, and that the fixed and variable compensation for top management and the boards is in line with performance and the Bank's objectives.

SOCIAL ISSUES COMMITTEE

MEMBERS:	Olga Rozmanova (Chair), Michael Eggleton (CEO and Board Member), Anna Bichurina (CFO)
RESPONSIBILITY:	This Committee is responsible for providing the policy for the Bank's charity and sponsorship endeavors, and monitoring that these activities are in line with the policy.

ANTI MONEY LAUNDERING COMPLIANCE

AML policies and compliance are overseen by the Compliance department, which reports directly to the Board of Directors. The Bank's policies and procedures are in accordance with local regulatory requirements and international best practice. The Bank has active relationships with international and domestic financial institutions, all of which require the Bank to have good AML procedures as part of their KYC procedures to accept the Bank as a counterparty.

INTERNAL AUDIT

The Internal Audit department ensures that the Bank's policies and procedures are adhered to, and that policies and procedures are modified if they are leaving the bank exposed to undue risk. Periodic random detailed audits of different branches, departments and subsidiaries ensure that control systems and reporting are effective. Internal audit also works with external auditors and regulators.

COMPLIANCE CONTROL

The Compliance department, which reports to the Board of Directors, is responsible for ensuring that the Bank is in compliance with all laws and regulations that control its activities, including AML requirements (see above). The department works with other front and back office Bank departments to ensure that processes and procedures are implemented and updated to ensure full compliance.

Management Board

Michael James Eggleton

1968

Chairman of the Management Board, CEO

Michael Eggleton, CPA has been the Chief Executive Officer and member of the Supervisory Board of Eurasian Bank, Kazakhstan since October 14, 2009.

Prior to his appointment to the above position, he was an Independent Non-Executive Director at ENRC PLC.

Michael spent almost 20 years working as an investment professional in the United States, UK, Turkey, and Russia. In August 2006 he joined TRUST Investment Bank to serve as the Chief Executive Officer and Chairman of the Bank. Before that he worked at Merrill Lynch International Investment Bank as a Managing Director and the Head of Emerging Markets (CEEMEA) in London and Moscow since June 2004. Michael Eggleton headed Credit Suisse First Boston's Tactical Markets Group, where he was responsible for investments in Turkey, CIS, Middle East, and Northern Africa and also served as a Director and Regional Manager in Russia and former USSR republics. In January 1999, he was nominated a Director and Regional Manager for Russia, former USSR republics, Turkey, Middle East, and Northern Africa, then as the Managing Director and Head of the Strategic Markets Group. Michael Eggleton was also a Senior Manager of the Financial Institutions Consulting Practice at Price Waterhouse Coopers in Moscow.

Michael Eggleton is the Chairman of the Board of Directors at Eurasian Bank (Moscow, Russia).

He is certified to be a bank president by the Russian, Egyptian, Turkish and Kazakh Central Banks. He is a Certified US Public Accountant and also has been UK FSA certificated whilst at Credit Suisse and Merrill Lynch.

Michael holds a BA with Honors from the University of San Diego and an MSc of Business from San Diego State University.

Anna Bichurina

1974

Deputy Chairman, CFO

Supervises Financial Analysis and Accounting

Anna Bichurina began her career in the Eurasian Bank in 2001 as Head of Internal Audit. From 2002 to 2010 she held the position of Chief Accountant of the Bank and supervised the accounting and reporting departments.

Anna joined the Management Board of the Bank in 2009.

Since 2010 she has been responsible for the entire finance function.

In January 2013 she was appointed Deputy Chairman of the Management Board of the Bank.

Anna Bichurina started her career in 1993 at the National Bank of the Republic of Kazakhstan. From 1994 to 1996 she worked in the Almaty territorial branch of the NBRK, holding various positions from economist of the Department of correspondent relationship to the chief economist of the Department of currency regulation. From 1996 to 2000 she worked in various divisions of the Department of Banking Supervision and the Internal Audit Department of the National Bank of the Republic of Kazakhstan. In 2000, she moved to Temirbank OJSC in the Internal Audit Department.

The broad experience of working in the NBRK system and the second-tier banks give Ms. Bichurina thorough knowledge of banking regulation, supervision, internal audit, accounting and reporting. While working at Eurasian Bank Anna has participated and led a number of projects related to the organization of accounting functions and business processes, including a project for centralization of accounting activity.

Anna Bichurina graduated from the Kazakh State Academy of Management in 1995 majoring in Accounting and Audit with qualification of economist. Ms Bichurina has a Certificate of Professional Accountant of the Republic of Kazakhstan, CAP qualification and ACCA Diploma in the International Financial Reporting, and received an MBA in 2011.

Ayaz Bakasov

1959

Deputy Chairman

In charge of Wealth Management, Private and VIP Banking

Ayaz Bakasov joined the Bank Management team as Deputy Chairman and Board Member supervising Wealth Management, Private and VIP Banking on March 1, 2013.

Prior to this appointment Ayaz Bakasov held top executive positions at a number of leading financial institutions and corporations in Switzerland, including positions of CEO of Sea Launch AG (in the USA and Switzerland); Managing Director and Head of Departments of Global Financial Institutions and Wealth Managemennt CIS at Liechtensteinische Landesbank, Managing Director at Valartis Bank AG, CIO at RENOVA Management AG, as well as in the management of various subsidiaries of Credit Suisse, including Credit Suisse Wealth Managemennt and Russian Projects Department.

Ayaz Bakasov has outstanding record in building, developing and managing portfolios for Wealth Management and Private Banking as well as for institutional customers. As seasoned executive he achieved excellent results in cross-selling bank products of different business divisions, quality control of internal processes, launching new procedures and processes. Ayaz Bakasov possesses expert knowledge of banking legislation a number of jurisdictions.

Ayaz Bakasov holds a PhD in Quantum Physics from JINR in Russia, a Diploma of Swiss Federal Economist and Bachelor's degree from GSBA in Switzerland. Before starting his banking career, Mr. Bakasov headed a range of research projects at leading scientific institutions in Switzerland, Italy, the USA and Russia.

Nurbek Ayazbayev

1968

Deputy Chairman

In charge of Treasury and ALM

Nurbek Ayazbayev joined the management team of Eurasian Bank in January 2010 as Managing Director responsible for Treasury and Asset-Liability Management. He became Deputy Chairman in January 2013.

Mr. Ayazbayev has a very wide experience in the treasury and Asset-Liability Management area in different financial institutions. Starting in 1996 as a dealer in interbank operations, Mr. Ayazbayev worked at ATF Bank for 13 years. He was Director of the Treasury department of ATF Bank from 2007 until 2009. From 2007 until 2008 he was also Adviser on investment activity to the Chairman of the Management Board of the Otan Pension Fund that was controlled by ATF Bank. He successfully assisted the management to develop the investment strategy and in structuring the portfolio to provide stable returns and controlling risk. He also assisted in optimizing the business processes of the pension fund.

Mr. Ayazbayev graduated The Russian Presidential Academy of National Economy and Public Administration with a DBA degree. In 2011 he obtained a PhD from the International Academy of Business in Switzerland.

Roman Maszczyk

1966

Deputy Chairman, CRO

In charge of Risk management

Roman Maszczyk joined the team in February 2010, supervising risk management of Eurasian Bank.

He has an extensive experience in risk management across various financial institutions. His risk management career has included the positions of Managing Director of Risk Division at the largest Polish bank (2001–2006, 2009), Chief Risk Officer in Russian National Bank Trust (2007), and the Chief Risk Officer at Nadra Bank, Ukraine (2007–2009) and several consulting projects for the financial sector.

Additionally to his risk management posts, Mr. Maszczyk was a member of supervisory boards of other companies, including Bankowy Fundusz Leasingowy SA a Polish leasing company (2001–2003); and PKO-Inwestycje SA (2001–2003), a Polish real estate developer (2003–2006).

Mr. Maszczyk is a former member of Committee of European Banking Supervision, EU; former member of Working Group on Operational Risk, Institute of International Finance; Member of Advisory Committee on Regulatory Supervision, Polish Bank Association and Member of Professional Risk Managers' Association.

Mr. Maszczyk has a graduate degree in banking from Warsaw Higher School of Banking and Insurance. He also holds a PhD in Theoretical Physics from Warsaw University.

Seitzhan Yermekbayev

1967

Deputy Chairman

In charge of Corporate business & SME, FI and Trade Finance

Seitzhan Yermekbayev is the Deputy Chairman supervising Corporate, SME, Financial Institutions and Trade Finance Departments. He was invited to Eurasian Bank in July 2011 to manage the Bank's Corporate and SME Banking.

Prior to joining the Bank in July 2011 to manage the Bank's Corporate and SME Banking he worked in the European Bank for Reconstruction and Development as a Senior Banker. Seitzhan has a rich managerial experience in the banking sector. He was engaged in the opening of HSBC Bank Kazakhstan, a fully owned subsidiary of the HSBC Group in Almaty, where he worked for 12 years managing Corporate, Institutional and Transactional Banking. In HSBC, he grew from the position of the Department Director to the Deputy Chief Executive Officer. Additionally, Seitzhan has held the position of the Head of Representative Office of HSBC Bank Plc in Ukraine.

Previously Seitzhan worked on the Committee for External Economic Relations of the Almaty Akimat. He was the Head of the Representative office of Wimpey Construction Plc, a UK EPC company in Almaty, and the Regional Director for Albert Abela Corporation.

Seitzhan Yermekbayev graduated from the Almaty Institute of Foreign Languages (1990). He has a Diploma in Finance and Credit from the Eurasian Institute of Markets.

Talgat Abdukhalikov

1963

Deputy Chairman

Supervises branch network

Talgat Abdukhalikov joined Eurasian Bank in December 2009 as Deputy Chairman in charge of branch network, operational business, credit administration, Resources Department, and Custody. He resigned from his position on April 1st, 2014.

Mr. Abdukhalikov has vast experience in assets and liabilities management, transactions at the financial market and in establishment and successful development of operations.

Mr. Abdukhalikov started his career in finance at ATF Bank in 1995 in the position of Head of the Securities Division. He took active part in ATF transformation into one of the leading banks of the country, managing the establishment and successful operation of Treasury and Custody. In 2002 he became Managing Director and member of the Management Board supervising Treasury, Operations and Custody. In February 2007 Mr. Abdukhalikov became Chief Executive Officer of Verniy Capital JSC, an asset management company. During this time ATF Bank was bought by Unicredit, and Verniy Capital was the broker for both parties.

Mr. Abdukhalikov worked as Deputy Chief Executive Officer at Astana Finance Company from March 2009 till August 2009, taking active part in restructuring of the company.

Mr. Abdukhalikov was a member of Board of Directors of Kazakhstan Stock Exchange during 1998–2003 and 2010–2012.

Mr. Abdukhalikov graduated in 1985 from the Dzerzhinsky Higher School of the KGB in Moscow, with a Diploma in radio-engineering. In 1998 he graduated International School of Business at the Kazakh State Academy of Management with a Diploma in Finance and Credit.

COMPENSATION

Compensation for the Board of Directors, Management Board, and other key management employees, amounted to KZT 2.1 bln in 2013, up 2.5% from the previous year. The Board of Directors received KZT 563 mln, the Management Board KZT 383 mln, and other key Management employees KZT 1,157 mln.

Compensation in the Bank is based on a fixed salary and variable bonus structure. The fixed salary is based on market rates required to hire a specific profile of employee, in terms of experience and capabilities. Variable compensation depends first on the profitability of the Bank as a whole, it also depends on specific KPI for each employee. KPIs are both financial indicators, such as loan book growth, NPL metrics, department efficiency, cost management, RoAE, as well as other budget achievement based metrics, and specific non-financial targets such as successful launches of new products, implementation of new systems, network roll-out, and employee turnover. As of 2014, the Bank will pay no bonuses if the Bank does not achieve at least 85% of its Net Profit target. To ensure that employees are truly differentiated in the bonus award process, it is planned that 5-10% can be awarded maximum bonuses, 70–75% will receive a standard bonus, and the bottom 20% will receive no bonus.

Compensation of the Board of Directors is set and approved by the Shareholders Meeting. Compensation for the Management Board is set by the Board of Directors. Compensation for all other employees is the responsibility of the Chairman of the Management Board (the CEO).

SHAREHOLDERS

There were 16,211,133 shares outstanding as of December 31, 2013 (unchanged since year end 2012). The sole shareholder was Eurasian Financial Company JSC for 100%. The ultimate beneficial owners are, with equal shareholdings, Alexander Mashkevich, Alijan Ibragimov, Patokh Shodiyev.

Eurasian Financial Company JSC also owns one share of the Moscow Bank, and is the nominee shareholder. This stake in the Russian subsidiary is to satisfy Russian law that requires at least two shareholders for a company.

The dividend policy of the Bank is decided by the Board of Directors, as is any decision to pay a dividend. Since 2010 dividends have not been a focus target, as the Board decided that keeping earnings in the Bank would allow it to maximize its strategic objectives. In fact, shareholders subscribed to a KZT 5.9 bln capital increase in 2012 to help the Bank fund its growth opportunities. In 2013 the Bank paid out a dividend of KZT 2 bln (123.38 KZT per share), representing about 20% of 2012 earnings. If growth is in line with our medium term targets (loan growth of 15–20%), it is quite possible that a payout level in this range could be repeated. If growth is higher than anticipated, or if strategic opportunities present themselves that could absorb all available resources, it is also possible that no dividend is paid.

EQUAL OPPORTUNITY EMPLOYMENT

Kazakhstan is a multicultural country, with over 100 ethnic groups with a number of different religious beliefs. Non-discrimination on the basis of ethnicity, religion, age and gender is written into the country's constitution.

Eurasian Bank has a policy of not discriminating in hiring, compensation and promotion decisions, as it is the best way to attract and motivate the best talent available. Variable compensation is an increasing proportion of total compensation, another factor that helps to motivate employees to excel.

At the end of 2013, Eurasian Bank had 6,035 employees, including 483 on maternity leave. Two thirds of the employees are women, and include members of senior management (Management Board, Department Heads and Branch Managers).

Anna Bichurina, the CFO and Management Board member, heads the Equal Opportunity Committee that was formed in 2011. The Committee is tasked with looking at reducing career advancement constraints, flexible working hours and assessing the company benefit plan. The Bank is looking for greater female participation in senior management, and also is looking to reduce voluntary staff turnover less than 20%.

HUMAN RESOURCES

The Bank had 6,035 employees as of the end of 2013, of which 5,552 on the payroll, and 483 on maternity leave. Given the significant growth of the Bank in the past three years, we are a very young Bank, with 88% of the employees under the age of 40. As the table below shows, 78% of our employees have a university or post-graduate degree, and a further 5% have not yet completed their university studies. 66% of our employees are female.

While we do have a number of expatriates in some key management positions, we are truly a Kazakhstan bank: we have only 10 expatriate employees overall, and the 10 expatriates are a minority of the 52 strong top management team (Branch Manager and above). We are a multilingual organisation, and apart from the two main languages spoken in Kazakhstan (Kazakh and Russian), 40% of employees speak English, and other languages such as Mandarin, German and French are also represented.

LEVEL OF EDUCATION

EDUCATION QUALIFICATION	HEAD	BRANCHES	TOTAL	%
Graduate/ Higher	1,579	3,057	4,636	76.8
Incomplete higher education	69	225	294	4.9
Secondary special	134	695	829	13.7
Secondary	56	174	230	3.8
Post Graduate (MBA)	34	8	42	0.7
PhD	4	0	4	0.1
TOTAL	1,876	4,179	6,035	100

TRAINING

Training is a key factor in ensuring that the Bank's staff remains motivated and competent in their tasks. During 2013, Eurasian Bank conducted over 300 internal training sessions for more than 26,000 attendees. This works out to be an average of more than four training sessions per employee. During 2013 the Bank's more than 400 employees attended various seminars and workshops both in Kazakhstan and abroad to gain insight and specific knowledge of technical and management aspects of bank operations.

FUTURE 25

The Future 25 program is the Bank's effort to recruit top quality employees, and is essentially a very focused and longer term training program. The program is scheduled to continue through 2016.

After a written and interview based screening process, 25 candidates are offered employment with the Bank and are rotated through the Bank's departments for hands-on experience, given internal and external training, and participate in an number of outward looking activities such as university recruitment, charity and NGO projects, financial competitions and other activities where they develop skills and promote the Bank as a good career destination for ambitious students.

Future Twenty Five participants implemented their own initiatives to support talented youth. For example twice a year they organize the national contest "Analytic" among students of the largest universities of Kazakhstan. In 2013, it was attended by university students in South-Eastern and western region of Kazakhstan.

They also held classes with the Club of Young Investors, an active group of young professionals united by a common purpose: to improve students' understanding of financial markets. Under the project, students are taught the basics of investing, and then offered a chance to apply this knowledge in practice.

Together with the "Book City" store, of Future 25 program participants held a campaign "Give children a book". In September, pupils from the Kaskelen orphanage were given books and stationery.

We are evaluating how to recruit, train, motivate and retain high caliber individuals in the future. The Bank is a very different organization from that when the program was initiated, and we want to ensure that our recruitment, training and retention efforts also adapt to the organization's needs.

In October 2013 Eurasian Bank won bronze of the first Kazakhstan HR-Brand Award, an independent annual award for the most successful work on the company's reputation as an employer. Eurasian Bank was competing against twenty two other banks and companies for the award. Eurasian Bank was awarded bronze in the "Southern Capital" category (for projects implemented in Almaty). We presented the Future 25 Project — a unique development program for young trainee executives that allows them to gain experience in key departments of the Bank and to gain the experience necessary for promotion to executive positions.

CHARITABLE & SOCIAL CONTRIBUTIONS

Eurasian Bank is a socially responsible organization. Contribution to the communities it operates in is a core value that is instilled in all employees, particularly our future leaders. Our Future 25 leadership program evaluates contribution to the community as well as performance on the job. The Bank supports educational programs to support talented young students, sponsors sports teams and expeditions. Another important area is a charitable assistance aimed to supporting underprivileged segments of the population, culture, and the protection of the health and environment of the nation. All projects are carried out with funds of the Bank, as well as personal contributions and donations of employees, on a voluntary basis.

In 2013 Eurasian Bank supported the national campaign Road to school. Children from 11 cities of Kazakhstan were provided with school uniform, winter clothing, sports clothing, shoes, and school supplies.

Eurasian Bank provided 100 half-season tickets for musical performances in the Philharmonic to Disabled children, orphans and children from lower-income families living in Almaty and Almaty region.

For the **Child Protection Day,** the Bank organized bicycle competitions in Almaty and Karaganda. Competitions were also held in five cities with regional branches of the Eurasian Bank. About two hundred children and adolescents aged 3 to 12 years received prizes and diplomas.

A Bubble show and puppet theater performance was organized during the New Year holidays for children who were patients at the tuberculosis sanatorium and could not celebrate the holidays with their family. Kaskelen boarding school (for orphans) pupils also received gifts. Eurasian Bank staff responded to children's letters addressed to Santa Claus (and the local equivalent) by buying gifts.

For the Victory Day celebrations in May, Eurasian Bank organised concerts for more than five hundred World War II veterans, home front workers and others involved in the war effort.

Bank sponsored a unique expedition of the mountaineer Andrey Gundarev to Papua New Guinea. Andrey is attempting to climb the tallest mountains in each continent, as well as the tallest volcanoes in each continent. He became the first Kazakhstani to climb the highest volcano in Oceania, the Giluve Volcano in Papua New Guinea. He also climbed the highest peak in the region,the Carstensz Pyramid. This expedition was sponsored to promote in Kazakhstan, and within the Bank, the possibility of setting difficult and unfamiliar goals, and achieving them.

In 2013 Team from Kazakhstan won two gold medals at the World Games of Policemen and Firemen in Belfast (Northern Ireland). The Kazakhstan national team trip to this international competition was funded by Eurasian Bank.

The Bank also sponsored the annual competition for social and business projects: Enactus Kazakhstan. Students winning at the national stage, defended their projects at the world championships in Cancun (Mexico).

Within the project **Musical Evenings with the Eurasian**, five free concerts of classical music were held at different venues in Almaty (parks, squares, public places, festivals), and were open to everyone.

Eurasian Bank sponsored the world famous choreographer Angelin Preljocaj and his troupe to come to Kazakhstan and participate in the Season of France in 2013. The Ballet Preljocaj presented their new piece Nights in Astana and Almaty.

Eurasian Bank provided financial assistance for the restoration of the Tien Shan fir forest that was damaged by hurricanes in the Medeu area. Eurasian Bank employees participated in tree planting that was organized by the Public Fund "Zhana Alatau" with the support of the Almaty city administration. Over 2,500 seedlings were planted during this one day event.

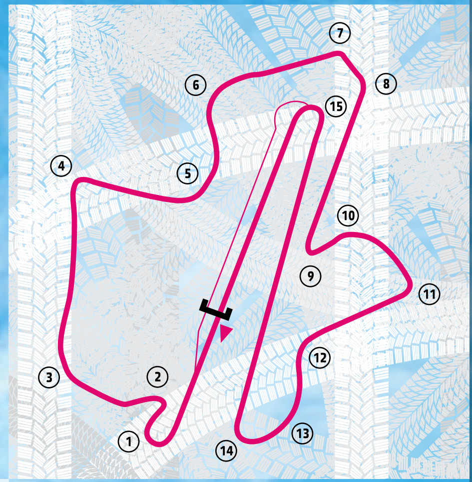
The Bank organized the national contest for the best coverage in the news media of the banking sector. Employees of national, regional, city and district media were invited to participate in it. An independent jury selected and awarded the best journalists in eight categories.

Education is a priority for the nation, and for our Bank. We assist underprivileged children in many communities to ensure that they are prepared for the new school year. In addition, together with the Presidential Foundation and the city of Almaty, the Bank is sponsoring a program to improve the innovation capability of schools through a web-based platform. This program is currently in 181 public schools, as well as 23 private schools and educational centers. The Bank won an award for this last program, and was the only banking institution involved.

In the southern city of Shymkent, the Bank has been providing financial support to the "Faith, Hope, Love" charity that is supporting 25 children with infantile cerebral palsy. In the Almaty region, in Kaskelen, Bank employees have been visiting a boarding school for disadvantaged children and organizing sponsorship and events for the students. The Bank also provides IT equipment for these students. Employees have also participated in blood drives targeted for pediatric cancer patients.

BEST LAP

FASTEST LAP.
IN QUALIFYING IT GIVES
THE RACER THE POLE POSITION
ON THE GRID FOR THE START
OF THE RACE



SEPANG CIRCUIT

MALAYSIA, KUALA LUMPUR

Length: 5,543 m
Width: 25 m
Longest straight: 920 m
Left corners: 5
Right corners: 10

EACH TRIUMPH IS PRECEDED BY THOROUGH PREPARATION AND PLANNING. PLANS FOR ALL CONTINGENCIES NEED TO BE IN PLACE TO ALLOW THE TEAM TO DEAL WITH OBSTACLES WITHOUT INTERRUPTING PROGRESS.

THE BANK CONSTANTLY EVALUATES AND ADAPTS ITS ORGANISATION, PROCESSES AND SYSTEMS TO ENSURE THAT IT CAN CONTINUE ON ITS SUCCESSFUL TRAJECTORY.

RISK MANAGEMENT

Risk Management Structure

The following discussion may not contain all the information on risk management necessary to the reader of the annual report. Readers should refer to Note 30 of the consolidated audited financial statements of JSC Eurasian Bank for a more complete understanding of the Bank's risk management processes and procedures.

OF THE TOTAL 5.0% LOAN BOOK ARE LOANS TO RELATED PARTIES

RISK MANAGEMENT IS BUILT INTO THE ENTIRE CORPORATE GOVERNANCE STRUCTURE OF THE BANK

- Risk is an inherent part of business activities of Eurasian Bank, and it is the key area of improvement in procedures in the past three years. The Bank's risk management system is based on the principle of continually assessing risk throughout the life of any operation. Risk is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to Eurasian Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

- The major risk types identified by the Bank are liquidity risk, market risk (including currency exchange rate risk and interest rate risk), credit risk and operational risk.

Risk management is built into the entire corporate governance structure of the Bank.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures. On a frequent periodic basis, the Board receives management reports that give an ongoing view of the Bank's exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Bank operates within the established risk parameters. The CRO is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees, an ALCO and MRLCO. In order to facilitate efficient and effective decision-making, the Bank established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organization. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise. With the rapid expansion and diversification of the retail lending business, the beginning of higher activity levels in the Moscow subsidiary, with new IT systems and prospective new product offers, the risk management task is dynamic. New procedures and processes need to be devised and implemented to cater to new Bank structure, new products, new external environment and changing regulation.

RISK MANAGEMENT AND REPORTING

Eurasian Bank measures risk using a method which reflects both the expected loss likely to arise in normal circumstances and unexpected losses, which are an estimate of the ultimate actual loss based on statistical models. These models use probabilities derived from historical experience, adjusted to reflect the economic environment. Eurasian Bank also runs worse case scenarios that could arise in the event those extreme events, however unlikely to occur do, in fact, occur.

Reporting on risk is provided to The Board of Directors, the Management Board, and affected business units on a regular basis. The frequency of the reporting varies by the audience and the criticality of the information.

RISK MITIGATION AND EXCESSIVE RISK CONCENTRATION

Risks are actively managed, whether by specific customer, sector, currency or maturity limits, or by using derivatives and other instruments to lower the specific risk. Exposure to related party lending has been a problem for the sector in Kazakhstan; at Eurasian Bank all related party credit applications go through the same screening as third party credit applications. Most important of all, the shareholders, Board of Directors and Management Board are keenly focused on keeping risk within defined parameters, and management are rewarded according to performance metrics that encompass good risk management. The top 20 credit exposures have declined from 455% of equity in 2010, to 184% at the end of 2013.

MARKET RISK

Eurasian Bank is exposed to market risk, which is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and commodity prices. Market risk is managed by the ALCO and MRLCO committees based on the risk limits recommended by the Risk Department. The group uses a number of stress test models, and uses VaR methodology to measure its market risk. Specific risk limits exist for each type of market risk, for instance the FX and interest rate risks are controlled with a set of triggers and limits.

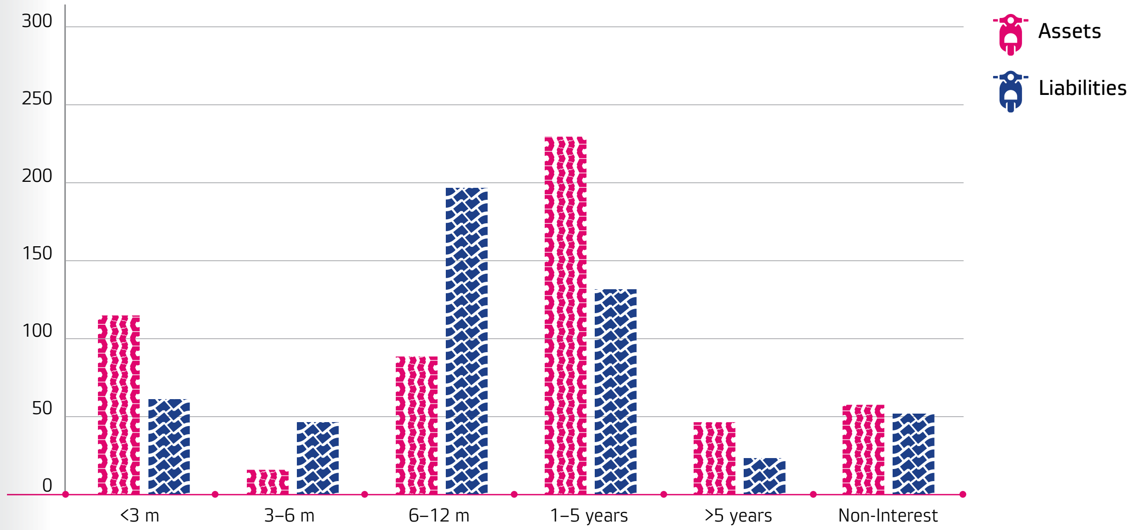
During 2012–2013 the RiskPro system was implemented in the Bank. The system allows the Bank to manage the market and liquidity risks with generation of certain static and dynamic reports. The FX risk is controlled through parametric VaR model utilized by the system and the liquidity risk is controlled through Real GAP reports. In addition, the internal models are periodically back-tested and stress-tested. A number of new reports were introduced to improve the assessment and monitoring of market and liquidity risks by ALCO, MRLCO, the Management Board and the Board of Directors.

Currently the Bank is connecting its subsidiary bank to the RiskPro system, which will allow the Bank to apply the best practice in market and liquidity management area by managing these types of risks on a consolidated basis.

The chart below shows the assets and liabilities by maturity. One can see that there are excess liabilities in 3–6 month and 6–12 month maturities, and excess assets in less than 3 month, the 1–5 year and over 5 year categories. In essence, the Bank is implicitly financing long term assets with 3–12 month liabilities. This explains management's wish to issue bonds and other long term instruments, which would improve the longer term period gap.

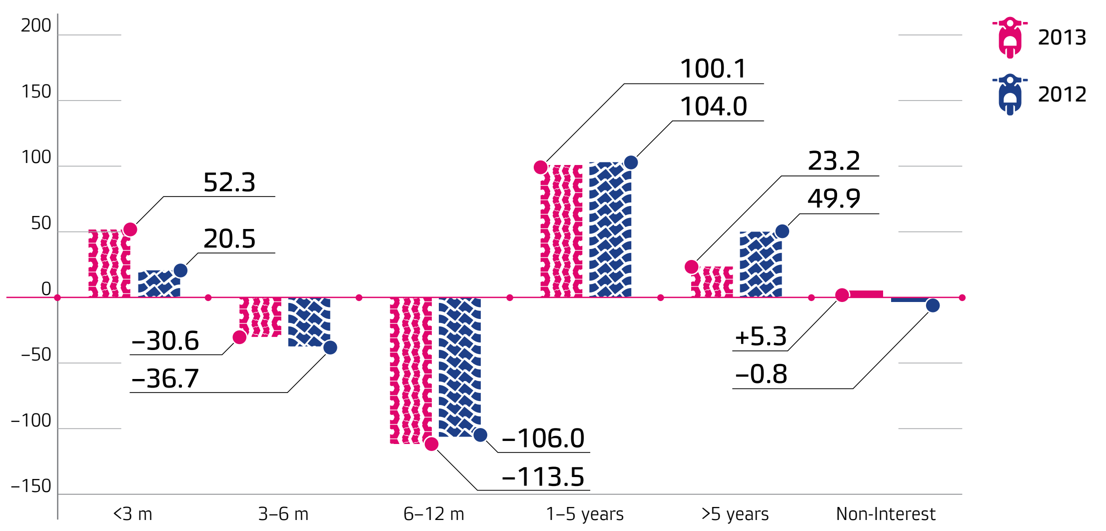
MATURITY GAP ANALYSIS FOR 2013 (KZT BLN)

CHART 22



CHANGE IN MATURITY GAP FOR 2012–2013 (KZT BLN)

CHART 23



The chart above shows the change in the gap from year-end 2012 to year-end 2013. It is evident that the gaps are quite dynamic.

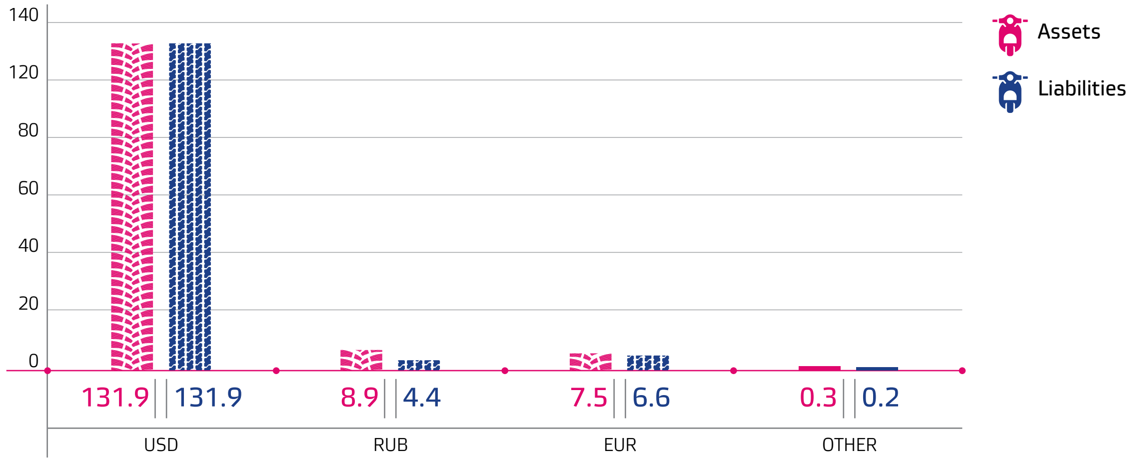
The impact of interest rate changes has grown in the past years. It is estimated that a 100 bps change in interest rates on all interest bearing assets and liabilities would have had an impact of KZT 14.0 mln (positive for interest rate decline, negative for interest rate rise) on earnings and equity in 2013, down from KZT 251.8 mln in 2012. The impact on the available-for-sale financial assets would have been KZT 11.4 mln on the P&L and KZT 381.5 mln on equity in 2013, versus KZT 5.7 mln and KZT 109.2 mln, respectively in 2012.

Details of the interest rate gap, average interest rates and sensitivity analysis can be seen in Note 30 (b)(i) of the Consolidated Financial Statements.

The chart below shows the assets and liabilities that are denominated in foreign currencies. The USD is the most significant currency, followed by the RUB and the EUR. It is only in the RUB that one notices any significant mismatch.

2013 ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES (KZT BLN)

CHART 24

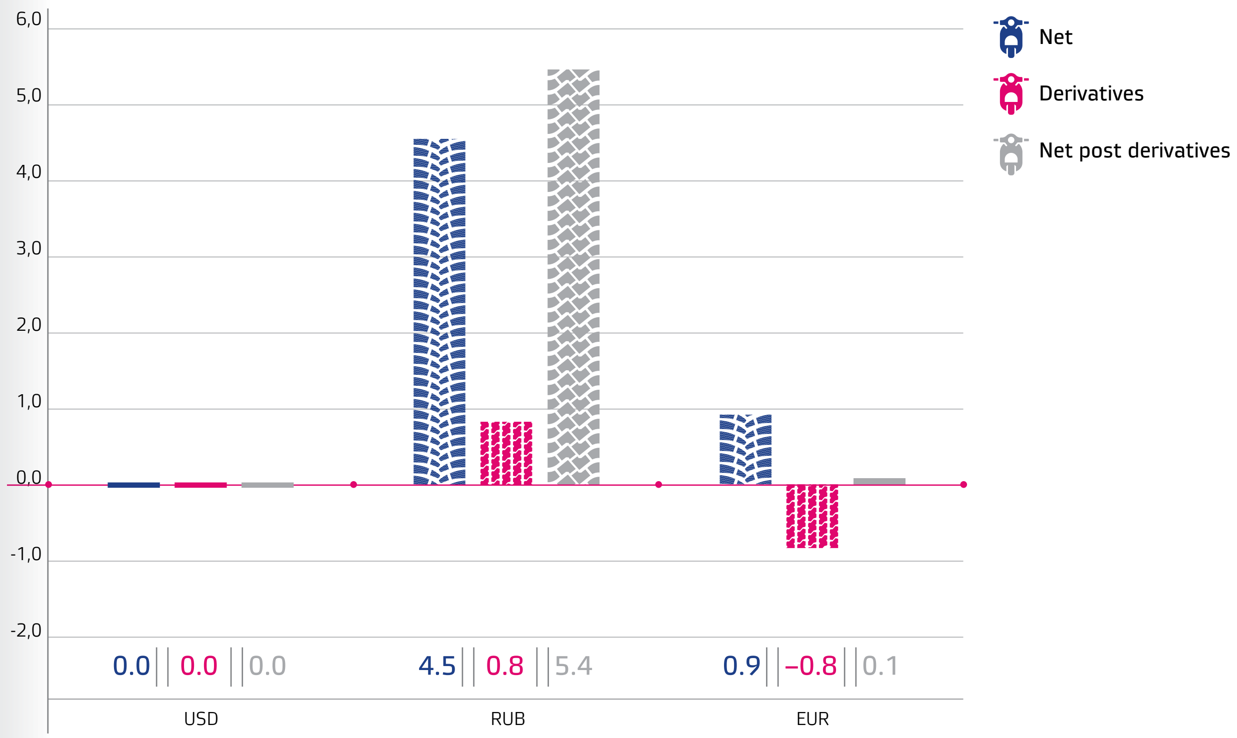


The chart 25 shows the currency gap by currency, before and after hedging. As can be seen, the USD position is essentially flat before and after hedging, and the only substantial long position is in the RUB. The net exposure after hedging rose by 79% from 2012, due to the increase in the un-hedged RUB position. It should be noted that our ownership of a bank in Moscow inherently gives us a long position in RUB.

It is estimated that USD strengthening by 20% against the KZT would have reduced profit and equity by KZT 1.5 mln in 2013, an 91% decline in sensitivity from the KZT 16.5 mln level of 2012. The impact of RUB strengthening by 10% against the KZT changed to being positively correlated, giving a KZT 183.3 mln increase in Net Profit and a KZT 183.3 mln increase in equity. It should be noted that 68% of the RUB position is the net assets of the Russian subsidiary, and do not present any direct foreign exchange risk; all foreign exchange impact for this is booked in the balance sheet translation reserve. All things being kept constant, a weakening of the KZT would have an equal opposite effect from the numbers presented above. The VaR for foreign currency risk was estimated at KZT 209.1 mln.

FOREIGN CURRENCY GAP PRE AND POST HEDGING (KZT BLN)

CHART 25



CREDIT RISK

Credit risk is the risk that a borrower or counterparty to a financial instrument fails to meet their contractual obligation. Credit policy is set by the Board of Directors, and the monitoring of credit exposures is done by the Credit Committee. The current management has done much work in the past four years to improve the situation of pre-existing problem credits, and to ensure that credit quality is improved in the future through a rigorous credit approval process.

Management implemented a soft collection process managed by the Bank in 2010, which improved the quality of some credits, reduced the number of credits going to external hard collection contractors, and improved the recovery value of bad loans. This soft collection process is now part of the Bank's normal procedures, and is in part responsible for the high quality of the loans originated after 2009. The soft collections team had a 93% success rate in 2013 with loans under 90 days overdue. The success of soft collections reduces the cost, time and losses that occur when loans go to hard collections (whether internally, or externally). Significant improvement has also been achieved in the hard collection process, but the greatest achievement is the reduction of loans that end up in hard collection.

Credit and rating systems are other tools for managing credit risk. Credit rating and scoring systems are now applied to all segments: Corporate, SME and Retail. For Corporate customers the roll out of the rating system occurred in 2010 as the number of clients was relatively limited. Retail credit scoring existed and was constantly developed in Retail, but it received a new impulse with the growth of Retail lending (initially through the acquisition of ProstoCredit) — which is mainly focused on low sum / high volume unsecured lending and auto loans. In consumer lending, credit scoring is done by statistical scorecards and relies on demographic information, salary data from the pension system, credit histories from credit bureaus, as well as previous experience by the Bank with their borrowers. The Bank's scoring system is integrated into the IT system and is able to handle high volumes of credit requests very rapidly (speed is essential, as customers are usually at stores trying to purchase goods at the time of credit application). The SME rating system started to be rolled out in 2011, and was completed in 2012.

Clearly, the risk assessment of the Bank's loan portfolios is based on internal models. Changes in reporting requirements to the regulator in 2013 make it difficult to assess the loan quality of the Bank's peers. One does see sector NPL statistics, but one no longer sees loans classified by the local regulators previous categories. Our NPL statistics continue to be good, and look good against the peer group. This, and the fact that over 90% of our interest income is collected in cash (vs accrued) give us comfort that we have control over our loan quality.

LIQUIDITY RISK

Liquidity risk is the risk that Eurasian Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk is managed through the ALCO and MRLCO approved liquidity framework. The Treasury department manages liquidity on a daily basis and submits monthly reports to the ALCO and MRLCO. In order to manage liquidity risk, it performs daily monitoring of future expected cash flows on client's and banking operations, which is a part of the assets/ liabilities management process. The ALCO and MRLCO set limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level on interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Liquidity risk exists any time there is a mismatch of maturities or interest rates between assets and liabilities (see charts in Market Risk section), or when credit and deposit markets freeze up in times of crisis. The NBRK mandates minimum liquidity positions, and some of this needs to be on account with the NBRK. In addition, the Board of Directors sets liquidity targets that aim to provide sufficient liquidity without incurring substantial negative carry costs.

In Note 30 (d) of the Consolidated Financial Accounts, it is possible to see the maturity profile of all of the Bank's liabilities. KZT 404.7 bln of these liabilities are customer deposits (76% of total liabilities), of which KZT 334.4 bln are with maturities beyond one month. It should be noted that under Kazakhstan law, retail depositors may withdraw their deposit at any time, with only a penalty of losing the accrued interest. This in fact means that the maturity profile of deposits is difficult to gauge with precision. This difficulty is greater for retail deposits, where customers are more likely to switch banks depending on interest rate offers, while corporate depositors tend to be more stable and are bound by the contractual term of the deposit. In 2013 we saw a strong increase in retail deposits (growing by KZT 41.6 bln, up 42%), though the growth of Corporate deposits was lower (growing by KZT 48.3 bln, up 22%), the absolute growth was greater and they still accounted for 65% of the deposit base at year end.

OPERATIONAL RISK

In 2013 a team and systems were set up within the Risk Management department to address operational risk. This team reports to the Board of Directors, and is charged with evaluating and assisting in mitigating operational risk in the Bank. While various departments have worked on redundancy of systems and capabilities, and plan for disruptive events, this new structure ensures that the Bank evaluates and addresses this risk in a uniform manner and gives full visibility to the Board on these efforts.

In the first quarter of 2014 a new data center in Almaty went on stream. This center was built to ensure resilience of operations in a seismic area, and was built to withstand Richter scale 10.0 seismic events. This, together with plans and exercises to cater for events in which we need to operate from back-up facilities, as well as ensuring redundancy of IT and communication systems, are a core part of our managing our operational risk.

In terms of the more day-to-day operational risk of the Bank, the operations department has been doing significant work in enabling us to measure performance and reliability of systems and personnel, which helps to manage this risk. Part of the outcome of this effort are changes to the organizational structure to improve the reliability and streamline processes.

Important Disclosures

Financial figures in this annual report are taken from the corresponding year's audited consolidated financial statements and their accompanying notes. In the management discussion, numbers may be rounded, or represented graphically. Totals and percent changes presented in the document reflect the calculations of the unrounded numbers, and may be different from the calculations performed on the rounded figures.

The reader should read the accompanying audited financial statements and notes for the 2012–2013 years. Prior years audited financial statements are available on the company website (www.eubank.kz). For simplification, Management's report presents data in millions, and on occasion, charts with billions of KZT. The audited financial statements are all in thousands of KZT. In all cases, the units are stated.

Any comparative data to the Kazakhstan banking sector (including market shares, loan portfolio quality) is drawn from official reports to the NBRK, and are also available in English from the website (www.nationalbank.kz). All data reported to the regulator is accounted on a non-consolidated basis, but as of 2013 on an IFRS basis. The numbers are not directly comparable to the IFRS data for the Eurasian Bank Group presented in the financial statements and in the management discussion, as they do not include the banking subsidiary in Russia.

Any figure recorded in KZT that has been converted into USD for the readers convenience, has been converted at the year end 2013 NBRK official rate of 153.61 KZT to the USD.

While the KZT tends to trade in a fairly stable range against the USD, there was a one time devaluation from 120 KZT to the USD to 150 KZT to the USD in February 2009, as well as a 19% one time devaluation in February 2014 (to 185 KZT per USD). Readers who may be converting financial figures presented in the report in KZT, should be aware that data for prior years is not convertible to USD at the current rate. The data on the official rate for the KZT is presented on the NBRK's website (www.nationalbank.kz).

Forecasts and historical data for the Kazakhstan economy are available from multilateral organizations, such as the World Bank and International Monetary Fund. Historical data is also available from the Kazakhstan Government's official Statistical Agency, and available from their website (www.stat.gov.kz). A number of domestic and international financial institutions and research groups make forecasts available for their clients. Any historical economic data is based on data from the Statistical Agency, or from Government releases.

Any data about circuits is drawn from official Moto GP website (www.motogp.com)

Forward Looking Statements

Certain statements included herein may constitute forward looking statements that involve a number of risks and uncertainties.

Such statements, certain of which can be identified by the use of forward looking terminology such as "believes", "expects", "may", "are expected to", "intends", "will", "will continue", "should", "could", "would be", "seeks", "approximately", "estimates", "predicts", "projects", "aims" or "anticipates", or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions, involve a number of risks and uncertainties. Such forward looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and that may be incapable of being realized.

Such forward looking statements relate to, among other things:

- the stability of the banking sector in Kazakhstan generally;
- changes in the Bank's corporate, retail, SME businesses, changes in its cross selling activities among client segments and products and in its deposit base;
- expectations as to the impact of projects undertaken to improve cost efficiencies and enhance liquidity and revenues; and
- estimates and financial targets for increasing, changing and diversifying the composition, as well as the quality, of the Bank's loan portfolio.

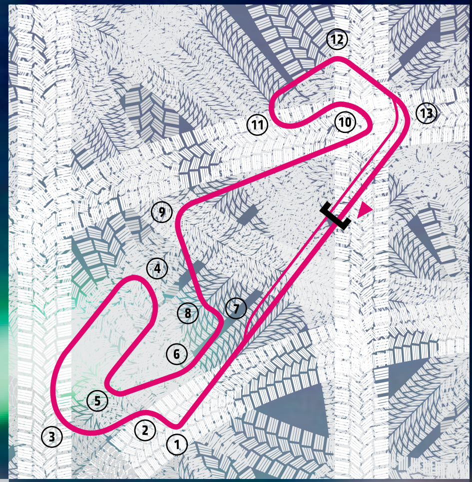
Factors that might affect such forward looking statements include, amongst other things:

- effects of the situation of global financial markets;
- overall economic and business conditions, including commodities prices;
- the demand for the Bank's services;
- competitive factors in the industries in which the Bank and its customers compete;
- changes by the Government regulation and in the Government's and/or Samruk-Kazyna's policies regarding support for the banking sector in Kazakhstan;
- changes in tax requirements, including tax rate changes, new tax laws and revised tax law interpretations;
- interest rate fluctuations and other capital market conditions;
- exchange rate fluctuations;
- economic and political conditions in international markets, including Governmental changes;
- economic and political conditions in Kazakhstan;
- hostilities and restrictions on the ability to transfer capital across borders; and
- the timing, impact and other uncertainties of future actions.

The Bank is not obliged to, and does not intend to, update or revise any forward looking statements made in this Annual Report whether as a result of new information, future events or otherwise. All subsequent written or oral forward looking statements attributable to the Bank, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements contained throughout this Annual Report. As a result of these risks, uncertainties and assumptions, the reader of this Annual Report should not place undue reliance on these forward looking statements. Local regulatory requirements require the Bank to publish three-year forecasts in its annual report. These forecasts are forward looking statements, and as long as the regulatory requirement exists, they will be replaced by subsequent forecasts in subsequent annual reports that reflect the banking and economic environment at that time.

HAT TRICK

THREE SUCCESSES IN A ROW.
IN MOTO GP IT IS WHEN A RACER ACHIEVES A POLE POSITION, THE FASTEST LAP AND WINS THE RACE IN THE SAME WEEKEND



CURCUIT DE CATALUNYA

SPAIN, BARCELONA

Length: 4,727 m
Width: 12 m
Longest straight: 1,047 m
Left corners: 5
Rights corners: 8

TRUE SUCCESS IS BASED ON HIGH ASPIRATIONS AND CONSTANT MEASUREMENT. WE MEASURE OURSELVES ON OUR FINANCIAL RESULTS, HOW RATING AGENCIES AND PUBLIC PERCEIVE US, AND HOW OUR CUSTOMERS TRUST US.

THE BANK WAS AWARDED “BEST RETAIL BANK IN KAZAKHSTAN” BY ASIAN BANKING AND FINANCE MAGAZINE BOTH IN 2012 AND 2013.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements for the year ended 31 December 2013

CONTENTS

KPMG Audit LLC
050051 Almaty, 180 Dostyk Avenue,
E-mail: company@kpmg.kz

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS OF EURASIAN BANK JSC

We have audited the accompanying consolidated financial statements of Eurasian Bank JSC and its subsidiary (together referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

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

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

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

OPINION

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

Ravshan Irmatov
Certified Auditor
of the Republic of Kazakhstan,
Auditor's Qualification Certificate
No MФ-0000053 of 6 January 2012

KPMG AUDIT LLC
State Licence to conduct audit # 0000021 dated 6 December 2006 issued by the Ministry of Finance of the Republic of Kazakhstan

Alla Nigay
General Director of KPMG Audit LLC
acting on the basis of the Charter

15 April 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTE	2013 / KZT'000	2012 / KZT'000
Interest income	4	69,302,876	50,387,551
Interest expense	4	(29,489,203)	(23,450,884)
NET INTEREST INCOME		39,813,673	26,936,667
Fee and commission income	5	11,687,847	8,955,723
Fee and commission expense	6	(1,986,506)	(1,031,406)
NET FEE AND COMMISSION INCOME		9,701,341	7,924,317
Net loss on other financial instruments at fair value through profit or loss		(161,988)	(420,138)
Net foreign exchange gain	7	2,642,196	4,105,006
Net loss on available-for-sale financial assets		(290)	(22,061)
Gain from sale of mortgage loans	16	707,582	–
Other operating expenses, net		(165,286)	(76,580)
OPERATING INCOME		52,537,228	38,447,211
Impairment losses	8	(8,247,764)	(4,153,442)
Personnel expenses	9	(15,070,861)	(11,971,416)
Other general administrative expenses	10	(11,940,071)	(9,236,049)
PROFIT BEFORE INCOME TAX		17,278,532	13,086,304
Income tax expense	11	(4,132,351)	(3,254,251)
PROFIT FOR THE YEAR		13,146,181	9,832,053
OTHER COMPREHENSIVE INCOME, NET OF INCOME TAX			
Items that are or may be reclassified subsequently to profit or loss:			
Revaluation reserve for available-for-sale financial assets:			
— Net change in fair value		62,315	(53,532)
— Net change in fair value transferred to profit or loss		290	22,061
Foreign currency translation differences for foreign operations		(174,496)	201,977
Total items that are or may be reclassified subsequently to profit or loss		(111,891)	170,506
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX		(111,891)	170,506
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		13,034,290	10,002,559
Earnings per ordinary share, in KZT	28	810.94	621.63

The consolidated financial statements as set out on pages 5 to 86 were approved by management on 15 April 2014 and were signed on its behalf by:

Eggleton M.
Chairman

Nelina L.N.
Chief Accountant

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	NOTE	2013 / KZT'000	2012 / KZT'000
ASSETS			
Cash and cash equivalents	12	83,146,378	59,622,754
Financial instruments at fair value through profit or loss	13	1,139,628	1,262,873
Available-for-sale financial assets	14	10,979,872	18,423,546
Loans and advances to banks	15	2,922,373	3,485,413
Loans to customers	16	432,529,086	354,642,287
Held-to-maturity investments	17	23,462,306	10,327,192
Current tax asset		1,284,278	885,141
Property, equipment and intangible assets	18	19,758,591	16,760,598
Other assets	19	13,410,896	5,100,755
TOTAL ASSETS		588,633,408	470,510,559
LIABILITIES			
Financial instruments at fair value through profit or loss	13	2,278	1,123
Deposits and balances from banks	20	14,116,633	21,228,576
Amounts payable under repurchase agreements	21	8,803,285	–
Current accounts and deposits from customers	22	404,673,786	314,720,398
Debt securities issued	23	32,786,356	34,441,764
Subordinated debt securities issued	24	35,669,288	27,871,504
Other borrowed funds	25	21,410,349	18,562,156
Deferred tax liability	11	257,542	41,572
Other liabilities	26	12,095,527	5,859,263
TOTAL LIABILITIES		529,815,044	422,726,356
EQUITY			
Share capital	27	30,110,207	30,110,207
Share premium		25,632	25,632
Reserve for general banking risks		8,234,923	6,650,265
Dynamic reserve		6,733,233	–
Revaluation reserve for available-for-sale financial assets		(51,653)	(114,258)
Cumulative translation reserve		(182,251)	(7,755)
Retained earnings		13,948,273	11,120,112
TOTAL EQUITY		58,818,364	47,784,203
TOTAL LIABILITIES AND EQUITY		588,633,408	470,510,559

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 / KZT'000	2012 / KZT'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	62,615,229	47,543,365
Interest payments	(28,398,992)	(21,956,549)
Fee and commission receipts	11,799,057	8,602,144
Fee and commission payments	(1,986,506)	(1,031,402)
Net payments from financial instruments at fair value through profit or loss	(150,551)	(378,349)
Net receipts from foreign exchange	2,683,016	4,251,478
Other payments	(168,675)	(83,282)
Personnel expenses payments	(14,534,561)	(11,835,902)
Other general administrative expenses payments	(9,372,090)	(7,203,001)
(INCREASE) / DECREASE IN OPERATING ASSETS		
Financial instruments at fair value through profit or loss	56,500	416,223
Mandatory reserve	(206,759)	(24,055)
Loans and advances to banks	759,294	(2,401,493)
Amounts receivable under reverse repurchase agreements	–	2,500,001
Loans to customers	(80,354,726)	(99,753,431)
Other assets	(3,859,898)	(671,050)
INCREASE / (DECREASE) IN OPERATING LIABILITIES		
Deposits and balances from banks	(6,740,082)	17,538,247
Amounts payable under repurchase agreements	8,801,003	(6,755,451)
Current accounts and deposits from customers	88,901,052	66,481,786
Other liabilities	1,905,318	1,528,399
NET CASH FROM / (USED IN) OPERATING ACTIVITIES BEFORE INCOME TAX PAID	31,747,629	(3,232,322)
Income tax paid	(4,312,612)	(2,015,156)
CASH FLOWS FROM / (USED IN) OPERATING ACTIVITIES	27,435,017	(5,247,478)

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2013 (CONTINUATION)

	2013 / KZT'000	2012 / KZT'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available–for–sale financial assets	(10,425,277)	(54,832,728)
Sale and repayment of available–for–sale financial assets	18,145,893	37,509,065
Purchases of held–to–maturity investments	(20,005,394)	(42,230,551)
Redemption of held–to–maturity investments	7,242,093	70,676,262
Purchases of property and equipment and intangible assets	(5,658,011)	(4,416,754)
Sales of property and equipment and intangible assets	17,554	14,630
Capital expenditures	(761,780)	(311,650)
CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES	(11,444,922)	6,408,274
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from debt securities issued	–	1,452,539
Repurchase of debt securities issued	(1,295,789)	(105,363)
Receipts from subordinated debt securities issued	17,534,520	3,706,600
Repayment of subordinated debt securities issued	(10,000,000)	–
Receipts of other borrowed funds	12,328,852	19,829,527
Repayment of other borrowed funds	(9,733,272)	(22,085,218)
Proceeds from issuance of share capital	–	5,900,003
Dividends paid	(2,000,129)	–
CASH FLOWS FROM FINANCING ACTIVITIES	6,834,182	8,698,088
NET INCREASE IN CASH AND CASH EQUIVALENTS	22,824,277	9,858,884
Effect of changes in exchange rates on cash and cash equivalents	699,347	992,869
Cash and cash equivalents as at the beginning of the year	59,622,754	48,771,001
CASH AND CASH EQUIVALENTS AS AT THE END OF THE YEAR (NOTE 12)	83,146,378	59,622,754

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

KZT'000	SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR GENERAL BANKING RISKS	REVALUATION RESERVE FOR AVAILABLE-FOR-SALE FINANCIAL ASSETS	CUMULATIVE TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
Balance as at 1 January 2012	24,210,204	25,632	5,381,456	(82,787)	(209,732)	2,556,868	31,881,641
TOTAL COMPREHENSIVE INCOME							
Profit for the year	–	–	–	–	–	9,832,053	9,832,053
OTHER COMPREHENSIVE INCOME							
Items that are or may be reclassified subsequently to profit or loss:							
Net change in fair value of available-for-sale financial assets	–	–	–	(53,532)	–	–	(53,532)
Net change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	–	22,061	–	–	22,061
Foreign currency translation differences for foreign operations	–	–	–	–	201,977	–	201,977
Total items that are or may be reclassified subsequently to profit or loss	–	–	–	(31,471)	201,977	–	170,506
Total other comprehensive income	–	–	–	(31,471)	201,977	–	170,506
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	–	–	–	(31,471)	201,977	9,832,053	10,002,559
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY							
Shares issued	5,900,003	–	–	–	–	–	5,900,003
Increase in general reserve (Note 27 (d))	–	–	1,268,809	–	–	(1,268,809)	–
BALANCE AS AT 31 DECEMBER 2012	30,110,207	25,632	6,650,265	(114,258)	(7,755)	11,120,112	47,784,203

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

KZT'000	SHARE CAPITAL	SHARE PREMIUM	RESERVE FOR GENERAL BANKING RISKS	DYNAMIC RESERVE	REVALUATION RESERVE FOR AVAILABLE-FOR-SALE FINANCIAL ASSETS	CUMULATIVE TRANSLATION RESERVE	RETAINED EARNINGS	TOTAL
Balance as at 1 January 2013	30,110,207	25,632	6,650,265	–	(114,258)	(7,755)	11,120,112	47,784,203
TOTAL COMPREHENSIVE INCOME								
Profit for the year	–	–	–	–	–	–	13,146,181	13,146,181
OTHER COMPREHENSIVE INCOME								
Items that are or may be reclassified subsequently to profit or loss:								
Net change in fair value of available-for-sale financial assets	–	–	–	–	62,315	–	–	62,315
Net change in fair value of available-for-sale financial assets transferred to profit or loss	–	–	–	–	290	–	–	290
Foreign currency translation differences for foreign operations	–	–	–	–	–	(174,496)	–	(174,496)
Total items that are or may be reclassified subsequently to profit or loss	–	–	–	–	62,605	(174,496)	–	(111,891)
Total other comprehensive income	–	–	–	–	62,605	(174,496)	–	(111,891)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR								
	–	–	–	–	62,605	(174,496)	13,146,181	13,034,290
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY								
Dividends declared	–	–	–	–	–	–	(2,000,129)	(2,000,129)
Increase in general reserve (Note 27 (d))	–	–	1,584,658	–	–	–	(1,584,658)	–
Transfer to dynamic reserve (Note 27 (d))	–	–	–	6,733,233	–	–	(6,733,233)	–
BALANCE AS AT 31 DECEMBER 2013	30,110,207	25,632	8,234,923	6,733,233	(51,653)	(182,251)	13,948,273	58,818,364

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2013

1. BACKGROUND

a) Organisation and operations

These consolidated financial statements include the financial statements of Eurasian Bank JSC (the "Bank") and its subsidiary, Eurasian Bank OJSC (together referred to as the "Group").

The Bank was established in 1994 in the Republic of Kazakhstan as a closed joint-stock company under the laws of the Republic of Kazakhstan. Due to a change in legislation introduced in 2003, the Bank was re-registered as a joint-stock company on 2 September 2003. The Bank operates based on general banking licence number 237 granted on 28 December 2007. The Bank also possesses licences number 0401100623 and number 0407100189 for brokerage, dealing and custodian activities. The principal activities of the Group are deposit taking and customer account maintenance, lending and issuing guarantees, custodian services, cash and settlement operations, operations with securities and foreign exchange.

The activities of the Bank are regulated by the Committee for the control and supervision of the financial market and financial organisations of the National Bank of the Republic of Kazakhstan (the "FMSC") and the National Bank of the Republic of Kazakhstan (the "NBRK").

As at 31 December 2013 the Group has 20 regional branches (2012: 19) and 143 cash settlement centers (2012: 99) from which it conducts business throughout the Republic of Kazakhstan and Russian Federation.

The registered address of the Bank's head office is 56 Kunayev str., Almaty, Republic of Kazakhstan. The majority of the Group's assets and liabilities are located in Kazakhstan.

On 1 April 2010 the Bank acquired a subsidiary, Eurasian Bank OJSC, located in Moscow, Russian Federation.

On 1 January 2011 the Group acquired the retail assets of LLP Prosto Kredit and LLP MKO Prosto Kredit ("Prosto Kredit") in the Republic of Kazakhstan.

b) Shareholders

As at 31 December 2013 Eurasian Financial Company JSC (hereafter, EFC) is the Bank's Parent company, which owns 100.00% of the Bank's shares (2012: EFC owned 99.67%, Eurasian Industrial Company JSC owned 0.33%).

c) Business environment

The Group's operations are primarily located in Kazakhstan. Consequently, the Group is exposed to the economic and financial markets of Kazakhstan which display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in Kazakhstan. The consolidated financial statements reflect management's assessment of the impact of the Kazakhstan business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2. BASIS OF PREPARATION

a) Statement of compliance

The accompanying consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS).

b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale financial assets are stated at fair value.

c) Functional and presentation currency

The functional currency of the Bank is the Kazakhstan tenge ("KZT") as, being the national currency of the Republic of Kazakhstan, it reflects the economic substance of the majority of underlying events and circumstances relevant to the Bank.

The functional currency of the Bank's subsidiary is the Russian Rouble ("RUB") as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to the subsidiary.

The KZT is the presentation currency for the purposes of these consolidated financial statements.

In translating to the KZT, assets and liabilities of the Bank's subsidiary that are included in the statement of financial position are translated at the foreign exchange rate ruling at the reporting date. All income and expense and equity items are translated at approximating rates at the dates of the transactions. The resulting exchange difference is recorded in the cumulative translation reserve.

Financial information presented in KZT is rounded to the nearest thousand.

Any conversion of RUB amounts to KZT should not be construed as a representation that RUB amounts have been, could be, or will be in the future, convertible into KZT at the exchange rate shown, or at any other exchange rate.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies is described in the following notes:

- insurance agent services income — Note 5
- loan impairment estimates — Note 16
- estimates of fair value of financial instruments — Note 36.

e) Changes in accounting policies and presentation

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

- IFRS 10 Consolidated Financial statements (see (i))
- IFRS 13 Fair Value Measurements (see (ii))
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (see (iii))
- Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (see (iv)).

The nature and the effect of the changes are explained below.

(i) Subsidiaries, including structured entities

As a result of adoption of IFRS 10, the Group changed its accounting policy with respect to determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that is applicable to all investees, including structured entities. See Notes 3 (a) (ii) and (iii).

In accordance with the transitional provisions of IFRS 10, the Group reassessed the control conclusion for its investees as at 1 January 2013. The Group determined that its consolidated group structure remained unchanged under IFRS 10, and as a result, the consolidated financial statements are unaffected.

(ii) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the prices at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures (see Note 36).

As a result, the Group adopted a new definition of fair value, as set out in Note 3(d) (v). The change had no significant impact on the measurements of assets and liabilities. However, the Group included new disclosures in the consolidated financial statements that are required under IFRS 13 provided comparative information for new disclosures.

(iii) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Group modified the presentation of items of other comprehensive income in its consolidated statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information is also re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities or comprehensive income.

(iv) Financial instruments: Disclosures — Offsetting financial assets and financial liabilities

Amendments to IFRS 7 Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities introduced new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements.

The Group included new disclosures in the consolidated financial statements that are required under amendments to IFRS 7 and provided comparative information for new disclosures.

f) Changes in presentation — prior period reclassification

Comparative information is reclassified to conform to changes in presentation in the current period.

During the preparation of the Group consolidated financial statements for the year ended 31 December 2013, management made certain reclassifications affecting the corresponding figures to conform to the presentation of consolidated financial statements for the year ended 31 December 2013.

In the consolidated statement of financial position as at 31 December 2012 mandatory reserve with the NBRK of KZT 4,702,477 thousand was reclassified from deposits and balances with banks to cash and cash equivalents. Management believes that this presentation is more appropriate presentation in accordance with IFRS and provides a clearer view of the consolidated financial position of the Group.

The effect of reclassifications on the corresponding figures can be summarised as follows:

KZT'000	AS RECLASSIFIED	EFFECT OF RECLASSIFICATIONS	AS PREVIOUSLY REPORTED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2012			
Cash and cash equivalents	59,622,754	4,702,477	54,920,277
Loans and advances to banks	3,485,413	(4,702,477)	8,187,890
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012			
Mandatory reserve	(24,055)	(3,501,164)	3,477,109
Loans and advances to banks	(2,401,493)	(41,435)	(2,360,058)
Net cash provided from operating activities before income tax paid	(3,232,322)	(3,542,599)	310,277
Cash flows provided from operating activities	(5,247,478)	(3,542,599)	(1,704,879)
Net increase in cash and cash equivalents	9,858,884	(3,542,599)	13,401,483
Cash and cash equivalents as at the beginning of the year	48,771,001	8,245,076	40,525,925
Cash and cash equivalents as at the end of the year	59,622,754	4,702,477	54,920,277

The above reclassifications do not impact the Group results or equity.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below are applied consistently to all periods presented in these consolidated financial statements, and are applied consistently by Group entities, except as explained in Note 2 (e), which addresses changes in accounting policies.

a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill as the fair value of the consideration transferred (including the fair value of any previously-held equity interest in the acquiree) and the recognised amount of any non-controlling interest in the acquiree, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as at the acquisition date. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(ii) Subsidiaries

Subsidiaries are investees controlled by the Group. The Group controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In particular the Group consolidates investees that it controls on the basis of de facto circumstances. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised losses are eliminated in the same way as unrealised gains except that thay are only eliminated to the extent that there is no evidence of impairment.

(iv) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is allocated to cash-generating units for impairment testing purposes and is stated at cost less impairment losses.

b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or qualifying cash flow hedges, which are recognised in other comprehensive income.

c) Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances (nostro accounts) held with the NBRK, the Central Bank of the Russian Federation (the "CBRF") and other banks and deposits with banks with original maturities of less than three months. Cash and cash equivalents are carried at amortised cost in the consolidated statement of financial position.

d) Financial instruments

(i) Classification

Financial instruments at fair value through profit or loss are financial assets or liabilities that are:

- acquired or incurred principally for the purpose of selling or repurchasing in the near term
- 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
- derivative financial instruments (except for derivative financial instruments that are designated and effective hedging instruments) or,
- upon initial recognition, designated as at fair value through profit or loss

The Group may designate financial assets and liabilities at fair value through profit or loss where either:

- the assets or liabilities are managed, evaluated and reported internally on a fair value basis
- the designation eliminates or significantly reduces an accounting mismatch which would otherwise arise or
- the asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as assets. All trading derivatives in a net payable position (negative fair value), as well as options written, are reported as liabilities.

Management determines the appropriate classification of financial instruments in this category at the time of the initial recognition. Derivative financial instruments and financial instruments designated as at fair value through profit or loss upon initial recognition are not reclassified out of at fair value through profit or loss category. Financial assets that would have met the definition of loans and receivables may be reclassified out of the fair value through profit or loss or available-for-sale category if the entity has an intention and ability to hold them for the foreseeable future or until maturity. Other financial instruments may be reclassified out of at fair value through profit or loss category only in rare circumstances. Rare circumstances arise from a single event that is unusual and highly unlikely to recur in the near term.

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 Group:

- intends to sell immediately or in the near term
- upon initial recognition designates as at fair value through profit or loss
- upon initial recognition designates as available-for-sale or,
- 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 Group has the positive intention and ability to hold to maturity, other than those that:

- the Group upon initial recognition designates as at fair value through profit or loss
- the Group designates as available-for-sale or,
- 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 loans and receivables, held-to-maturity investments or financial instruments at fair value through profit or loss.

(ii) Recognition

Financial assets and liabilities are recognised in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets are accounted for at the settlement date.

(iii) Measurement

A financial asset or liability is initially measured at its fair value plus, in the case of a financial asset or 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 liability.

Subsequent to 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:

- loans and receivables which are measured at amortised cost using the effective interest method
- held-to-maturity investments that are 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 which are measured at cost.

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

(iv) Amortised cost

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

Financial assets or liabilities originated at interest rates different from market rates are re-measured at origination to their fair value, being future interest payments and principal repayment(s) discounted at market interest rates for similar instruments. The difference is credited or charged to profit or loss as gains or losses on origination of financial instruments at rates different from market rates. Subsequently, the carrying amount of such assets or liabilities is adjusted for amortisation of the gains/losses on origination and the related income/expense is recorded in interest income/expense within profit or loss using the effective interest method.

(v) Fair value measurement principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price, i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, the Group measures assets and long positions at the bid price and liabilities and short positions at the ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk, are measured on the basis of a price that would be received to sell the net long position (or paid to transfer the net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The Group recognises transfers between the levels of the fair value hierarchy as of the end of the end of the reporting period during which the change has occured.

(vi) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial instrument classified as at fair value through profit or loss is recognised in profit or loss
- a gain or loss on an available-for-sale financial asset is recognised as other comprehensive income in equity (except for impairment losses and foreign exchange gains and losses on debt financial instruments available-for-sale) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to an available-for-sale financial asset is recognised in profit or loss using the effective interest method.

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

(vii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all the risks and rewards of ownership and it does not retain control of the financial asset. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability in the statement of financial position. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognised on its consolidated statement of financial position, but retains either all risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised.

In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, it derecognises the asset if control over the asset is lost.

In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred assets.

If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

The Group writes off assets deemed to be uncollectible.

(viii) Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase (repo) agreements are accounted for as secured financing transactions, with the securities retained in the consolidated statement of financial position and the counterparty liability included in amounts payable under repo transactions within deposits and balances from banks or current accounts and deposits from customers, as appropriate. The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

Securities purchased under agreements to resell (reverse repo) are recorded as amounts receivable under reverse repo transactions within loans and advances to banks or loans to customers, as appropriate. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss over the term of the repo agreement using the effective interest method.

If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

(ix) Offsetting

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

e) Property and equipment

(i) Owned assets

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses.

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Depreciation

Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives are as follows:

• Buildings	25 to 40 years
• Computer and banking equipment	3 to 8 years
• Vehicles	7 years
• Furniture	8 to 10 years
• Leasehold improvements	5 years

f) Intangible assets

Acquired intangible assets are stated at cost less accumulated amortisation and impairment losses.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are as follows:

• Trademark	10 years
• Computer software and other intangibles	5 to 7 years

In 2012 the Group changed its assessment of useful life of the trademark from 3 to 10 years.

g) Impairment

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the Group determines the amount of any impairment loss.

A financial asset or a group of financial assets 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 asset (a loss event) and that event (or events) has had an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of financial asset or group of financial assets that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the group, or economic conditions that correlate with defaults in the group.

In addition, for an investment in an equity security available-for-sale a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Financial assets carried at amortised cost

Financial assets carried at amortized cost consist principally of loans and other receivables (loans and receivables). The Group reviews its loans and receivables to assess impairment on a regular basis.

The Group 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 Group determines that no objective evidence of impairment exists for an individually assessed loan or receivable, whether significant or not, it includes the loan or receivable 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 a loan or receivable has been incurred, the amount of the loss is measured as the difference between the carrying amount of the loan or receivable and the present value of estimated future cash flows including amounts recoverable from guarantees and collateral discounted at the loan or receivable's original effective interest rate. Contractual cash flows and historical loss experience adjusted on the basis of relevant observable data that reflect current economic conditions provide the basis for estimating expected cash flows.

In some cases the observable data required to estimate the amount of an impairment loss on a loan or receivable may be limited or no longer fully relevant to current circumstances. This may be the case when a borrower is in financial difficulties and there is little available historical data relating to similar borrowers. In such cases, the Group uses its experience and judgment to estimate the amount of any impairment loss.

All impairment losses in respect of loans and receivables are recognized in profit or loss and are only reversed if a subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

When a loan is uncollectable, it is written off against the related allowance for loan impairment. The Group writes off a loan balance (and any related allowances for loan losses) when management determines that the loans are uncollectible and when all necessary steps to collect the loan are completed.

(ii) Financial assets carried at cost

Financial assets carried at cost include unquoted equity instruments included in available-for-sale financial assets that are not carried at fair value because their fair value cannot be reliably measured. If there is objective evidence that such investments are impaired, the impairment loss is calculated as the difference between the carrying amount of the investment and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

All impairment losses in respect of these investments are recognised in profit or loss and cannot be reversed.

(iii) Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by transferring the cumulative loss that is recognised in other comprehensive income to profit or loss as a reclassification adjustment. 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 the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security 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 is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(iv) Non financial assets

Other non financial assets, other than deferred taxes, are assessed at each reporting date for any indications of impairment. The recoverable amount of goodwill is estimated at each reporting date. The recoverable amount of non financial assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

All impairment losses in respect of non financial assets are recognised in profit or loss and reversed only if there has been a change in the estimates used to determine the recoverable amount.

Any impairment loss reversed is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss in respect of goodwill is not reversed.

h) Provisions

A provision is recognised in the consolidated statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

i) Credit related commitments

In the normal course of business, the Group enters into credit related commitments, comprising undrawn loan commitments, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group 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.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably.

Financial guarantee liabilities and provisions for other credit related commitment are included in other liabilities.

Loan commitments are not recognised, except for the following:

- loan commitments that the Group designates as financial liabilities at fair value through profit or loss
- if the Group has a past practice of selling the assets resulting from its loan commitments shortly after origination, then the loan commitments in the same class are treated as derivative instruments
- loan commitments that can be settled net in cash or by delivering or issuing another financial instrument
- commitments to provide a loan at a below-market interest rate.

j) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(ii) Dividends

The ability of the Group to declare and pay dividends is subject to the rules and regulations of the Kazakhstan legislation.

Dividends in relation to ordinary shares are reflected as an appropriation of retained earnings in the period when they are declared.

k) Taxation

Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and temporary differences related to investments in subsidiaries where the parent is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences, unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

l) Income and expense recognition

Interest income and expense are recognised in profit or loss using the effective interest method.

Loan origination fees, loan servicing fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related transaction costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest method.

Other fees, commissions and other income and expense items are recognised in profit or loss when the corresponding service is provided. The Bank acts as an agent for insurance providers offering their insurance products to consumer loan borrowers. Commission income from insurance represents commissions for such agency services received by the Bank from such partners. It is not considered to be integral to the overall profitability of consumer loans because it is determined and recognised based on the Bank's contractual arrangements with the insurance provider rather than with the borrower, the borrowers have a choice whether to purchase the policy, the interest rates for customers with and without the insurance are the same. The Bank does not participate on the insurance risk, which is entirely borne by the partner. Commission income from insurance is recognised in profit or loss when the Bank provides the agency service to the insurance company.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

m) Segment reporting

An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective as at 31 December 2013, and are not applied in preparing these consolidated financial statements. Of these pronouncements, potentially the following will have an impact on the financial position and performance. The Group plans to adopt these pronouncements when they become effective.

The Group has not yet analysed the likely impact of new standards on its financial position or performance.

- IFRS 9 Financial Instruments will be effective for annual periods beginning on or after 1 January 2015. The new standard is to be issued in phases and is intended ultimately to replace International Financial Reporting Standard IAS 39 Financial Instruments: Recognition and Measurement. The first phase of IFRS 9 was issued in November 2009 and relates to the classification and measurement of financial assets. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The third phase was issued in November 2013 and relates to general hedge accounting. The Group recognises that the new standard introduces many changes to the accounting for financial instruments and is likely to have a significant impact on the consolidated financial statements. The impact of these changes will be analysed during the course of the project as further phases of the standard are issued. The Group does not intend to adopt this standard early.
- Amendments to IAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities do not introduce new rules for offsetting financial assets and liabilities; rather they clarify the offsetting criteria to address inconsistencies in their application. The Amendments specify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event; and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments are effective for annual periods beginning on or after 1 January 2014, and are to be applied retrospectively.
- Various Improvements to IFRS are dealt with on a standard-by-standard basis. All amendments, which result in accounting changes for presentation, recognition or measurement purposes, will come into effect not earlier than 1 January 2014. The Group has not yet analysed the likely impact of the improvements on its financial position or performance.

4. NET INTEREST INCOME

	2013 / KZT'000	2012 / KZT'000
INTEREST INCOME		
Loans to customers	67,884,137	49,627,673
Held-to-maturity investments	806,711	331,222
Available-for-sale financial assets	330,057	214,197
Loans and advances to banks	140,970	62,374
Financial instruments at fair value through profit or loss	73,291	107,705
Cash and cash equivalents	40,837	23,049
Amounts receivable under reverse repurchase agreements	26,873	21,331
	69,302,876	50,387,551
INTEREST EXPENSE		
Current accounts and deposits from customers	(21,046,296)	(15,668,593)
Debt securities issued	(3,007,092)	(3,235,774)
Subordinated debt securities issued	(2,746,103)	(2,717,540)
Other borrowed funds	(1,599,620)	(1,258,031)
Deposits and balances from banks	(651,237)	(475,192)
Amounts payable under repurchase agreements	(438,855)	(95,754)
	(29,489,203)	(23,450,884)
	39,813,673	26,936,667

Included within various line items under interest income for the year ended 31 December 2013 is a total of KZT 1,533,986 thousand (2012: KZT 790,849 thousand) accrued on individually impaired financial assets.

5. FEE AND COMMISSION INCOME

	2013 / KZT'000	2012 / KZT'000
Agent services	7,782,122	4,713,829
Settlement	1,413,558	1,403,707
Cash withdrawal	969,944	1,011,892
Guarantee and letter of credit issuance	589,893	1,034,157
Payment card maintenance fees	568,979	432,417
Custodian services	59,557	64,464
Cash delivery	51,213	46,805
Other	252,581	248,452
	11,687,847	8,955,723

In December 2011 the Group signed an agreement with Life Insurance Company Kazkommerce-Life JSC to provide insurance agent services. The Group offers life insurance policies of this insurance company for its point of sale of retail loans and is paid an agency fee proportionate to premiums subscribed. Acquisition of a life insurance policy is voluntary and is not a condition to obtain a loan, nor does it affect the interest rate on the loan.

6. FEE AND COMMISSION EXPENSE

	2013 / KZT'000	2012 / KZT'000
Agent services	1,243,778	521,838
Settlement	372,131	265,277
Cash withdrawal	247,436	168,252
Payment card maintenance fees	85,904	52,262
Custodian services	22,442	14,510
Other	14,815	9,267
	1,986,506	1,031,406

7. NET FOREIGN EXCHANGE GAIN

	2013 / KZT'000	2012 / KZT'000
Dealing, net	2,546,000	4,207,360
Translation differences, net	96,196	(102,354)
	2,642,196	4,105,006

8. IMPAIRMENT LOSSES

	2013 / KZT'000	2012 / KZT'000
Loans to customers (Note 16)	8,256,601	3,806,849
Other assets (Note 19)	(37,271)	346,593
Provision for contingent liabilities	28,434	–
	8,247,764	4,153,442

9. PERSONNEL EXPENSES

	2013 / KZT'000	2012 / KZT'000
Wages, salaries, bonuses and related taxes	14,494,614	11,524,037
Other employee costs	576,247	447,379
	15,070,861	11,971,416

10. OTHER GENERAL ADMINISTRATIVE EXPENSES

	2013 / KZT'000	2012 / KZT'000
Depreciation and amortisation	2,641,592	1,927,270
Operating lease expense	1,438,042	1,056,044
Communications and information services	1,183,161	1,044,676
Advertising and marketing	1,070,994	1,027,568
Taxes other than on income	1,034,195	804,283
Insurance of car loans	992,740	–
Security	701,332	466,817
Repairs and maintenance	486,404	536,046
Travel expenses	300,966	304,602
Professional services	293,324	145,539
Services of State Center for pension payments	222,672	159,920
Loan servicing	157,020	647,005
Cash delivery services	129,482	68,718
Insurance	125,918	85,749
Stationery and office supplies	63,664	188,353
Transportation	59,419	56,725
Payment cards production	37,506	29,357
Trainings	26,237	48,329
Representation expenses	13,411	30,298
Other	961,992	608,750
	11,940,071	9,236,049

Loan servicing fee of KZT 157,020 thousand was paid in 2013 (2012: KZT 647,005 thousand) to a service organisation, LLP MKO Prosto Kredit, under the general agreement for loan collection services, call-center services, credit files administration services, re-billed bank fees and other expenses incurred by the service organisation.

11. INCOME TAX EXPENSE

	2013 / KZT'000	2012 / KZT'000
CURRENT TAX EXPENSE		
Current period	3,916,381	1,685,407
Under provided in prior periods	–	42,248
DEFERRED TAX EXPENSE		
Origination and reversal of temporary differences	215,970	1,526,596
TOTAL INCOME TAX EXPENSE	4,132,351	3,254,251

In 2013 the applicable tax rate for current and deferred tax is 20% (2012: 20%).

Reconciliation of effective tax rate for the period ended 31 December:

	2013 / KZT'000	%	2012 / KZT'000	%
PROFIT BEFORE INCOME TAX	17,278,532	100.00	13,086,304	100.00
Income tax at the applicable tax rate	3,455,706	20.00	2,617,261	20.00
Under provided in prior years	–	–	42,248	0.32
Tax-exempt income on securities	(218,405)	(1.26)	(87,358)	(0.67)
Non-deductible expenses	895,050	5.18	682,100	5.21
	4,132,351	23.92	3,254,251	24.86

Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to a net deferred tax liability as at 31 December 2013 and as at 31 December 2012. These deferred tax assets and liabilities have been recognised in these financial statements.

The deductible temporary differences do not expire under current tax legislation.

Movements in temporary differences during the years ended 31 December 2013 and 2012 are as follows.

KZT'000	BALANCE 1 JANUARY 2013	RECOGNISED IN PROFIT OR LOSS	BALANCE 31 DECEMBER 2013
Loans to customers	192,954	(1,284,247)	(1,091,293)
Property and equipment	(687,139)	(144,132)	(831,271)
Other assets	232,247	(109,357)	122,890
Financial instruments at fair value through profit or loss	3,896	(6,360)	(2,464)
Interest payable on deposits and balances from banks	–	82,321	82,321
Interest payable on current accounts and deposits from customers	–	928,392	928,392
Interest payable on repurchase agreements	–	456	456
Interest payable on debt securities issued	–	154,418	154,418
Interest payable on subordinated debt	–	89,369	89,369
Other liabilities	216,470	73,170	289,640
	(41,572)	(215,970)	(257,542)

KZT'000	BALANCE 1 JANUARY 2012	RECOGNISED IN PROFIT OR LOSS	BALANCE 31 DECEMBER 2012
Loans to customers	326,687	(133,733)	192,954
Property and equipment	(635,224)	(51,915)	(687,139)
Other assets	288,176	(55,929)	232,247
Financial instruments at fair value through profit or loss	(11,745)	15,641	3,896
Other liabilities	181,278	35,192	216,470
Tax loss carry-forwards	1,335,852	(1,335,852)	–
	1,485,024	(1,526,596)	(41,572)

12. CASH AND CASH EQUIVALENTS

	2013 / KZT'000	2012 / KZT'000
CASH ON HAND	20,248,246	14,897,932
NOSTRO ACCOUNTS WITH THE NBRK AND THE CBRF	30,333,937	29,961,292
NOSTRO ACCOUNTS WITH OTHER BANKS		
– rated from AA- to AA+	50,422	68,981
– rated from A- to A+	26,338,051	6,379,350
– rated from BBB- to BBB+	283,288	377,354
– rated from BB- to BB+	582,973	702,906
– rated below B+	331,135	17,963
– not rated	82,610	51,878
TOTAL NOSTRO ACCOUNTS WITH OTHER BANKS	27,668,479	7,598,432
TERM DEPOSITS WITH OTHER BANKS		
– rated from BBB- to BBB+	936,000	1,141,210
– rated from BB- to BB+	–	3,237,258
– rated below B+	2,418,731	2,786,630
– not rated	1,540,985	–
TOTAL TERM DEPOSITS WITH OTHER BANKS	4,895,716	7,165,098
TOTAL CASH AND CASH EQUIVALENTS	83,146,378	59,622,754

None of cash and cash equivalents are impaired or past due.

As at 31 December 2013 the Group has 2 banks (2012: 1 bank), whose balances exceed 10% of equity. The gross value of these balances as at 31 December 2013 is KZT 53,462,403 thousand (2012: KZT 28,072,720 thousand).

Minimum reserve requirements

Minimum reserve requirements are calculated in accordance with regulations issued by the NBRK and should be maintained as average of cash on hand and balances on current account with the NBRK for the two week period calculated as certain minimum level of residents' and non-residents' customer deposits and current accounts balances as well as other bank liabilities. As at 31 December 2013 the minimum reserve is KZT 6,694,173 thousand (31 December 2012: KZT 4,702,477 thousand).

13. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2013 / KZT'000	2012 / KZT'000
ASSETS		
HELD BY THE GROUP		
Debt and other fixed-income instruments		
– Government bonds		
Russian Government Federal bonds (OFZ)	1,139,628	1,259,771
TOTAL GOVERNMENT BONDS	1,139,628	1,259,771
DERIVATIVE FINANCIAL INSTRUMENTS		
Foreign currency contracts	–	3,102
	1,139,628	1,262,873
LIABILITIES		
DERIVATIVE FINANCIAL INSTRUMENTS		
Foreign currency contracts	2,278	1,123
	2,278	1,123

No financial assets at fair value through profit or loss are past due or impaired.

Foreign currency contracts

The table below summarises, by major currencies, the contractual amounts of forward exchange contracts outstanding at 31 December 2013 and 2012 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resultant unrealised gains and losses on these unmatured contracts, along with the amounts payable and receivable on the matured but unsettled contracts, are recognised in profit or loss and in financial instruments at fair value through profit or loss, as appropriate.

TYPE OF INSTRUMENT	NOTIONAL AMOUNT	MATURITY	PAYMENTS MADE BY BANK	PAYMENTS RECEIVED BY BANK	FAIR VALUE ASSET KZT'000	FAIR VALUE LIABILITY KZT'000
31 DECEMBER 2013						
Foreign currency swap	EUR 4,000,000	09/01/2014	EUR 4,000,000	RUB'000 180,325	–	2,278
					–	2,278
31 DECEMBER 2012						
Foreign currency swap	USD 2,000,000	03/01/2013	USD 2,000,000	KZT'000 301,300	724	–
Foreign currency swap	USD 2,000,000	04/01/2013	USD 2,000,000	KZT'000 300,860	189	–
Foreign currency forward	USD 750,000	15/03/2013	USD 750,000	KZT'000 115,928	2,189	–
Foreign currency forward	USD 1,700,000	09/01/2013	RUB'000 51,901	USD 1,700,000	–	1,123
					3,102	1,123

Approach to derivative transactions

The Group may enter into swap agreements and other types of over-the-counter transactions with broker-dealers or other financial institutions for hedging purposes. A swap involves the exchange by the Group with another party of their respective commitments to pay or receive cash flows, e.g. an exchange of floating rate payments for fixed-rate payments.

Swap agreements and similar transactions can be individually negotiated and structured to include exposure to a variety of different types of investments or market factors. Depending on their structures, swap agreements may increase or decrease the Group's exposure to long or short-term interest rates, foreign currency values, corporate borrowing rates, or other factors such as security prices or inflation rates. The value of the swap positions increases or decreases depending on the changes in value of the underlying rates or currency values. Depending on how they are used, swap agreements may increase or decrease the overall volatility of the Group's investments.

The Group's ability to realise a profit from such transactions will depend on the ability of the financial institution with which it enters into the transaction to meet their obligations to the Group. If a counterparty's creditworthiness declines, the value of the agreement would be likely to decline, potentially resulting in losses. If a default occurs by the other party to such transaction, the Group will have contractual remedies pursuant to the agreements related to the transaction, which may be limited by applicable law in the case of a counterparty's insolvency.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2013 / KZT'000	2012 / KZT'000
HELD BY THE BANK		
Debt and other fixed-income instruments		
– Government and municipal bonds		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	10,965,674	2,432,074
Notes of the NBRK	–	15,977,527
TOTAL GOVERNMENT AND MUNICIPAL BONDS	10,965,674	18,409,601
Equity investments		
– Corporate shares	14,198	13,945
	10,979,872	18,423,546

Available-for-sale investments stated at cost comprise unquoted equity securities with a carrying value of KZT 14,198 thousand (2012: KZT 13,945 thousand). There is no market for these investments and there have not been any recent transactions that provide evidence of the current fair value. No notes and bonds are overdue or impaired as at 31 December 2013 (2012: nil).

15. LOANS AND ADVANCES TO BANKS

	2013 / KZT'000	2012 / KZT'000
MANDATORY RESERVES WITH THE CBRF	323,523	128,334
Term deposits		
– rated from A- to A+	–	477,135
– rated from BBB- to BBB+	–	1,095
– rated from BB- to BB+	507,944	785,419
– rated below B+	1,260	1,513,080
– not rated	2,089,646	580,350
TOTAL TERM DEPOSITS	2,598,850	3,357,079
TOTAL LOANS AND ADVANCES TO BANKS	2,922,373	3,485,413

The credit ratings are presented by standards of Fitch credit ratings agency.

No loans and advances to banks are overdue or impaired as at 31 December 2013 (2012: nil).

a) Concentration of loans and advances to banks

As at 31 December 2013 no banks (2012: nil) have balances that exceed 10% of equity.

b) Mandatory reserves with the CBRF

Under legislation of the Russian Federation, the Group subsidiary is required to maintain certain mandatory reserve. The mandatory reserve deposit is a non-interest bearing deposit calculated in accordance with regulations issued by the CBRF and whose withdrawability is restricted.

16. LOANS TO CUSTOMERS

	2013 / KZT'000	2012 / KZT'000
LOANS TO CORPORATE CUSTOMERS		
Loans to large corporate	193,915,808	176,841,374
Loans to small and medium size companies	35,784,153	36,773,851
TOTAL LOANS TO CORPORATE CUSTOMERS	229,699,961	213,615,225
LOANS TO RETAIL CUSTOMERS		
Car loans	76,369,442	28,902,541
Mortgage loans	17,943,436	33,831,716
Small business loans	16,664,846	18,629,432
Loans collaterised by cash	171,172	528,559
Private banking loans	150,894	–
Uncollateralised consumer loans	127,099,793	88,011,821
TOTAL LOANS TO RETAIL CUSTOMERS	238,399,583	169,904,069
GROSS LOANS TO CUSTOMERS	468,099,544	383,519,294
Impairment allowance	(35,570,458)	(28,877,007)
NET LOANS TO CUSTOMERS	432,529,086	354,642,287

Movements in the loan impairment allowance by classes of loans to customers for the period ended 31 December 2013 are as follows:

	LOANS TO CORPORATE CUSTOMERS / KZT'000	LOANS TO RETAIL CUSTOMERS / KZT'000	TOTAL KZT'000
Balance at the beginning of the year	13,585,773	15,291,234	28,877,007
Net charge	1,478,460	6,778,141	8,256,601
Write-offs	(1,302,333)	(396,376)	(1,698,709)
Effect of foreign currency translation	83,787	51,772	135,559
BALANCE AT THE END OF THE YEAR	13,845,687	21,724,771	35,570,458

Movements in the loan impairment allowance by classes of loans to customers for the period ended 31 December 2012 are as follows:

	LOANS TO CORPORATE CUSTOMERS / KZT'000	LOANS TO RETAIL CUSTOMERS / KZT'000	TOTAL KZT'000
Balance at the beginning of the year	13,025,391	12,185,757	25,211,148
Net charge	637,863	3,168,986	3,806,849
Write-offs	(137,645)	(98,125)	(235,770)
Effect of foreign currency translation	60,164	34,616	94,780
BALANCE AT THE END OF THE YEAR	13,585,773	15,291,234	28,877,007

The following table provides information by types of loan products as at 31 December 2013:

	GROSS AMOUNT KZT'000	IMPAIRMENT ALLOWANCE KZT'000	CARRYING AMOUNT / KZT'000
LOANS TO CORPORATE CUSTOMERS			
Loans to large corporate	193,915,808	(10,639,263)	183,276,545
Loans to small and medium size companies	35,784,153	(3,206,424)	32,577,729
LOANS TO RETAIL CUSTOMERS			
Car loans	76,369,442	(709,679)	75,659,763
Mortgage loans	17,943,436	(2,257,456)	15,685,980
Small business loans	16,664,846	(5,055,072)	11,609,774
Loans collaterised by cash	171,172	(481)	170,691
Private banking loans	150,894	(597)	150,297
Uncollateralised consumer loans	127,099,793	(13,701,486)	113,398,307
BALANCE AT THE END OF THE YEAR	468,099,544	(35,570,458)	432,529,086

The following table provides information by types of loan products as at 31 December 2012:

	GROSS AMOUNT KZT'000	IMPAIRMENT ALLOWANCE KZT'000	CARRYING AMOUNT / KZT'000
LOANS TO CORPORATE CUSTOMERS			
Loans to large corporate	176,841,374	(11,007,093)	165,834,281
Loans to small and medium size companies	36,773,851	(2,578,680)	34,195,171
LOANS TO RETAIL CUSTOMERS			
Mortgage loans	33,831,716	(4,238,987)	29,592,729
Car loans	28,902,541	(716,521)	28,186,020
Small business loans	18,629,432	(5,546,373)	13,083,059
Loans collaterised by cash	528,559	–	528,559
Uncollateralised consumer loans	88,011,821	(4,789,353)	83,222,468
BALANCE AT THE END OF THE YEAR	383,519,294	(28,877,007)	354,642,287

a) Credit quality of loans to customers

The following table provides information on the credit quality of loans to customers as at 31 December 2013:

	GROSS LOANS KZT'000	IMPAIRMENT ALLOWANCE KZT'000	NET LOANS KZT'000	IMPAIRMENT ALLOWANCE TO GROSS LOANS, %
LOANS TO CORPORATE CUSTOMERS				
LOANS TO LARGE CORPORATE				
Loans without individual signs of impairment				
Standard not overdue loans	175,374,898	(2,455,874)	172,919,024	1.40
Overdue loans:				
– overdue 30–89 days	62,998	(246)	62,752	0.39
– overdue 90–179 days	474,453	(1,850)	472,603	0.39
– overdue more than 360 days	590,841	(1,927)	588,914	0.33
Total loans without individual signs of impairment	176,503,190	(2,459,897)	174,043,293	1.39
Loans with individual signs of impairment:				
– not overdue	5,332,330	(4,267,956)	1,064,374	80.04
– overdue less than 90 days	1,562,520	(749,940)	812,580	48.00
– overdue more than 90 days and less than 1 year	6,798,337	(607,146)	6,191,191	8.93
– overdue more than 1 year	3,719,431	(2,554,324)	1,165,107	68.68
Total loans with individual signs of impairment	17,412,618	(8,179,366)	9,233,252	46.97
TOTAL LOANS TO LARGE CORPORATE	193,915,808	(10,639,263)	183,276,545	5.49
LOANS TO SMALL AND MEDIUM SIZE COMPANIES				
Loans without individual signs of impairment				
Standard not overdue loans	26,904,371	(124,464)	26,779,907	0.46
Overdue loans:				
– overdue less than 30 days	505,370	(1,971)	503,399	0.39
– overdue 30–89 days	371,260	(1,448)	369,812	0.39
– overdue 90–179 days	17,891	(70)	17,821	0.39
– overdue 180–360 days	280,732	(1,095)	279,637	0.39
– overdue more than 360 days	265,412	(1,035)	264,377	0.39
Total loans without individual signs of impairment	28,345,036	(130,083)	28,214,953	0.46

	GROSS LOANS KZT'000	IMPAIRMENT ALLOWANCE KZT'000	NET LOANS KZT'000	IMPAIRMENT ALLOWANCE TO GROSS LOANS, %
Loans with individual signs of impairment:				
– not overdue	4,800	(1,155)	3,645	24.06
– overdue less than 90 days	2,737,364	(502,345)	2,235,019	18.35
– overdue more than 90 days and less than 1 year	1,059,221	(138,398)	920,823	13.07
– overdue more than 1 year	3,637,732	(2,434,443)	1,203,289	66.92
Total loans with individual signs of impairment	7,439,117	(3,076,341)	4,362,776	41.35
TOTAL LOANS TO SMALL AND MEDIUM SIZE COMPANIES	35,784,153	(3,206,424)	32,577,729	8.96
TOTAL LOANS TO CORPORATE CUSTOMERS	229,699,961	(13,845,687)	215,854,274	6.03
LOANS TO RETAIL CUSTOMERS				
CAR LOANS				
– not overdue	72,403,428	(90,359)	72,313,069	0.12
– overdue less than 30 days	1,497,963	(2,509)	1,495,454	0.17
– overdue 30–9 days	773,138	(1,754)	771,384	0.23
– overdue 90–179 days	494,662	(119,074)	375,588	24.07
– overdue 180–360 days	387,834	(111,237)	276,597	28.68
– overdue more than 360 days	812,417	(384,746)	427,671	47.36
TOTAL CAR LOANS	76,369,442	(709,679)	75,659,763	0.93
MORTGAGE LOANS				
– not overdue	11,453,483	(299,334)	11,154,149	2.61
– overdue less than 30 days	1,343,731	(10,903)	1,332,828	0.81
– overdue 30–89 days	552,563	(7,197)	545,366	1.30
– overdue 90–179 days	353,485	(21,188)	332,297	5.99
– overdue 180–360 days	369,221	(61,009)	308,212	16.52
– overdue more than 360 days	3,870,953	(1,857,825)	2,013,128	47.99
TOTAL MORTGAGE LOANS	17,943,436	(2,257,456)	15,685,980	12.58
SMALL BUSINESS LOANS				
– not overdue	8,449,223	(169,777)	8,279,446	2.01
– overdue less than 30 days	76,626	(2,313)	74,313	3.02
– overdue 30–89 days	1,366,019	(585,911)	780,108	42.89
– overdue 90–179 days	107,943	(32,578)	75,365	30.18
– overdue 180–360 days	760,303	(154,853)	605,450	20.37
– overdue more than 360 days	5,904,732	(4,109,640)	1,795,092	69.60
TOTAL SMALL BUSINESS LOANS	16,664,846	(5,055,072)	11,609,774	30.33

	GROSS LOANS KZT'000	IMPAIRMENT ALLOWANCE KZT'000	NET LOANS KZT'000	IMPAIRMENT ALLOWANCE TO GROSS LOANS, %
LOANS COLLATERISED BY CASH				
– not overdue	171,172	(481)	170,691	0.28
TOTAL LOANS COLLATERALISED BY CASH	171,172	(481)	170,691	0.28
PRIVATE BANKING LOANS				
– not overdue	150,894	(597)	150,297	0.40
TOTAL LOANS PRIVATE BANKING	150,894	(597)	150,297	0.40
UNCOLLATERALISED CONSUMER LOANS				
– not overdue	100,481,680	(858,552)	99,623,128	0.85
– overdue less than 30 days	4,724,230	(46,890)	4,677,340	0.99
– overdue 30–89 days	3,769,471	(39,829)	3,729,642	1.06
– overdue 90–179 days	3,939,109	(2,228,514)	1,710,595	56.57
– overdue 180–360 days	6,206,142	(4,135,909)	2,070,233	66.64
– overdue more than 360 days	7,979,161	(6,391,792)	1,587,369	80.11
TOTAL UNCOLLATERALISED CONSUMER LOANS	127,099,793	(13,701,486)	113,398,307	10.78
TOTAL LOANS TO RETAIL CUSTOMERS	238,399,583	(21,724,771)	216,674,812	9.11
TOTAL LOANS TO CUSTOMERS	468,099,544	(35,570,458)	432,529,086	7.60

The following table provides information on the credit quality of loans to customers as at 31 December 2012:

	GROSS LOANS KZT'000	IMPAIRMENT ALLOWANCE KZT'000	NET LOANS KZT'000	IMPAIRMENT ALLOWANCE TO GROSS LOANS, %
LOANS TO CORPORATE CUSTOMERS				
LOANS TO LARGE CORPORATE				
Loans without individual signs of impairment				
Standard not overdue loans	164,505,859	(2,557,345)	161,948,514	1.55
Overdue loans:				
– overdue less than 30 days	208,897	(41,382)	167,515	19.81
– overdue 180–360 days	163,065	(717)	162,348	0.44
– overdue more than 360 days	1,108,067	(63,822)	1,044,245	5.76
Total loans without individual signs of impairment	165,985,888	(2,663,266)	163,322,622	1.60
Loans with individual signs of impairment:				
– not overdue	6,844,306	(5,787,648)	1,056,658	84.56
– overdue more than 90 days and less than 1 year	627,354	(420,101)	207,253	66.96
– overdue more than 1 year	3,383,826	(2,136,078)	1,247,748	63.13
Total loans with individual signs of impairment	10,855,486	(8,343,827)	2,511,659	76.86
TOTAL LOANS TO LARGE CORPORATE	176,841,374	(11,007,093)	165,834,281	6.22
LOANS TO SMALL AND MEDIUM SIZE COMPANIES				
Loans without individual signs of impairment				
Standard not overdue loans	29,669,136	(125,925)	29,543,211	0.42
Overdue loans:				
– overdue less than 30 days	2,662,004	(11,710)	2,650,294	0.44
– overdue 30–89 days	78,022	(343)	77,679	0.44
– overdue 90–179 days	87,765	(382)	87,383	0.44
– overdue 180–360 days	28,097	(124)	27,973	0.44
– overdue more than 360 days	423,788	(16,972)	406,816	4.00
Total loans without individual signs of impairment	32,948,812	(155,456)	32,793,356	0.47
Loans with individual signs of impairment:				
– not overdue	161,558	(104,871)	56,687	64.91
– overdue less than 90 days	161,975	(69,809)	92,166	43.10
– overdue more than 90 days and less than 1 year	302,958	(132,224)	170,734	43.64
– overdue more than 1 year	3,198,548	(2,116,320)	1,082,228	66.17
Total loans with individual signs of impairment	3,825,039	(2,423,224)	1,401,815	63.35
TOTAL LOANS TO SMALL AND MEDIUM SIZE COMPANIES	36,773,851	(2,578,680)	34,195,171	7.01
TOTAL LOANS TO CORPORATE CUSTOMERS	213,615,225	(13,585,773)	200,029,452	6.36

	GROSS LOANS KZT'000	IMPAIRMENT ALLOWANCE KZT'000	NET LOANS KZT'000	IMPAIRMENT ALLOWANCE TO GROSS LOANS, %
LOANS TO RETAIL CUSTOMERS				
MORTGAGE LOANS				
– not overdue	27,197,245	(839,862)	26,357,383	3.09
– overdue less than 30 days	972,083	(171,886)	800,197	17.68
– overdue 30–89 days	567,668	(158,018)	409,650	27.84
– overdue 90–179 days	1,377,968	(803,144)	574,824	58.28
– overdue 180–360 days	1,029,328	(722,415)	306,913	70.18
– overdue more than 360 days	2,687,424	(1,543,662)	1,143,762	57.44
TOTAL MORTGAGE LOANS	33,831,716	(4,238,987)	29,592,729	12.53
CAR LOANS				
– not overdue	27,351,661	(354,629)	26,997,032	1.30
– overdue less than 30 days	569,815	(39,698)	530,117	6.97
– overdue 30–89 days	194,081	(18,750)	175,331	9.66
– overdue 90–179 days	128,516	(29,437)	99,079	22.91
– overdue 180–360 days	222,700	(76,984)	145,716	34.57
– overdue more than 360 days	435,768	(197,023)	238,745	45.21
TOTAL CAR LOANS	28,902,541	(716,521)	28,186,020	2.48
SMALL BUSINESS LOANS				
– not overdue	10,986,878	(725,339)	10,261,539	6.60
– overdue less than 30 days	202,157	(44,561)	157,596	22.04
– overdue 30–89 days	182,291	(92,696)	89,595	50.85
– overdue 90–179 days	679,917	(257,604)	422,313	37.89
– overdue 180–360 days	466,508	(252,078)	214,430	54.04
– overdue more than 360 days	6,111,681	(4,174,095)	1,937,586	68.30
TOTAL SMALL BUSINESS LOANS	18,629,432	(5,546,373)	13,083,059	29.77
LOANS COLLATERALISED BY CASH				
– not overdue	501,949	–	501,949	–
– overdue 30–89 days	26,610	–	26,610	–
TOTAL LOANS COLLATERALISED BY CASH	528,559	–	528,559	–
UNCOLLATERALISED CONSUMER LOANS				
– not overdue	76,200,669	(1,048,616)	75,152,053	1.38
– overdue less than 30 days	4,035,739	(53,675)	3,982,064	1.33
– overdue 30–89 days	2,011,008	(25,785)	1,985,223	1.28
– overdue 90–179 days	1,599,564	(836,521)	763,043	52.30
– overdue 180–360 days	2,585,348	(1,664,720)	920,628	64.39
– overdue more than 360 days	1,579,493	(1,160,036)	419,457	73.44
TOTAL UNCOLLATERALISED CONSUMER LOANS	88,011,821	(4,789,353)	83,222,468	5.44
TOTAL LOANS TO RETAIL CUSTOMERS	169,904,069	(15,291,234)	154,612,835	9.00
TOTAL LOANS TO CUSTOMERS	383,519,294	(28,877,007)	354,642,287	7.53

b) Key assumptions and judgments for estimating the loan impairment

(i) Loans to corporate customers

Loan impairment results from one or more events that occurred after the initial recognition of the loan and that have an impact on the estimated future cash flows associated with the loan, and that can be reliably estimated. Loans without individual signs of impairment do not have objective evidence of impairment that can be directly attributed to them.

The objective indicators of loan impairment for loans to corporate customers include the following:

- overdue payments under the loan agreement
- significant difficulties in the financial conditions of the borrower
- deterioration in business environment or negative changes in the borrower's markets
- negative force-majeure events.

The Group estimates loan impairment for loans to corporate customers based on an analysis of the future cash flows for impaired loans and based on its past loss experience for portfolios of loans for which no indications of impairment has been identified.

In determining the impairment allowance for loans to corporate customers, management makes the following key assumptions:

- historic annual loss rate of 0.46–1.40%
- a discount of between 15% and 50% to the originally appraised value if the property pledged is sold
- a delay of 12 to 36 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment allowance on loans to corporate customers as at 31 December 2013 would be KZT 2,158,543 thousand lower/higher (2012: KZT 2,000,295 thousand lower/higher).

(ii) Loans to retail customers

The Group estimates loan impairment for loans to retail customers based on its past historical loss experience on each type of loan. The significant assumptions used by management in determining the impairment losses for loans to retail customers include:

- loss migration rates are constant and can be estimated based on the historic loss migration pattern for the past 2–6 years
- recovery rates for uncollateralised loans are estimated based on historical cash recovery rates for the past 2–6 years
- a discount of between 15% and 50% to the annually appraised value if the property pledged is sold
- a delay of 12 months in obtaining proceeds from the foreclosure of collateral.

Changes in these estimates could affect the loan impairment provision. For example, to the extent that the net present value of the estimated cash flows differs by plus minus three percent, the impairment allowance on loans to retail customers as at 31 December 2013 would be KZT 6,500,244 thousand lower/higher (2012: KZT 4,638,385 thousand lower/higher).

c) Analysis of collateral

(i) Loans to corporate customers

The following table provides information on collateral and other credit enhancements securing loans to corporate customers, net of impairment, by types of collateral:

31 DECEMBER 2013 KZT'000	LOANS TO CUSTOMERS, CARRYING AMOUNT	FAIR VALUE OF COLLATERAL – FOR COLLATERAL ASSESSED AS AT REPORTING DATE	FAIR VALUE OF COLLATERAL – FOR COLLATERAL ASSESSED AS AT LOAN INCEPTION DATE	FAIR VALUE OF COLLATERAL NOT DETERMINED
LOANS WITHOUT INDIVIDUAL SIGNS OF IMPAIRMENT				
Real estate	48,467,604	35,463,008	13,004,596	–
Future contract revenues	32,941,117	–	–	32,941,117
Insurance	31,877,015	–	–	31,877,015
Grain	22,042,993	22,042,993	–	–
Equipment	11,256,861	9,669,174	1,587,687	–
Construction in progress	9,311,377	9,311,377	–	–
Motor vehicles	7,456,973	6,471,473	985,500	–
Guarantees	2,522,224	–	–	2,522,224
Cash and deposits	2,151,523	–	2,151,523	–
Goods in turnover	1,800,649	849,582	951,067	–
Subsoil use	45,171	45,171	–	–
Other	3,282,610	3,277,130	5,480	–
No collateral or other credit enhancement	29,102,129	–	–	29,102,129
Total loans without individual signs of impairment	202,258,246	87,129,908	18,685,853	96,442,485
OVERDUE OR IMPAIRED LOANS				
Real estate	5,632,792	3,509,482	2,123,310	–
Future contract revenues	1,792,788	–	–	1,792,788
Goods in turnover	1,981,429	1,728,460	252,969	–
Insurance	854,400	–	–	854,400
Equipment	510,837	–	510,837	–
Motor vehicles	337,360	227,427	109,933	–
Cash and deposits	160,324	–	160,324	–
Guarantees	5,032	–	–	5,032
No collateral or other credit enhancement	2,321,066	–	–	2,321,066
Total overdue or impaired loans	13,596,028	5,465,369	3,157,373	4,973,286
TOTAL LOANS TO CORPORATE CUSTOMERS	**215,854,274**	**92,595,277**	**21,843,226**	**101,415,771**

31 DECEMBER 2012 KZT'000	LOANS TO CUSTOMERS, CARRYING AMOUNT	FAIR VALUE OF COLLATERAL — FOR COLLATERAL ASSESSED AS AT REPORTING DATE	FAIR VALUE OF COLLATERAL — FOR COLLATERAL ASSESSED AS AT LOAN INCEPTION DATE	FAIR VALUE OF COLLATERAL NOT DETERMINED
LOANS WITHOUT INDIVIDUAL SIGNS OF IMPAIRMENT				
Real estate	41,049,402	19,118,262	21,931,140	–
Future contract revenues	38,026,405	–	–	38,026,405
Insurance	19,161,368	–	–	19,161,368
Grain	16,790,647	16,790,647	–	–
Construction in progress	10,603,557	10,470,684	132,873	–
Equipment	8,453,048	7,238,210	1,214,838	–
Goods in turnover	5,556,981	4,890,524	666,457	–
Cash and deposits	4,731,021	–	4,731,021	–
Motor vehicles	2,512,088	473,727	2,038,361	–
Other	3,321,563	3,195,463	126,100	–
Guarantees	5,090,806	–	–	5,090,806
No collateral or other credit enhancement	40,819,092	–	–	40,819,092
Total loans without individual signs of impairment	196,115,978	62,177,517	30,840,790	103,097,671
OVERDUE OR IMPAIRED LOANS				
Real estate	3,439,841	1,094,763	2,345,078	–
Motor vehicles	196,136	–	196,136	–
Construction in progress	13,041	–	13,041	–
Equipment	10,620	–	10,620	–
Goods in turnover	6,872	–	6,872	–
Cash and deposits	5,789	–	5,789	–
Guarantees	76,659	–	–	76,659
No collateral or other credit enhancement	164,516	–	–	164,516
Total overdue or impaired loans	3,913,474	1,094,763	2,577,536	241,175
TOTAL LOANS TO CORPORATE CUSTOMERS	**200,029,452**	**63,272,280**	**33,418,326**	**103,338,846**

The tables above exclude overcollateralisation.

The Group has loans, for which fair value of collateral was assessed at the loan inception date and it was not updated for further changes, and loans for which fair value of collateral is not determined. For certain loans the fair value of collateral is updated as at the reporting date. Information on valuation of collateral is based on when this estimate was made, if any.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Guarantees and sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

Collateral obtained

During the year ended 31 December 2013, the Group did not obtain assets by taking possession of collateral for loans to corporate customers (2012: nil).

(ii) Loans to retail customers

Mortgage loans are secured by the underlying housing real estate. Small business loans are secured by real estate and movable property. Car loans are secured by the underlying cars. Cash loans are collateralised by cash. Uncollateralised consumer loans are not secured.

Mortgage loans

Included in mortgage loans are loans with a net carrying amount of KZT 3,965,038 thousand (2012: KZT 5,085,883 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 2,399,554 thousand (2012: KZT 4,060,617 thousand).

For mortgage loans with a net carrying amount of KZT 11,720,942 thousand (2012: KZT 24,506,846 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of individual loans at the reporting date.

The Group updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Group obtains specific individual valuation of collateral once a half-year in case there are indications of impairment.

For mortgage loans with a net carrying amount of KZT 13,224,261 thousand (2012: KZT 21,273,406 thousand) the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Car loans

The Group does not assess the value of collateral for the car loans portfolio when determining the impairment allowance due to the fact that it is impracticable to determine the fair value of collateral. Recoverable amounts of car loans are determined based on actual historical cash recovery rates calculated on a portfolio basis. The Group's policy is to issue auto loans with a loan-to-value of a maximum of 80%.

Small business loans

Included in small business loans are loans with a net carrying amount of KZT 2,657,990 thousand (2012: KZT 3,949,638 thousand), which are secured by collateral with a fair value of less than the net carrying amount of the individual loans. The fair value of collateral for these loans amounts to KZT 2,644,668 thousand (2012: KZT 3,524,632 thousand).

For small business loans with a net carrying amount of KZT 8,951,784 thousand (2012: KZT 9,133,421 thousand) management believes that the fair value of collateral is at least equal to the carrying amount of invdividual loans at the reporting date.

The Group updates the appraised values of collateral at inception of the loans to the current values considering the approximate changes in property values. The Group obtains specific individual valuation of collateral once a half-year in case there are indications of impairment.

For small business loans with a net carrying amount of KZT 7,104,027 thousand (2012: KZT 2,332,507 thousand) the fair value of collateral was estimated at inception of the loans and was not adjusted for subsequent changes to the reporting date.

Collateral obtained

During the year ended 31 December 2013, the Group did not obtain assets by taking possession of collateral for loans to retail customers (2012: nil).

d) Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Republic of Kazakhstan, except for loans to customers issued by the Russian subsidiary bank, who operate in the following economic sectors:

	2013 / KZT'000	2012 / KZT'000
LOANS TO CORPORATE CUSTOMERS		
Wholesale trade	68,650,164	54,460,389
Agriculture, forestry and timber	33,685,073	30,098,595
Construction	28,950,432	25,948,505
Transport	14,587,091	17,864,121
Mining/metallurgy	13,751,948	16,370,651
Retail trade	13,081,639	10,569,052
Services	12,250,035	8,030,071
Manufacturing	11,250,637	5,522,765
Lease, rental and leasing	6,585,798	6,676,845
Foods production	5,962,130	15,683,238
Energy production and supply	3,574,595	4,311,954
Research and activities	3,407,717	4,820,585
Financial intermediary	3,073,755	3,870,388
Medical and social care	1,942,913	1,679,524
Real estate	1,336,098	1,922,944
Machinery production	848,764	35,396
Entertainment	584,241	630,457
Publishing	396,656	343,921
Other	5,780,275	4,775,824
LOANS TO RETAIL CUSTOMERS		
Car loans	76,369,442	28,902,541
Mortgage loans	17,943,436	33,831,716
Small business loans	16,664,846	18,629,432
Loans collaterised by cash	171,172	528,559
Private banking loans	150,894	-
Uncollateralised consumer loans	127,099,793	88,011,821
	468,099,544	383,519,294
Impairment allowance	(35,570,458)	(28,877,007)
	432,529,086	354,642,287

e) Significant credit exposures

As at 31 December 2013 the Group has 7 borrowers or groups of connected borrowers (2012: 8), whose loan balances exceed 10% of equity. The gross value of these loans as at 31 December 2013 is KZT 56,119,420 thousand (2012: KZT 50,108,373 thousand).

f) Loan maturities

The maturity of the loan portfolio is presented in Note 30 (d), which shows the remaining period from the reporting date to the contractual maturity of the loans.

g) Transfers of financial assets

In December 2013, the Group sold to a third party a portfolio of mortgage loans with a carrying value of KZT 12,509,133 thousand for KZT 13,242,692 thousand, but provided a guarantee that will purchase individual loans back or exchange it for other individual loans if a loan becomes delinquent for more than sixty days. The amount that will be repurchased or exchanged is limited to 20% of transferred financial assets at the date of sale. The net gain recognised in the consolidated statement of profit or loss and other comprehensive income at the date of transfer amounted to KZT 707,582 thousand.

The Group has determined that it has transferred some but not substantially all of the risks and rewards to the transferee, accordingly the Group retains control and continues to recognise the loans to the extent of its continuing involvement in that mortgages. The Group's continuing involvement with such transferred portfolio is recorded in the statement of financial position in other assets (Note 19) of KZT 4,235,721 thousand with corresponding liability on continuing involvement included in other liabilities of KZT 3,905,380 thousand (Note 26) and the guarantee with the fair value of KZT 102,707 thousand recognised in other liabilities. This asset includes also an interest strip receivable of KZT 1,090,077 thousand which represents the right to withhold from the loan buyer a portion of interest receivable on mortgage loan portfolio sold. The Group has a right to receive 1.7% p.a. of the mortgage loan portfolio sold on a monthly basis.

17. HELD-TO-MATURITY INVESTMENTS

	2013 / KZT'000	2012 / KZT'000
HELD BY THE GROUP		
GOVERNMENT BONDS		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	14,074,495	10,049,199
Russian Government Federal bonds (OFZ)	–	277,993
TOTAL GOVERNMENT BONDS	14,074,495	10,327,192
PLEDGED UNDER SALE AND REPURCHASE AGREEMENTS		
GOVERNMENT BONDS		
Treasury notes of the Ministry of Finance of the Republic of Kazakhstan	9,387,811	–
TOTAL GOVERNMENT BONDS	9,387,811	–
	23,462,306	10,327,192

No notes or bonds are overdue or impaired as at 31 December 2013 (2012: nil)

18. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

KZT'000	LAND AND BUILDINGS	COMPUTER AND BANKING EQUIPMENT	VEHICLES	FURNITURE	CONSTRUCTION IN PROGRESS AND EQUIPMENT TO BE INSTALLED	LEASEHOLD IMPROVEMENTS	TRADEMARK	COMPUTER SOFTWARE AND OTHER INTANGIBLES	TOTAL
COST									
Balance at 1 January 2013	9,716,037	7,434,665	556,324	573,374	82,091	300,143	1,075,716	3,641,628	23,379,978
Additions	772,740	3,457,638	149,859	155,008	925	252,224	–	869,617	5,658,011
Disposals	–	(180,691)	(4,797)	(6,606)	–	(4,636)	–	–	(196,730)
Effect of foreign currency translation	–	(1,469)	(939)	(1,934)	–	–	–	(2,671)	(7,013)
BALANCE AT 31 DECEMBER 2013	10,488,777	10,710,143	700,447	719,842	83,016	547,731	1,075,716	4,508,574	28,834,246
DEPRECIATION AND AMORTISATION									
Balance at 1 January 2013	(955,350)	(3,296,973)	(295,003)	(152,107)	–	(245,661)	(143,429)	(1,530,857)	(6,619,380)
Depreciation and amortisation for the year	(235,521)	(1,341,019)	(65,298)	(63,019)	–	(41,694)	(105,145)	(789,896)	(2,641,592)
Disposals	–	166,245	4,797	6,871	–	4,636	–	–	182,549
Effect of foreign currency translation	–	1,279	510	70	–	–	–	909	2,768
BALANCE AT 31 DECEMBER 2013	(1,190,871)	(4,470,468)	(354,994)	(208,185)	–	(282,719)	(248,574)	(2,319,844)	(9,075,655)
CARRYING AMOUNT									
AT 31 DECEMBER 2013	9,297,906	6,239,675	345,453	511,657	83,016	265,012	827,142	2,188,730	19,758,591
COST									
Balance at 1 January 2012	9,373,374	4,944,135	461,052	315,872	226,897	281,205	1,075,716	2,339,420	19,017,671
Additions	342,663	2,385,196	112,159	260,253	1,135	21,896	–	1,293,452	4,416,754
Disposals	–	(50,265)	(21,460)	(4,685)	–	(2,958)	–	(918)	(80,286)
Transfers	–	143,877	–	–	(145,941)	–	–	2,064	–
Effect of foreign currency translation	–	11,722	4,573	1,934	–	–	–	7,610	25,839
BALANCE AT 31 DECEMBER 2012	9,716,037	7,434,665	556,324	573,374	82,091	300,143	1,075,716	3,641,628	23,379,978
DEPRECIATION AND AMORTISATION									
Balance at 1 January 2012	(732,656)	(2,435,782)	(250,296)	(119,433)	–	(217,436)	–	(983,025)	(4,738,628)
Depreciation and amortisation for the year	(222,694)	(895,564)	(58,829)	(34,469)	–	(30,856)	(143,429)	(541,429)	(1,927,270)
Disposals	–	46,844	18,695	3,700	–	2,631	–	487	72,357
Effect of foreign currency translation	–	(12,471)	(4,573)	(1,905)	–	–	–	(6,890)	(25,839)
BALANCE AT 31 DECEMBER 2012	(955,350)	(3,296,973)	(295,003)	(152,107)	–	(245,661)	(143,429)	(1,530,857)	(6,619,380)
CARRYING AMOUNT									
AT 31 DECEMBER 2012	8,760,687	4,137,692	261,321	421,267	82,091	54,482	932,287	2,110,771	16,760,598

19. OTHER ASSETS

	2013 / KZT'000	2012 / KZT'000
Asset from continuing involvement (Note 16 (g))	4,235,721	–
Debtors on letters of credit	3,265,562	21,906
Accrued commission income	1,158,797	1,270,018
Debtors on loan operations	852,089	931,164
Plastic cards settlements	525,003	119,668
Receivables from insurance company	174,710	300,415
Due from American Express for travel cheques accepted	–	72,528
Impairment allowance	(548,429)	(403,949)
Other	751,683	299,912
TOTAL OTHER FINANCIAL ASSETS	10,415,136	2,611,662
Advances for capital expenditures	2,416,402	1,875,568
Taxes prepaid other than on income tax	221,916	147,879
Materials and supplies	201,075	202,106
Prepayments	130,487	227,043
Other	25,880	36,497
TOTAL OTHER NON-FINANCIAL ASSETS	2,995,760	2,489,093
TOTAL OTHER ASSETS	13,410,896	5,100,755

Asset from continuing involvement in amount KZT 4,235,721 thousand arose as a result of loans sale to mortgage company in December 2013.

Analysis of movements in the impairment allowance

Movements in the impairment allowance for the years ended 31 December are as follows:

	2013 / KZT'000	2012 / KZT'000
Balance at the beginning of the year	403,949	64,759
Net (recovery) / charge	(37,271)	346,593
Write-offs	177,217	(8,332)
Effect of foreign currency translation	4,534	929
BALANCE AT THE END OF THE YEAR	548,429	403,949

As at 31 December 2013, included in other assets are overdue receivables of KZT 18,081 thousand (2012: KZT 2,802 thousand), of which KZT 5,661 thousand (2012: nil) are overdue for more than 90 days but less than one year and KZT 7,077 thousand are overdue for more than one year (2012: KZT 2,787 thousand).

20. DEPOSITS AND BALANCES FROM BANKS

	2013 / KZT'000	2012 / KZT'000
Term deposits	13,458,364	21,157,779
Vostro accounts	658,269	70,797
	14,116,633	21,228,576

As at 31 December 2013 the Group has no banks whose balances exceed 10% of equity (2012: 1). The gross value of these balances as at 31 December 2012 is KZT 10,335,556 thousand.

21. AMOUNTS PAYABLE UNDER REPURCHASE AGREEMENTS

Securities pledged

As at 31 December 2013 the Group has pledged certain securities as collateral under repurchase agreements (Note 17). As at 31 December 2012 the Group has no pledged securities as collateral under repurchase agreements.

22. CURRENT ACCOUNTS AND DEPOSITS FROM CUSTOMERS

	2013 / KZT'000	2012 / KZT'000
Current accounts and demand deposits		
– Retail	15,210,807	14,390,311
– Corporate	50,526,171	56,794,967
Term deposits		
– Retail	125,445,122	84,624,820
– Corporate	213,491,686	158,910,300
	404,673,786	314,720,398

As at 31 December 2013, the Group maintains customer deposit balances of KZT 3,095,332 thousand (2012: KZT 3,843,703 thousand) that serve as collateral for loans and unrecognised credit instruments granted by the Group.

As at 31 December 2013, the Group has 11 customers (2012: 8 customers), whose balances exceed 10% of equity. These balances as at 31 December 2013 are KZT 137,200,872 thousand (2012: KZT 83,179,091 thousand).

23. DEBT SECURITIES ISSUED

	2013 / KZT'000	2012 / KZT'000
Par value	31,820,649	32,943,090
Premium	124,195	637,256
Accrued interest	841,512	861,418
	32,786,356	34,441,764

A summary of bond issues at 31 December 2013 and 2012 is presented below:

					CARRYING AMOUNT	
	ISSUE REGISTRATION DATE	MATURITY	COUPON RATE	EFFECTIVE RATE	2013 KZT'000	2012 KZT'000
Bonds of the fifth issue	09-Jul-08	01-Sep-23	inflation +1%	8.26%	7,595,067	7,519,653
Bonds of the seventh issue	24-Sep-08	21-Jan-19	inflation +1%	8.52%	1,404,906	1,402,812
Bonds of the ninth issue	15-Oct-08	15-Oct-15	13.00%	9.94%	21,484,606	23,229,746
Bonds of the tenth issue	13-Jul-11	13-Jul-14	7.00%	7.60%	2,301,777	2,289,553
					32,786,356	34,441,764

Embedded derivatives represented by inflation-indexed coupon payments are considered to be closely related to the host debt instruments as the inflation index is commonly used for this purpose in the tenge economic environment and it is not leveraged.

24. SUBORDINATED DEBT SECURITIES ISSUED

	2013 / KZT'000	2012 / KZT'000
Par value	40,000,000	29,391,180
Discount	(4,959,365)	(2,106,655)
Accrued interest	628,653	586,979
	35,669,288	27,871,504

As at 31 December 2013 subordinated debt securities issued comprise unsecured obligations of the Group. In case of bankruptcy, the repayment of the subordinated debt securities would be made after repayment in full of all other liabilities of the Group.

A summary of subordinated debt issues at 31 December 2013 and 2012 is presented below:

					CARRYING AMOUNT	
	ISSUE REGISTRATION DATE	MATURITY	COUPON RATE	EFFECTIVE RATE	2013 KZT'000	2012 KZT'000
Bonds of the third issue	30-Jan-06	05-Apr-13	inflation +1%	8.64%	–	10,112,631
Bonds of the forth issue	29-Jun-07	04-Sep-14	inflation +1%	11.34%	9,938,138	9,525,235
Bonds of the sixth issue	04-Aug-08	01-Sep-15	11.00%	10.96%	5,183,652	5,185,740
Bonds of the eighth issue	15-Oct-08	15-Oct-23	inflation +1%	12.14%	10,832,008	3,047,898
Bonds of the eleventh issue	20-Nov-12	26-Dec-19	8.00%	8.64%	9,715,490	–
					35,669,288	27,871,504

Embedded derivatives represented by inflation-indexed coupon payments are considered to be closely related to the host debt instruments as the inflation index is commonly used for this purpose in the tenge economic environment and it is not leveraged.

25. OTHER BORROWED FUNDS

	2013 / KZT'000	2012 / KZT'000
Loans from state financial institutions	17,783,211	15,332,623
Loans from the Ministry of Finance of the Republic of Kazakhstan	1,344,023	1,470,631
Loans from banks	2,283,115	1,758,902
	21,410,349	18,562,156

As at 31 December 2013, the terms and conditions of the loans outstanding are as follows:

	CURRENCY	AVERAGE INTEREST RATE	YEAR OF MATURITY	CARRYING AMOUNT KZT'000
Damu Entrepreneurship Development Fund JSC	KZT	5,50–8,62%	2014–2020	17,783,211
The Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2024–2026	1,009,017
The Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2024–2025	335,006
Foreign banks	EUR	6.47%	2014	139,366
Foreign banks	USD	4,00–4,53%	2014	2,143,749
				21,410,349

As at 31 December 2012, the terms and conditions of the loans outstanding are as follows:

	CURRENCY	AVERAGE INTEREST RATE	YEAR OF MATURITY	CARRYING AMOUNT KZT'000
Damu Entrepreneurship Development Fund JSC	KZT	5.50–8.62%	2013–2019	15,332,623
The Ministry of Finance of the Republic of Kazakhstan	KZT	NBRK refinancing rate	2024–2026	1,109,919
The Ministry of Finance of the Republic of Kazakhstan	USD	Libor +1%	2024–2025	360,712
Foreign banks	EUR	4.58–8.72%	2013	1,758,902
				18,562,156

26. OTHER LIABILITIES

	2013 / KZT'000	2012 / KZT'000
Prepayments for loans	4,070,655	2,550,892
Liability from continuing involvement (Note 16 (g))	3,905,380	–
Accrued administrative expenses	342,707	350,716
Payment cards settlements	281,062	–
Capital expenditures payables	257,152	478,098
Payables to borrowers on lending operations	233,836	910,793
Payables to obligatory deposit insurance fund	153,528	3,328
Payables to insurance company	135,315	–
Other financial liabilities	517,039	244,822
TOTAL OTHER FINANCIAL LIABILITIES	9,896,674	4,538,649
Amounts payable to employees	924,031	537,050
Vacation reserve	554,191	430,111
Deferred income	390,787	235,367
Other taxes payable	327,518	117,390
Other non-financial liabilities	2,326	696
TOTAL OTHER NON-FINANCIAL LIABILITIES	2,198,853	1,320,614
TOTAL OTHER LIABILITIES	12,095,527	5,859,263

Prepayments for loans comprise payments made by retail borrowers ahead of schedule. These payments are settled against the loan balance at the date the instalments fall due.

27. SHARE CAPITAL

a) Issued capital and share premium

The authorised share capital comprises 33,000,000 ordinary shares (2012: 33,000,000) and 3,000,000 non-redeemable cumulative preference shares (2012: 3,000,000).

Issued and outstanding share capital as at 31 December comprised of the following fully paid ordinary shares:

	2013 / SHARES	2012 / SHARES
Issued at KZT 955.98	8,368,300	8,368,300
Issued at KZT 1,523.90	2,631,500	2,631,500
Issued at KZT 1,092.00	2,930,452	2,930,452
Issued at KZT 6,532.60	2,280,881	2,280,881
TOTAL ISSUED AND OUTSTANDING SHARES	16,211,133	16,211,133

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank.

b) Dividends

In accordance with Kazakhstan legislation and the Bank's charter documents, distributable reserves are subject to the rules and regulations of the Republic of Kazakhstan.

During the year ended 31 December 2013 dividends of KZT 2,000,129 thousand or KZT 123,38 dividend per ordinary share were declared and paid (year ended 31 December 2012:nil).

c) Book value per share

Under the listing rules of the Kazakh Stock Exchange the Group should present book value per share in its consolidated financial statements. The book value per share is calculated dividing net assets less intangible assets by number of outstanding ordinary shares. As at 31 December 2013 the book value per share was KZT 3,442.23 (2012: KZT 2,759.90).

d) Nature and purpose of reserves

Reserves for general banking risks

Until 2013 year, in accordance with amendments to the Resolution #196 On Establishment of Minimum Limit on Reserve Capital of Second-Tier Banks issued by the FMSC introduced on 31 January 2011 (which ceased to be in force during 2013), the Bank had to establish reserve capital by transferring an amount from retained earnings to a non-distributable reserve. The amount to be transferred each year was calculated as the net profit for the preceding year before distribution of dividends attributable to ordinary shareholders, multiplied by the percentage increase in Classified Assets and Contingent Liabilities (as defined in Resolution #296 On Approval of the Rules of Classification of Assets, Contingent Liabilities and Creation of Provisions (Reserves) against Assets and Contingent Liabilities issued by the FMSC on 25 December 2006 (which ceased to be in force during 2013) during the preceding year. Such percentage increase should be not less than 10% and not more than 100%.

Transfer from retained earnings to the reserve for general banking risks in the amount of KZT 1,584,658 thousand was made for the year ended 31 December 2013 (2012: KZT 1,268,809 thousand).

In accordance with the amendments to the Resolution # 358 "On approval of the Instruction of normative coefficients and methods of calculation of prudential norms for the second tier banks" issued on 25 December 2013 the statutory reserve capital is non-distributable.

Dynamic reserve

In accordance with Resolution of the National Bank of the Republic of Kazakhstan #137 dated 27 May 2013 On Approval of Rules on Forming Dynamic Reserves by Second-Tier Banks and Establishment of Minimum Size of Dynamic Reserves and Expected Loss, the Group has established a dynamic reserve calculated using a formula determined in the Rules. In accordance with the Rules, dynamic reserve cannot be less than zero and shall be calculated as the difference between expected losses and actual charge on deductible impairment losses recognised during the reporting quarter in accordance with IFRS net of income from recovery of provisions. Expected losses are estimated based on the increase of loans to customers during the reporting quarter multiplied by certain coefficients. The Resolution has been effective from 1 January 2013.

As at 31 December 2013 the non-distributable dynamic reserve of the Bank is KZT 6,733,233 thousand.

28. EARNINGS PER SHARE

The calculation of earnings per share is based on the net profit, and a weighted average number of ordinary shares outstanding during the period, calculated as shown below. The Group has no dilutive potential ordinary shares.

	2013 / KZT'000	2012 / KZT'000
Net profit	13,146,181	9,832,053
Weighted average number of ordinary shares	16,211,133	15,816,619
Basic and diluted earnings per share, in KZT	810.94	621.63

29. ANALYSIS BY SEGMENT

The Group has five reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chief operating decision maker, the Chairman of the Management Board (the "Chairman"), reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments.

- Retail banking — includes loans, deposits and other transactions with retail customers;
- Corporate banking — includes loans, deposits and other transactions with corporate customers;
- Small and medium size companies banking — includes loans, deposits and other transactions with small and medium size companies;
- Assets and Liabilities management — includes maintaining of liquid assets portfolio (cash, nostro accounts with the NBRK and other banks, interbank financing (up to 1 month), investments into liquid assets and bonds issue management;
- Treasury — includes group financing via interbank borrowings and using derivatives for hedging market risks and investments into liquid securities (corporate bonds).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax as included in the internal management reports that are reviewed by the Chairman. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

	2013 / KZT'000	2012 / KZT'000
ASSETS		
Retail banking	199,704,943	143,636,011
Corporate banking	177,625,586	163,797,053
Assets and liabilities management	100,214,047	74,162,188
Small and medium size companies banking	44,099,466	48,097,028
Treasury	4,384,929	4,412,384
Unallocated assets	61,403,133	31,833,347
TOTAL ASSETS	587,432,104	465,938,011
LIABILITIES		
Corporate banking	224,544,900	178,891,857
Retail banking	136,239,660	98,464,545
Assets and liabilities management	94,851,933	75,316,939
Small and medium size companies banking	41,782,949	56,765,887
Treasury	–	363,249
Unallocated assets	31,242,480	8,348,239
TOTAL LIABILITIES	528,661,922	418,150,716

Reconciliations of reportable segment total assets and total liabilities:

	2013 / KZT'000	2012 / KZT'000
REPORTABLE SEGMENT TOTAL ASSETS	587,432,104	465,938,011
Consolidation effect	4,364,118	10,177,001
Other adjustments	(3,162,814)	(5,604,453)
TOTAL ASSETS	588,633,408	470,510,559

	2013 / KZT'000	2012 / KZT'000
REPORTABLE SEGMENT TOTAL ASSETS	528,661,922	418,150,716
Consolidation effect	4,312,611	10,182,230
Other adjustments	(3,159,489)	(5,606,590)
TOTAL LIABILITIES	529,815,044	422,726,356

Segment information for the main reportable segments for the year ended 31 December 2013 is set out below:

KZT'000	CORPORATE BANKING	SMALL AND MEDIUM SIZE COMPANIES BANKING	RETAIL BANKING	TREASURY	ASSETS AND LIABILITIES MANAGEMENT	UNALLOCATED ASSETS AND LIABILITIES	TOTAL
Interest income	18,567,552	6,142,194	36,219,214	159,772	1,077,999	51,915	62,218,646
Fee and commission income	2,045,590	1,519,068	13,292,143	–	–	391,655	17,248,456
Net gain on securities, dealing and translation differences	875,604	318,519	570,232	515,926	(136,558)	2,704	2,146,427
Other income	343,263	155,019	1,535,946	–	–	–	2,034,228
Funds transfer pricing	16,438,708	1,465,734	9,484,967	–	16,773,799	114,610	44,277,818
REVENUE	38,270,717	9,600,534	61,102,502	675,698	17,715,240	560,884	127,925,575
Interest expense	(10,965,913)	(1,658,956)	(8,601,018)	–	(7,396,254)	(76,030)	(28,698,171)
Fee and commission expense	(91,959)	(33,424)	(2,248,357)	(7,289)	(92,644)	(137,340)	(2,611,013)
Impairment losses	(947,111)	(185,623)	(7,007,638)	–	(4,290)	2,956	(8,141,706)
Funds transfer pricing	(12,964,502)	(3,636,932)	(20,456,334)	(199,055)	(6,861,868)	(159,127)	(44,277,818)
Operational costs (direct)	(1,156,987)	(1,429,003)	(11,854,831)	(61,117)	(812,890)	(84,695)	(15,399,523)
Operational costs (indirect)	(2,566,013)	(1,492,716)	(6,933,368)	(66,759)	(599,750)	(145,104)	(11,803,710)
Corporate income tax	(1,777,571)	(432,737)	(1,793,142)	(63,341)	–	(6,432)	(4,073,223)
SEGMENT RESULT	7,800,661	731,143	2,207,814	278,137	1,947,544	(44,888)	12,920,411
OTHER SEGMENT ITEMS							
Additions of property and equipment	–	–	147,351	–	–	5,510,660	5,658,011
Depreciation and amortisation	(166,824)	(300,367)	(1,894,808)	(15,548)	(193,596)	(58,130)	(2,629,273)

Segment information for the main reportable segments for the nine months ended 31 December 2012 is set out below:

KZT'000	CORPORATE BANKING	SMALL AND MEDIUM SIZE COMPANIES BANKING	RETAIL BANKING	TREASURY	ASSETS AND LIABILITIES MANAGEMENT	UNALLOCATED	TOTAL
Interest income	18,562,350	6,081,978	20,615,560	19,074	579,858	2,714	45,861,534
Fee and commission income	2,393,933	1,633,412	7,347,697	–	3	589,764	11,964,809
Net gain on securities, dealing and translation differences	1,414,454	338,499	439,493	1,843,923	(336,218)	4,924	3,705,075
Other income	91,356	118,518	497,967	–	–	–	707,841
Funds transfer pricing	12,524,915	679,708	6,671,190	–	8,155,314	76,781	28,107,908
REVENUE	34,987,008	8,852,115	35,571,907	1,862,997	8,398,957	674,183	90,347,167
Interest expense	(8,309,467)	(1,676,518)	(6,218,117)	–	(6,533,935)	(32,175)	(22,770,212)
Fee and commission expense	(223,665)	(24,682)	(1,442,599)	(7,218)	(80,611)	(67,703)	(1,846,478)
Impairment losses	(450,028)	68,750	(3,269,186)	–	2	(2,956)	(3,653,418)
Funds transfer pricing	(11,231,201)	(3,083,959)	(10,554,604)	(68,862)	(3,094,166)	(75,116)	(28,107,908)
Operational costs (direct)	(1,379,385)	(1,160,375)	(8,331,864)	(123,978)	(428,491)	(134,357)	(11,558,450)
Operational costs (indirect)	(2,897,823)	(1,297,652)	(4,190,422)	(58,363)	(583,567)	(239,167)	(9,266,994)
Corporate income tax	(1,631,939)	(439,102)	(938,880)	(217,278)	–	(3,555)	(3,230,754)
SEGMENT RESULT	8,863,500	1,238,577	626,235	1,387,298	(2,321,811)	119,154	9,912,953
OTHER SEGMENT ITEMS							
Additions of property and equipment	–	–	220,026	–	–	4,196,728	4,416,754
Depreciation and amortisation	(262,828)	(183,882)	(1,369,878)	(6,867)	(66,331)	(30,792)	(1,920,578)

Reconciliations of reportable segment revenues and profit or loss:

	2013 / KZT'000	2012 / KZT'000
REPORTABLE SEGMENT REVENUE	127,925,575	90,347,167
Funds transfer pricing	(44,277,818)	(28,107,908)
Other adjustments	(1,297,423)	(2,643)
Consolidation effect	1,282,585	1,211,664
TOTAL REVENUE	83,632,919	63,448,280
REPORTABLE SEGMENT PROFIT	12,920,411	9,912,953
Difference in impairment losses	(106,153)	(506,350)
Other adjustments	100,691	212,988
Consolidation effect	231,232	212,462
TOTAL PROFIT	13,146,181	9,832,053

Consolidation effect. Consolidation effect occurs due to the fact that the Chairman reviews internal management reports on a stand-alone basis.

Other adjustments. These adjustments mostly represent netting of other assets and other liabilities. Other adjustments occur due to the fact that the Chairman reviews internal management reports prepared on a gross-up basis whereas for IFRS financial statements purposes netting is made for certain other assets/liabilities included in unallocated assets/liabilities.

Funds transfer pricing. For the purpose of internal management reporting transfer pricing represents the allocation of income and expense between segments that attract cash resources and to segments that create interest income generating assets using cash resources.

Information about major customers and geographical areas

For the year ended 31 December 2013, there are no corporate customers revenues from which individually exceed 10% of total revenue.

The majority of revenues from external customers relate to residents of the Republic of Kazakhstan. The majority of non-current assets are located in the Republic of Kazakhstan.

30. RISK MANAGEMENT

Management of risk is fundamental to the business of banking and is an essential element of the Group's operations. The major risks faced by the Group are those related to market risk, credit risk and liquidity risk.

a) Risk management policies and procedures

The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Board of Directors has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

The Management Board is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters. The Chief Risk Officer ("CRO") is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chairman and indirectly to the Board of Directors.

Credit, market and liquidity risks both at the portfolio and transactional levels are managed and controlled through a system of Credit Committees and an Asset and Liability Management Committee ("ALCO"). In order to facilitate efficient and effective decision-making, the Group established a hierarchy of credit committees depending on the type and amount of the exposure.

Both external and internal risk factors are identified and managed throughout the organisation. Particular attention is given to identifying the full range of risk factors and determination of the level of assurance over the current risk mitigation procedures. Apart from the standard credit and market risk analysis, the Risk Management Department monitors financial and non-financial risks by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise.

b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return on risk.

Overall authority for market risk is vested in the ALCO, which is chaired by the Management Board member of the Group. Market risk limits are approved by ALCO based on recommendations of the Risk Management Department.

The Group manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions and stop-loss limits. These are monitored on a regular basis and reviewed and approved by the Management Board.

In addition, the Group uses a wide range of stress tests to model the financial impact of a variety of exceptional market scenarios on individual trading portfolios and the Group's overall position. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out by the Group include: risk factor stress testing, where stress movements are applied to each risk category and ad hoc stress testing, which includes applying possible stress events to specific positions.

The management of interest rate risk by monitoring interest rate gap is supplemented by monitoring the sensitivity of net interest margin to various standard and non-standard interest rate scenarios.

The Bank also utilises Value-at-Risk ("VaR") methodology to monitor market risk of its trading positions.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed 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 also reduce or create losses in the event that unexpected movements occur.

Interest rate gap analysis

Interest rate risk is managed principally through monitoring interest rate gaps. A summary of the interest gap position as at 31 December 2013 and 2012 for major financial instruments is as follows:

KZT'000	LESS THAN 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	NON-INTEREST BEARING	CARRYING AMOUNT
31 DECEMBER 2013							
ASSETS							
Cash and cash equivalents	28,754,022	–	–	–	–	54,392,356	83,146,378
Financial instruments at fair value through profit or loss	1,139,628	–	–	–	–	–	1,139,628
Available-for-sale financial assets	8,531,885	11,672	995	2,421,122	–	14,198	10,979,872
Loans and advances to banks	–	–	1,004,645	–	–	1,917,728	2,922,373
Loans to customers	67,998,777	13,970,083	81,924,075	219,635,903	48,973,249	26,999	432,529,086
Held-to-maturity investments	12,019,283	2,425,890	1,017,294	7,999,839	–	–	23,462,306
	118,443,595	16,407,645	83,947,009	230,056,864	48,973,249	56,351,281	554,179,643
LIABILITIES							
Financial instruments at fair value through profit or loss	–	–	–	–	–	2,278	2,278
Deposits and balances from banks	10,121,543	–	3,318,039	234,000	–	443,051	14,116,633
Amounts payable under repurchase agreements	8,803,285	–	–	–	–	–	8,803,285
Current accounts and deposits from customers	41,579,752	44,677,113	161,607,696	94,437,988	11,726,765	50,644,472	404,673,786
Debt securities issued	1,662,962	540,864	9,638,788	20,943,742	–	–	32,786,356
Subordinated debt securities issued	404,139	224,514	20,332,188	5,001,847	9,706,600	–	35,669,288
Other borrowed funds	3,578,391	1,571,497	2,571,278	9,369,350	4,319,833	–	21,410,349
	66,150,072	47,013,988	197,467,989	129,986,927	25,753,198	51,089,801	517,461,975
	52,293,523	(30,606,343)	(113,520,980)	100,069,937	23,220,051	5,261,480	36,717,668

KZT'000	LESS THAN 3 MONTHS	3-6 MONTHS	6-12 MONTHS	1-5 YEARS	MORE THAN 5 YEARS	NON-INTEREST BEARING	CARRYING AMOUNT
31 DECEMBER 2012							
ASSETS							
Cash and cash equivalents	10,300,601	–	–	–	–	49,322,153	59,622,754
Financial instruments at fair value through profit or loss	1,259,771	–	–	–	–	3,102	1,262,873
Available-for-sale financial assets	16,006,281	11,672	787	2,390,854	7	13,945	18,423,546
Loans and advances to banks	1,846,719	–	1,510,190	–	170	128,334	3,485,413
Loans to customers	52,721,139	9,094,147	29,580,608	204,394,102	58,852,291	–	354,642,287
Held-to-maturity investments	323,426	20,472	1,983,962	5,999,677	1,999,655	–	10,327,192
	82,457,937	9,126,291	33,075,547	212,784,633	60,852,123	49,467,534	447,764,065
LIABILITIES							
Financial instruments at fair value through profit or loss	–	–	–	–	–	1,123	1,123
Deposits and balances from banks	8,793,545	507,195	11,842,047	–	–	85,789	21,228,576
Current accounts and deposits from customers	47,399,946	32,929,224	105,014,912	69,537,994	9,617,443	50,220,879	314,720,398
Debt securities issued	1,633,992	571,263	7,361,088	24,875,421	–	–	34,441,764
Subordinated debt securities issued	371,917	10,164,776	12,330,876	5,003,935	–	–	27,871,504
Other borrowed funds	3,733,214	1,643,585	2,554,759	9,320,960	1,309,638	–	18,562,156
	61,932,614	45,816,043	139,103,682	108,738,310	10,927,081	50,307,791	416,825,521
	20,525,323	(36,689,752)	(106,028,135)	104,046,323	49,925,042	(840,257)	30,938,544

Average interest rates

The table below displays average effective interest rates for interest bearing assets and liabilities as at 31 December 2013 and 2012. These interest rates are an approximation of the yields to maturity of these assets and liabilities.

	2013 AVERAGE EFFECTIVE INTEREST RATE, %			2012 AVERAGE EFFECTIVE INTEREST RATE, %		
	KZT	USD	OTHER CURRENCIES	KZT	USD	OTHER CURRENCIES
INTEREST BEARING ASSETS						
Cash and cash equivalents	–	0.79	2.03	6.00	0.50	4.12
Financial instruments at fair value through profit or loss	–	–	7.00	–	–	6.80
Available-for-sale financial assets	3.16	–	–	4.17	–	–
Loans and advances to banks	–	2.99	0.10	0.02	2.91	–
Loans to customers	17.67	11.76	12.44	18.83	10.57	12.29
Held-to-maturity investments	3.60	–	–	4.54	3.74	12.00
INTEREST BEARING LIABILITIES						
Deposits and balances from banks						
– Term deposits	5.48	1.98	2.84	7.74	1.45	–
Amounts payable under repurchase agreements	3.30	–	–	–	–	–
Current accounts and deposits from customers						
– Corporate customers	7.38	4.45	2.55	6.88	3.25	5.38
– Retail customers	8.90	5.60	3.36	9.18	6.12	4.07
Debt securities issued	9.28	–	–	8.70	–	–
Subordinated debt securities issued	10.92	–	–	9.51	–	–
Other borrowed funds						
– Loans from financial institutions	7.79	–	–	7.48	–	–
– Loans from banks	–	4.23	6.47	–	–	6.86
– Loans from the Ministry of Finance of the Republic of Kazakhstan	5.50	1.93	–	5.50	2.25	–

Interest rate sensitivity analysis

The management of interest rate risk based on interest rate gap analysis is supplemented by monitoring the sensitivity of financial assets and liabilities. An analysis of sensitivity of profit or loss and equity (net of taxes) to changes in interest rates (repricing risk) based on a simplified scenario of a 100 basis point (bp) symmetrical rise or fall in all yield curves and positions of interest-bearing assets and liabilities existing as at 31 December 2013 and 2012 is as follows:

	2013		2012	
	PROFIT OR LOSS / KZT'000	EQUITY / KZT'000	PROFIT OR LOSS / KZT'000	EQUITY / KZT'000
100 bp parallel fall	14,019	14,019	251,828	251,828
100 bp parallel rise	(14,019)	(14,019)	(251,828)	(251,828)

An analysis of sensitivity of profit or loss and equity as a result of changes in the fair value of financial instruments at fair value through profit or loss and available-for-sale financial assets due to changes in the interest rates based on positions existing as at 31 December 2013 and 2012 and a simplified scenario of a 100 basis point (bp) symmetrical fall or rise in all yield curves is as follows:

	2013		2012	
	PROFIT OR LOSS / KZT'000	EQUITY / KZT'000	PROFIT OR LOSS / KZT'000	EQUITY / KZT'000
100 bp parallel fall	11,405	381,454	5,715	109,197
100 bp parallel rise	(11,405)	(381,454)	(5,715)	(109,197)

(ii) Currency risk

The Group has assets and liabilities denominated in several foreign currencies.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Group hedges its exposure to currency risk; such activities do not qualify as hedging relationships in accordance with IFRS. The Group manages its foreign currency position through the limits established for each currency and net foreign currency position limits.

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2013:

	USD / KZT'000	RUB* / KZT'000	EUR / KZT'000	OTHER / CURRENCIES KZT'000	TOTAL / KZT'000
ASSETS					
Cash and cash equivalents	58,100,807	2,720,034	5,633,259	251,592	66,705,692
Financial instruments at fair value through profit or loss	–	1,139,628	–	–	1,139,628
Loans and advances to banks	2,594,099	323,523	–	–	2,917,622
Loans to customers	67,071,004	4,731,898	1,409,494	–	73,212,396
Other financial assets	4,169,214	1,115	472,063	–	4,642,392
TOTAL ASSETS	131,935,124	8,916,198	7,514,816	251,592	148,617,730
LIABILITIES					
Deposits and balances from banks	1,967,845	468,072	1,810,830	16	4,246,763
Current accounts and deposits from customers	127,216,497	3,908,507	4,644,754	200,469	135,970,227
Other borrowed funds	2,478,755	–	139,366	–	2,618,121
Other financial liabilities	281,486	8,256	14,852	364	304,958
TOTAL LIABILITIES	131,944,583	4,384,835	6,609,802	200,849	143,140,069
NET POSITION AS AT 31 DECEMBER 2013	(9,459)	4,531,363	905,014	50,743	5,477,661
The effect of derivatives held for risk management	–	843,922	(843,922)	–	–
NET POSITION WITH THE EFFECT OF DERIVATIVES HELD FOR RISK MANAGEMENT AS AT 31 DECEMBER 2013	(9,459)	5,375,285	61,092	50,743	5,477,661

The following table shows the foreign currency exposure structure of financial assets and liabilities as at 31 December 2012:

	USD / KZT'000	RUB* / KZT'000	EUR / KZT'000	OTHER / KZT'000	TOTAL / KZT'000
ASSETS					
Cash and cash equivalents	22,874,087	7,342,416	6,160,532	485,444	36,862,479
Financial instruments at fair value through profit or loss	913	1,259,771	–	–	1,260,684
Loans and advances to banks	3,352,492	128,334	–	–	3,480,826
Loans to customers	42,616,874	3,055,249	2,385,609	–	48,057,732
Held-to-maturity investments	–	277,993	–	–	277,993
Other financial assets	1,370,796	27	154,251	–	1,525,074
TOTAL ASSETS	70,215,162	12,063,790	8,700,392	485,444	91,464,788
LIABILITIES					
Deposits and balances from banks	8,222,238	2	2,086	15	8,224,341
Current accounts and deposits from customers	61,098,671	8,794,259	6,796,498	454,192	77,143,620
Other borrowed funds	360,712	–	1,758,902	–	2,119,614
Other financial liabilities	175,762	17,062	1,223	168	194,215
TOTAL LIABILITIES	69,857,383	8,811,323	8,558,709	454,375	87,681,790
NET POSITION AS AT 31 DECEMBER 2012	357,779	3,252,467	141,683	31,069	3,782,998
The effect of derivatives held for risk management	(460,659)	(257,429)	–	–	(718,088)
NET POSITION WITH THE EFFECT OF DERIVATIVES HELD FOR RISK MANAGEMENT AS AT 31 DECEMBER 2012	(102,880)	2,995,038	141,683	31,069	3,064,910

A weakening of the KZT, as indicated below, against the following currencies at 31 December 2013 and 2012 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is on net of tax basis and is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

*A portion of the net RUB position equivalent to KZT 3,084,025 thousand (2012: KZT 3,016,984 thousand) is not subject to direct currency risk exposure as it represents net assets of the subsidiary that are remeasured through cumulative translation reserve.

	2013 / KZT'000		2012 / KZT'000	
	PROFIT OR LOSS KZT'000	EQUITY KZT'000	PROFIT OR LOSS KZT'000	EQUITY KZT'000
20% appreciation of USD against KZT	(1,513)	(1,513)	(16,461)	(16,461)
10% appreciation of RUB against KZT	183,301	183,301	(1,756)	(1,756)
10% appreciation of EUR against KZT	4,887	4,887	11,335	11,335
10% appreciation of other currencies against KZT	4,059	4,059	2,486	2,486

A strengthening of the KZT against the above currencies at 31 December 2013 and 2012 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Other price risk arises when the Group takes a long or short position in a financial instrument.

(iv) Value at Risk estimates

The Bank utilises VaR methodology to monitor market risk of its currency positions.

VaR is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The VAR model used by the Bank is based upon a 99 percent confidence level and assumes a 1-day holding period depending on the type of positions. The VaR model used is mainly based on historical simulation. The model derives plausible future scenarios based on historical market rate time series, taking into account interrelationships between different markets and rates. Potential movements in market prices are determined with reference to market data from at least the last 12 months.

Although VaR is a valuable tool in measuring market risk exposures, it has a number of limitations, especially in less liquid markets as follows:

- the use of historical data as a basis for determining future events may not encompass all possible scenarios, particularly those that are of an extreme nature
- a 1-day holding period assumes that all positions can be liquidated or hedged within that period. This is considered to be a realistic assumption in almost all cases but may not be the case in situations in which there is severe market illiquidity for a prolonged period
- the use of a 99% confidence level does not take into account losses that may occur beyond this level. There is a one percent probability that the loss could exceed the VaR estimate
- VaR is only calculated on the end-of-day balances and does not necessarily reflect exposures that may arise on positions during the trading day
- the VaR measure is dependent upon the position and the volatility of market prices. The VaR of an unchanged position reduces if market volatility declines and vice versa.

The Group does not solely rely on its VaR calculations in its market risk measurement due to inherent risk of usage of VaR as described above. The limitations of the VaR methodology are recognised by supplementing VaR limits with other position and sensitivity limit structures, including limits to address potential concentration risks within each trading portfolio, and gap analysis.

A summary of the VaR estimates in respect of foreign currency risk of the Group at 31 December is as follows:

	31 DECEMBER 2013 / KZT'000	31 DECEMBER 2012 / KZT'000
Foreign exchange risk	209,146	210,269

c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group has policies and procedures for the management of credit exposures (both for recognised financial assets and unrecognised contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee, which actively monitors credit risk. The credit policy is reviewed and approved by the Board of Directors.

The credit policy establishes:

- procedures for review and approval of loan credit applications
- methodology for the credit assessment of borrowers (corporate and retail)
- methodology for the credit assessment of counterparties, issuers and insurance companies
- methodology for the evaluation of collateral
- credit documentation requirements
- procedures for the ongoing monitoring of loans and other credit exposures.

Corporate loan credit applications are originated by the relevant client managers and are then passed on to the Corporate Business Department, which is responsible for the corporate loan portfolio. Analysis reports are based on a structured analysis focusing on the customer's business and financial performance. The loan credit application and the report are then independently reviewed by the Credit Risk and Collateral Valuation Department and an opinion is given accompanied by verification that credit policy requirements are met. The Credit Committee makes decisions based on opinions of internal bank's services. Individual transactions are also reviewed by the Legal, Accounting and Tax departments depending on the specific risks and pending final approval of the Credit Committee.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. The current market value of collateral is regularly assessed by either independent appraisal companies or internal specialists, and in the event of negative movements in market prices the borrower is usually requested to put up additional security.

Retail loan credit applications are reviewed through the use of scoring models and application data verification procedures developed by the Retail Business Department together with the Risk Management Department.

Apart from individual customer analysis by the Credit Risk and Collateral Valuation Department, the credit portfolio is assessed also by the Risk Management Department with regard to credit concentration and market risks.

Loan approvals and credit card limits can be cancelled at anytime.

The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets on the consolidated statement of financial position and unrecognised contractual commitments. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The maximum exposure to credit risk from financial assets at the reporting date is as follows:

	2013 / KZT'000	2012 / KZT'000
ASSETS		
Cash and cash equivalents	62,898,132	44,724,822
Financial instruments at fair value through profit or loss	1,139,628	1,262,873
Available-for-sale financial assets	10,965,674	18,409,601
Loans and advances to banks	2,922,373	3,485,413
Loans to customers	432,529,086	354,642,287
Held-to-maturity investments	23,462,306	10,327,192
Other financial assets	10,415,136	2,611,662
TOTAL MAXIMUM EXPOSURE	544,332,335	435,463,850

For the analysis of concentration of credit risk in respect of loans to customers refer to Note 16.

The maximum exposure to credit risk from unrecognised contractual commitments at the reporting date is presented in Note 32.

As at 31 December 2013 and 2012 the Group did not have debtors or groups of connected debtors, credit risk exposure to whom exceeds 10% of maximum credit risk exposure.

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's statement of financial position, or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

Similar financial instruments include derivatives, sales and repurchase agreements, reverse sale and repurchase agreements and securities borrowing and lending agreements.

The Group conducts derivative transactions that are not transacted on the exchange through a central counterparty. Management believes that such settlements are, in effect, equivalent to net settlement and that, the Group meets the net settlement criterion as this gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk, and that the Group will process receivables and payables in a single settlement process or cycle.

The Group receives and accepts collateral in the form of cash and marketable securities in respect of the following transactions:

- derivatives
- sale and repurchase, and reverse sale and repurchase agreements, and
- securities lending and borrowing.

This means that securities received/given as collateral can be pledged or sold during the term of the transaction but must be returned on maturity of the transaction. The terms also give each counterparty the right to terminate the related transitions upon the counterparty's failure to post collateral.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2013:

KZT'000 TYPES OF FINANCIAL ASSETS/ LIABILITIES	GROSS AMOUNTS OF RECOGNISED FINANCIAL ASSET/ LIABILITY	GROSS AMOUNT OF RECOGNISED FINANCIAL LIABILITY/ASSET OFFSET IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	NET AMOUNT OF FINANCIAL ASSETS/ LIABILITIES PRESENTED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	RELATED AMOUNTS NOT OFFSET IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION		NET AMOUNT
				FINANCIAL INSTRUMENTS	CASH COLLATERAL RECEIVED	
Held-to-maturity investments	9,387,811	–	9,387,811	(8,803,285)	–	584,526
Loans to customers	26,231,188	–	26,231,188	–	(2,483,019)	23,748,169
TOTAL FINANCIAL ASSETS	35,618,999	–	35,618,999	(8,803,285)	(2,483,019)	24,332,695
Amounts payable under repurchase agreements	(8,803,285)	–	(8,803,285)	8,803,285	–	–
Current accounts and deposits from customers	(2,483,019)	–	(2,483,019)	–	2,483,019	–
TOTAL FINANCIAL LIABILITIES	(11,286,304)	–	(11,286,304)	8,803,285	2,483,019	–

The securities pledged under repurchased agreements (Note 17) represent the transferred financial assets that are not derecognised in their entirety. The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Group, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. Because the Group sells the contractual rights to the cash flows of the securities it does not have the ability to use the transferred assets during the term of the agreement.

The table below shows financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar arrangements as at 31 December 2012:

KZT'000 TYPES OF FINANCIAL ASSETS/ LIABILITIES	GROSS AMOUNTS OF RECOGNISED FINANCIAL ASSET/ LIABILITY	GROSS AMOUNT OF RECOGNISED FINANCIAL LIABILITY/ ASSET OFFSET IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	NET AMOUNT OF FINANCIAL ASSETS/LIABILITIES PRESENTED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION	RELATED AMOUNTS NOT OFFSET IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION		NET AMOUNT
				FINANCIAL INSTRUMENTS	CASH COLLATERAL RECEIVED	
Loans to customers	29,462,114	–	29,462,114	–	(5,265,369)	24,196,745
TOTAL FINANCIAL ASSETS	29,462,114	–	29,462,114	–	(5,265,369)	24,196,745
Current accounts and deposits of customers	(5,265,369)	–	(5,265,369)	–	5,265,369	–
TOTAL FINANCIAL LIABILITIES	(5,265,369)	–	(5,265,369)	–	5,265,369	–

d) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions 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 Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Board.

The Group seeks to actively support a diversified and stable funding base comprising debt securities in issue, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and considering the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining a portfolio of highly marketable assets that can easily be liquidated as protection against any interruption to cash flow
- maintaining liquidity and funding contingency plans
- monitoring liquidity ratios against regulatory requirements.

The Assets and Liabilities Department receives information from business units regarding the liquidity profile of their financial assets and liabilities and details of other projected cash flows arising from projected future business. The Assets and Liabilities Department together with the Treasury Department then provides for an adequate portfolio of short-term liquid assets to be maintained, largely made up of short-term liquid trading securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored by the Assets and Liabilities Department and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Risk Management Department. Under the normal market conditions, liquidity reports covering the liquidity position are presented to senior management on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Assets and Liabilities Department.

The following tables show the undiscounted cash flows on financial liabilities and credit-related commitments on the basis of their earliest possible contractual maturity. The total gross inflow and outflow disclosed in the tables is the contractual, undiscounted cash flow on the financial asset, liability or commitment.

The maturity analysis for financial liabilities as at 31 December 2013 is as follows:

KZT'000	DEMAND AND LESS THAN 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 TO 12 MONTHS	MORE THAN 1 YEAR	TOTAL GROSS AMOUNT OUTFLOW/ (INFLOW)	CARRYING AMOUNT
NON-DERIVATIVE LIABILITIES							
Deposits and balances from banks	7,305,394	4,341,639	–	2,442,639	323,968	14,413,640	14,116,633
Amounts payable under repurchase agreements	8,812,266	–	–	–	–	8,812,266	8,803,285
Current accounts and deposits from customers	70,291,911	22,243,345	54,525,051	166,510,124	119,969,886	433,540,317	404,673,786
Debt securities issued	126,486	281,200	1,298,073	3,941,959	37,676,168	43,323,886	32,786,356
Subordinated debt securities issued	–	620,000	917,500	11,537,500	43,865,000	56,940,000	35,669,288
Other borrowed funds	1,064,149	1,970,040	1,233,571	3,297,882	18,316,976	25,882,618	21,410,349
Other financial liabilities	5,735,783	250,061	6,106	–	3,904,724	9,896,674	9,896,674
DERIVATIVE LIABILITIES							
– Inflow	(843,922)	–	–	–	–	(843,922)	–
– Outflow	846,200	–	–	–	–	846,200	2,278
TOTAL LIABILITIES	93,338,267	29,706,285	57,980,301	187,730,104	224,056,722	592,811,679	527,358,649
Credit related commitments	73,776,801	–	–	–	–	73,776,801	73,776,801

The maturity analysis for financial liabilities as at 31 December 2012 is as follows:

KZT'000	DEMAND AND LESS THAN 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 TO 6 MONTHS	FROM 6 TO 12 MONTHS	MORE THAN 1 YEAR	TOTAL GROSS AMOUNT OUTFLOW/ (INFLOW)	CARRYING AMOUNT
NON-DERIVATIVE LIABILITIES							
Deposits and balances from banks	8,376,599	516,250	517,500	12,399,397	–	21,809,746	21,228,576
Current accounts and deposits from customers	80,153,778	19,508,094	36,862,727	109,926,114	92,699,350	339,150,063	314,720,398
Debt securities issued	145,032	239,848	1,371,031	1,755,911	44,115,121	47,626,943	34,441,764
Subordinated debt securities issued	–	570,000	10,470,149	695,149	23,584,153	35,319,451	27,871,504
Other borrowed funds	1,409,870	953,482	1,690,466	3,394,707	14,005,448	21,453,973	18,562,156
Other financial liabilities	4,059,729	570	262	478,088	–	4,538,649	4,538,649
DERIVATIVE LIABILITIES							
– Inflow	(344,731)	(115,928)	–	–	–	(460,659)	(3,102)
– Outflow	344,941	113,739	–	–	–	458,680	1,123
TOTAL LIABILITIES	94,145,218	21,786,055	50,912,135	128,649,366	174,404,072	469,896,846	421,361,068
Credit related commitments	51,675,161	–	–	–	–	51,675,161	51,675,161

In accordance with Kazakhstan legislation, depositors can withdraw their term deposits at any time, losing in most of the cases the accrued interest. These deposits are classified in accordance with their stated maturity dates.

However management believes that in spite of this early withdrawal option and the fact that a substantial portion of customers accounts are on demand, diversification of these customer accounts and deposits by number and type of depositors, and the past experience of the Bank indicates that these customers accounts provide a long-term and stable source of funding.

Management expects that the cash flows from certain financial assets and liabilities will be different from their contractual terms either because management has the discretionary ability to manage the cash flows or because past experience indicates that cash flows will differ from contractual terms.

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position, excluding derivative instruments, as at 31 December 2013:

KZT'000	DEMAND AND LESS THAN 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 TO 12 MONTHS	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS	NO MATURITY	OVERDUE	TOTAL
NON-DERIVATIVE ASSETS								
Cash and cash equivalents	80,651,043	2,495,335	–	–	–	–	–	83,146,378
Financial instruments at fair value through profit or loss	1,139,628	–	–	–	–	–	–	1,139,628
Available-for-sale financial assets	–	8,531,885	12,667	2,421,122	–	14,198	–	10,979,872
Loans and advances to banks	1,593,745	–	1,004,645	–	460	323,523	–	2,922,373
Loans to customers	15,403,906	36,224,310	89,642,362	213,282,785	48,166,933	–	29,808,790	432,529,086
Held-to-maturity investments	4,993,240	7,026,043	3,443,184	7,999,839	–	–	–	23,462,306
Current tax asset	1,284,278	–	–	–	–	–	–	1,284,278
Property, equipment and intangible assets	–	–	–	–	–	19,758,591	–	19,758,591
Other assets	3,535,866	375,767	4,495,024	481,909	4,303,445	200,804	18,081	13,410,896
TOTAL ASSETS	108,601,706	54,653,340	98,597,882	224,185,655	52,470,838	20,297,116	29,826,871	588,633,408
NON-DERIVATIVE LIABILITIES								
Deposits and balances from banks	7,298,607	3,265,986	3,318,040	234,000	–	–	–	14,116,633
Amounts payable under repurchase agreements	8,803,285	–	–	–	–	–	–	8,803,285
Current accounts and deposits from customers	68,402,068	18,672,190	209,511,861	95,860,663	12,227,004	–	–	404,673,786
Debt securities issued	115,208	188,635	2,770,026	20,943,742	8,768,745	–	–	32,786,356
Subordinated debt securities issued	–	404,139	9,940,319	5,001,847	20,322,983	–	–	35,669,288
Other borrowed funds	903,352	1,688,940	3,608,126	10,025,888	5,184,043	–	–	21,410,349
Deferred tax liability	–	–	–	–	–	257,542	–	257,542
Other liabilities	7,143,176	250,073	788,527	9,012	3,904,739	–	–	12,095,527
TOTAL LIABILITIES	92,665,696	24,469,963	229,936,899	132,075,152	50,407,514	257,542	–	529,812,766
NET POSITION	15,936,010	30,183,377	(131,339,017)	92,110,503	2,063,324	20,039,574	29,826,871	58,820,642

The table below shows an analysis, by expected maturities, of the amounts recognised in the consolidated statement of financial position, excluding derivative instruments, as at 31 December 2012:

KZT'000	DEMAND AND LESS THAN 1 MONTH	FROM 1 TO 3 MONTHS	FROM 3 TO 12 MONTHS	FROM 1 TO 5 YEARS	MORE THAN 5 YEARS	NO MATURITY	OVERDUE	TOTAL
NON-DERIVATIVE ASSETS								
Cash and cash equivalents	57,328,367	2,294,392	–	–	–	–	–	59,622,754
Financial instruments at fair value through profit or loss	1,259,771	–	–	–	–	–	–	1,259,771
Available-for-sale financial assets	6,996,829	9,009,452	12,459	2,390,854	7	13,945	–	18,423,546
Loans and advances to banks	1,846,573	145	1,510,190	–	171	128,334	–	3,485,413
Loans to customers	29,051,566	18,858,526	36,911,533	201,543,658	58,069,799	–	10,207,205	354,642,287
Held-to-maturity investments	–	323,426	2,004,434	5,999,677	1,999,655	–	–	10,327,192
Current tax asset	872,533	–	12,608	–	–	–	–	885,141
Property, equipment and intangible assets	–	–	–	–	–	16,760,598	–	16,760,598
Other assets	2,792,024	361,463	1,702,075	23,975	19,425	201,793	–	5,100,755
TOTAL ASSETS	100,147,658	30,847,404	42,153,299	209,958,164	60,089,057	17,104,670	10,207,205	470,507,457
NON-DERIVATIVE LIABILITIES								
Deposits and balances from banks	8,370,758	508,576	12,349,242	–	–	–	–	21,228,576
Current accounts and deposits from customers	78,811,161	16,938,914	138,405,488	70,556,216	10,008,619	–	–	314,720,398
Debt securities issued	131,590	158,567	571,263	24,875,421	8,704,923	–	–	34,441,764
Subordinated debt securities issued	–	371,917	10,164,776	14,339,059	2,995,752	–	–	27,871,504
Other borrowed funds	1,178,762	913,497	4,510,343	9,852,542	2,107,012	–	–	18,562,156
Deferred tax liability	–	–	–	–	–	41,572	–	41,572
Other liabilities	4,354,740	539,053	486,831	478,639	–	–	–	5,859,263
TOTAL LIABILITIES	92,847,011	19,430,524	166,487,943	120,101,877	23,816,306	41,572	–	422,725,233
NET POSITION	7,300,647	11,416,880	(124,334,644)	89,856,287	36,272,751	17,063,098	10,207,205	47,782,224

Management believes that the following factors address the liquidity gap up to 1 year:

- Management's analysis of behaviour of holders of term deposits during the past three years indicates that offering of competitive interest rates provides for high level of renewals
- The balance of customer accounts and deposits from related parties, which is due up to 1 year, is KZT 38,939,577 thousand as at 31 December 2013. Management believes that the term deposits will be extended when they fall due and withdrawals of significant customer accounts, if required, will be coordinated with the Group's liquidity management objectives
- Management manages liquidity risk using VAR methodology for the assessment of current accounts stability index. Results of the management's daily monitoring of stability of the current accounts balance indicate sufficiency of the Group's current level of liquidity.

31. CAPITAL MANAGEMENT

FMSC sets and monitors capital requirements for the Bank. The Bank and its subsidiary are directly supervised by their respective local regulators. There are no external capital requirements imposed to the Group as a whole.

The Bank defines as capital the following items defined by statutory regulation as capital for banks:

- Tier 1 capital, which is comprised of ordinary share capital, share premium, prior periods' retained earnings/accumulated losses and reserves created thereof, qualifying perpetual debt less intangible assets and current year losses
- Total capital, which is the sum of tier 1 capital, tier 2 capital (in the amount not exceeding tier 1 capital) and tier 3 capital (in the amount not exceeding 250% of the portion of tier 1 capital attributed to cover market risk) less investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital.

Tier 2 capital is required for the purposes of calculation of total capital and is comprised of current year's income, revaluation reserves, qualifying subordinated liabilities and dynamic reserve in the amount not exceeding 1.25% of risk-weighted assets.

Tier 3 capital is required for the purposes of calculation of total capital and includes subordinated liabilities not included into tier 2 capital.

Various further limits and qualifying criteria are applied to the above elements of the capital base.

Under the current capital requirements set by the FMSC banks have to maintain:

- a ratio of tier 1 capital less investments to total assets less investments (k1.1)
- a ratio of tier 1 capital less investments to the sum of credit and market risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k1.2)
- a ratio of total capital to the sum of credit and market risk-weighted assets and contingent liabilities and a quantitative measure of operational risk (k2).

Investments for the purposes of calculation of the above ratios represent investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital. For this purpose the investments are adjusted in the proportion of tier 1 capital to the total of tier 1 capital and tier 2 capital (in the amount not exceeding tier 1 capital).

As at 31 December 2013 and 2012 the minimum level of ratios as applicable to the Bank are as follows:

- k1.1 — 5%
- k1.2 — 5%
- k2 — 10%.

The following table shows the composition of the Bank's capital position calculated in accordance with the requirements of the FMSC, as at 31 December:

	2013 / KZT'000	2012 / KZT'000
TIER 1 CAPITAL		
Share capital	30,110,207	30,110,207
Additional paid-in capital	2,025,632	2,025,632
Retained statutory loss of prior years	3,763,507	(2,564,659)
Reserves formed from statutory retained earnings of prior years	8,234,923	6,650,265
Intangible assets	(1,623,744)	(1,645,892)
TOTAL TIER 1 CAPITAL	42,510,525	34,575,553
TIER 2 CAPITAL		
Net statutory income for the year	7,954,333	9,912,953
Dynamic reserve subject to limitation of 1.25% of risk-weighed statutory assets	6,733,233	–
Deferred tax liability accrued in the current year	–	34,668
Revaluation reserve for available-for-sale financial asset	(51,653)	(114,258)
Unamortised portion of subordinated debt limited to 50% of tier 1 capital	21,255,263	11,722,105
TOTAL TIER 2 CAPITAL	35,891,176	21,555,468
TIER 3 CAPITAL	21,212	–
TOTAL CAPITAL	78,422,913	56,131,021
TOTAL STATUTORY ASSETS LESS UNINVESTED FUNDS, OBTAINED UNDER CUSTODY AGREEMENTS	587,093,072	462,151,667
RISK-WEIGHTED STATUTORY ASSETS, CONTINGENT LIABILITIES, OPERATIONAL AND MARKET RISK		
Risk weighted statutory assets	437,737,884	391,449,772
Risk weighted statutory contingent assets and liabilities	37,759,839	28,592,500
Risk weighted statutory derivative financial instruments	11,566	10,986
Operational risk	18,520,841	10,567,236
TOTAL STATUTORY RISK WEIGHTED ASSETS, CONTINGENT LIABILITIES, OPERATIONAL AND MARKET RISK	494,030,130	430,620,494
K1.1 RATIO	7.2%	7.5%
K1.2 RATIO	8.6%	8.0%
K.2 RATIO	15.9%	13.0%

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also considered and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and advantages and security afforded by a sound capital position.

The Group also monitors its capital adequacy levels calculated in accordance with the requirements of the Basle Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and Amendment to the Capital Accord to incorporate market risks (updated November 2007), commonly known as Basel I.

32. COMMITMENTS

The Group has outstanding commitments to extend loans. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Group provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The Group applies the same credit risk management policies and procedures when granting credit commitments, financial guarantees and letters of credit as it does for granting loans to customers.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

	2013 / KZT'000	2012 / KZT'000
CONTRACTED AMOUNT		
Loan and credit line commitments	48,598,277	34,881,570
Guarantees	19,233,613	13,506,792
Letters of credit	5,944,911	3,286,799
	73,776,801	51,675,161

Management expects that loan and credit line commitments, to the extent demanded, will be funded from amounts collected from scheduled repayments of current loan portfolio.

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

As at 31 December 2013 the Group has 1 customer whose balances exceed 10% of total commitments (2012: 2 customers). The value of these commitments as at 31 December 2013 is KZT 7,394,880 thousand (2012: KZT 12,663,424 thousand).

33. OPERATING LEASE

a) Leases as lessee

Operating lease rentals as at 31 December are payable as follows:

	2013 / KZT'000	2012 / KZT'000
Less than 1 year	440,788	561,613
Between 1 and 5 years	972,618	375,678
	1,413,406	937,291

The Group leases a number of premises and equipment under operating leases. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

During the current year KZT 1,438,042 thousand was recognised as an expense in profit or loss in respect of operating leases (2012: KZT 1,056,044 thousand).

34. CONTINGENCIES

a) Insurance

The insurance industry in the Kazakhstan is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on its property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

b) Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints, will not have a material adverse effect on the financial condition or the results of future operations.

c) Taxation contingencies

The taxation system in the Kazakhstan is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities who have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer.

These circumstances may create tax risks in the Kazakhstan that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Kazakhstan tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

35. RELATED PARTY TRANSACTIONS

a) Control relationships

The Group's parent company is Eurasian Financial Company JSC (the "Parent company"). The Parent company is controlled by the group of individuals, Mr. Mashkevich A.A., Mr. Shodiyev P.K., Ibragimov A.R., each of whom owns 33.3%. Publicly available financial statements are produced by the Group's Parent company.

b) Transactions with the members of the Board of Directors, the Management Board and other key management personnel

Total remuneration included in personnel expenses for the year ended 31 December is as follows:

	2013 / KZT'000	2012 / KZT'000
Members of the Board of Directors	562,619	759,269
Members of the Management Board	383,337	608,207
Other key management personnel	1,157,130	684,102
	2,103,086	2,051,578

These amounts include non-cash benefits in respect of the members of the Board of Directors, the Management Board and other key management personnel.

The outstanding balances and average interest rates as at 31 December for transactions with the members of the Board of Directors, the Management Board and other key management personnel are as follows:

	2013 KZT'000	AVERAGE INTEREST RATE, %	2012 KZT'000	AVERAGE INTEREST RATE, %
CONSOLIDATED STATEMENT OF FINANCIAL POSITION				
ASSETS				
Loans to customers	10,605	12.00	178	12.18
LIABILITIES				
Current accounts and deposits from customers	7,286,721	7.80	7,966,733	8.19

Amounts included in profit or loss in relation to transactions with the members of the Board of Directors, the Management Board and other key management personnel for the year ended 31 December are as follows:

	2013 / KZT'000	2012 / KZT'000
PROFIT OR LOSS		
Interest income	109,159	140
Interest expense	(628,906)	(585,397)

c) Transactions with other related parties

The outstanding balances and the related average interest rates as at 31 December 2013 and related profit or loss amounts of transactions for the year ended 31 December 2013 with other related parties are as follows.

	PARENT COMPANY		OTHER SUBSIDIARIES OF THE PARENT COMPANY		OTHER RELATED PARTIES*		TOTAL KZT'000
	KZT'000	AVERAGE INTEREST RATE, %	KZT'000	AVERAGE INTEREST RATE, %	KZT'000	AVERAGE INTEREST RATE, %	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
ASSETS							
Loans to customers (principal balance)							
– In KZT	–	–	–	–	4,353,179	13.05	4,353,179
– In USD	–	–	–	–	17,518,219	6.06	17,518,219
– In other currencies	–	–	–	–	128,271	10.65	128,271
Loans to customers (provision for impairment)	–	–	–	–	(143,894)	–	(143,894)
Other assets							
– In KZT	–	–	37,212	–	366	–	37,578
LIABILITIES							
Deposits and balances from customers							
– In KZT	1,655	–	3,098,834	2.93	17,071,717	1.27	20,172,206
– In USD	1,239,879	0.99	110,276	2.10	16,259,576	1.31	17,609,731
– In other currencies	–	–	229,520	0.37	3,469,034	0.54	3,698,554
Debt securities issued							
– In KZT	–	–	729,149	12.48	–	–	729,149

	PARENT COMPANY		OTHER SUBSIDIARIES OF THE PARENT COMPANY		OTHER RELATED PARTIES*		TOTAL KZT'000
	KZT'000	AVERAGE INTEREST RATE, %	KZT'000	AVERAGE INTEREST RATE, %	KZT'000	AVERAGE INTEREST RATE, %	
Subordinated debt securities issued							
– In KZT	–	–	51,600	7.39	–	–	51,600
Other liabilities							
– In KZT	–	–	152,631	–	808	–	153,439
ITEMS NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Loans and credit line commitments	–	–	–	–	89,458	–	89,458
Guarantees issued	–	–	–	–	10,478	–	10,478
Guarantees received	–	–	–	–	406,442	–	406,442
Letters of credit	–	–	–	–	5,012,538	–	5,012,538
PROFIT (LOSS)							
Interest income	–	–	–	–	341,988	–	341,988
Interest expense	(6,605)	–	(406,618)	–	(1,223,153)	–	(1,636,376)
Fee and commission income	249	–	19,615	–	487,521	–	507,385
Other operating income	(18,577)	–	(149,085)	–	2,692	–	(164,970)
Reversal of impairment losses	–	–	–	–	137,369	–	137,369
Other general administrative expenses	–	–	(1,100,173)	–	(233,660)	–	(1,333,833)

*Other related parties are the entities that are controlled by the Parent company's shareholders.

The outstanding balances and the related average interest rates as at 31 December 2012 and related profit or loss amounts of transactions for the year ended 31 December 2012 with other related parties are as follows.

	PARENT COMPANY		OTHER SUBSIDIARIES OF THE PARENT COMPANY		OTHER RELATED PARTIES*		TOTAL KZT'000
	KZT'000	AVERAGE INTEREST RATE, %	KZT'000	AVERAGE INTEREST RATE, %	KZT'000	AVERAGE INTEREST RATE, %	
CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
ASSETS							
Loans to customers (principal balance)							
– In KZT	–	–	–	–	4,493,708	13.34	4,493,708
– In USD	–	–	–	–	370,001	10.12	370,001
– In other currencies	–	–	–	–	62,695	14.00	62,695
Loans to customers (provision for impairment)	–	–	–	–	(286,878)	–	(286,878)
Other assets							
– In KZT	–	–	91,074	–	3,444	–	94,518
LIABILITIES							
Deposits and balances from customers							
– In KZT	13,210	–	5,445,607	5.37	22,738,248	1.11	28,197,065
– In USD	–	–	53,500	–	11,007,876	1.33	11,061,376
– In other currencies	–	–	41,222	–	4,742,299	1.74	4,783,521
Debt securities issued							
– In KZT	–	–	710,098	12.69	–	–	710,098
Subordinated debt securities issued							
– In KZT	–	–	33,947	6.78	–	–	33,947
Other liabilities							
– In KZT	–	–	5,282	–	3,227	–	8,509
– In other currencies	–	–	–	–	41	–	41

	PARENT COMPANY		OTHER SUBSIDIARIES OF THE PARENT COMPANY		OTHER RELATED PARTIES*		TOTAL KZT'000
	KZT'000	AVERAGE INTEREST RATE, %	KZT'000	AVERAGE INTEREST RATE, %	KZT'000	AVERAGE INTEREST RATE, %	
ITEMS NOT RECOGNISED IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION							
Loans and credit line commitments	–	–	–	–	617,302	–	617,302
Guarantees issued	–	–	–	–	146,842	–	146,842
Guarantees received	–	–	–	–	296,650	–	296,650
Letters of credit	–	–	–	–	945,376	–	945,376
PROFIT (LOSS)							
Interest income	–	–	–	–	445,064	–	445,064
Interest expense	(22,267)	–	(476,899)	–	(893,177)	–	(1,392,343)
Fee and commission income	299	–	99,521	–	703,443	–	803,263
Other operating expenses	–	–	(31,012)	–	6	–	(31,006)
Reversal of impairment losses	–	–	–	–	367,856	–	367,856
Other general administrative expenses	–	–	(79,863)	–	(363)	–	(80,226)

As at 31 December 2013 the loans to customers in the amount of KZT 33,464,209 thousand were insured by the insurance company under common control (31 December 2012: KZT 22,128,022 thousand).

*Other related parties are the entities that are controlled by the Parent company's shareholders.

36. FINANCIAL ASSETS AND LIABILITIES: FAIR VALUES AND ACCOUNTING CLASSIFICATIONS

a) (a) Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2013:

KZT'000	TRADING	HELD-TO-MATURITY	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE	OTHER AMORTISED COST	TOTAL CARRYING AMOUNT	FAIR VALUE VALUE
Cash and cash equivalents	–	–	83,146,378	–	–	83,146,378	83,146,378
Financial instruments at fair value through profit or loss	1,139,628	–	–	–	–	1,139,628	1,139,628
Available-for-sale financial assets	–	–	–	10,979,872	–	10,979,872	10,979,872
Loans and advances to banks	–	–	2,922,373	–	–	2,922,373	2,922,373
Loans to customers							
Loans to corporate customers	–	–	215,854,274	–	–	215,854,274	222,632,209
Loans to retail customers	–	–	216,674,812	–	–	216,674,812	214,169,567
Held-to-maturity investments	–	23,462,306	–	–	–	23,462,306	23,454,919
Other financial assets	–	–	10,415,136	–	–	10,415,136	10,415,136
	1,139,628	23,462,306	529,012,973	10,979,872	–	564,594,779	568,860,082
Financial instruments at fair value through profit or loss	2,278	–	–	–	–	2,278	2,278
Deposits and balances from banks	–	–	–	–	14,116,633	14,116,633	14,116,633
Amounts payable under repurchase agreements	–	–	–	–	8,803,285	8,803,285	8,803,285
Current accounts and deposits from customers	–	–	–	–	404,673,786	404,673,786	406,857,673
Debt securities issued	–	–	–	–	32,786,356	32,786,356	29,935,291
Subordinated debt securities issued	–	–	–	–	35,669,288	35,669,288	35,439,121
Other borrowed funds	–	–	–	–	21,410,349	21,410,349	21,410,349
Other financial liabilities	–	–	–	–	9,896,674	9,896,674	9,896,674
	2,278	–	–	–	527,356,371	527,358,649	526,461,304

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2012:

KZT'000	TRADING	HELD-TO-MATURITY	LOANS AND RECEIVABLES	AVAILABLE-FOR-SALE	OTHER AMORTISED COST	TOTAL CARRYING AMOUNT	FAIR VALUE VALUE
Cash and cash equivalents	–	–	59,622,754	–	–	59,622,754	59,622,754
Financial instruments at fair value through profit or loss	1,262,873	–	–	–	–	1,262,873	1,262,873
Available-for-sale financial assets	–	–	–	18,423,546	–	18,423,546	18,423,546
Loans and advances to banks	–	–	3,485,413	–	–	3,485,413	3,485,413
Loans to customers							
Loans to corporate customers	–	–	200,029,452	–	–	200,029,452	206,221,920
Loans to retail customers	–	–	154,612,835	–	–	154,612,835	153,717,435
Held-to-maturity investments	–	10,327,192	–	–	–	10,327,192	10,300,736
Other financial assets	–	–	2,611,662	–	–	2,611,662	2,611,662
	1,262,873	10,327,192	420,362,116	18,423,546	–	450,375,727	455,646,339
Financial instruments at fair value through profit or loss	1,123	–	–	–	–	1,123	1,123
Deposits and balances from banks	–	–	–	–	21,228,576	21,228,576	21,228,576
Current accounts and deposits from customers	–	–	–	–	314,720,398	314,720,398	316,678,100
Debt securities issued	–	–	–	–	34,441,764	34,441,764	33,206,182
Subordinated debt securities issued	–	–	–	–	27,871,504	27,871,504	24,790,278
Other borrowed funds	–	–	–	–	18,562,156	18,562,156	18,562,156
Other financial liabilities	–	–	–	–	4,538,649	4,538,649	4,538,649
	1,123	–	–	–	421,363,047	421,364,170	419,005,064

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or settlement of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using other valuation techniques.

The objective of valuation techniques is to arrive at a fair value determination that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates. The objective of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives like interest rate swaps.

For more complex instruments, the Group uses proprietary valuation models. Some or all of the significant inputs into these models may not be observable in the market, and are derived from market prices or rates or are estimated based on assumptions. Example of instruments involving significant unobservable inputs includes certain loans and securities for which there is no active market.

As disclosed in Note 14, the fair value of unquoted equity securities available-for-sale with a carrying value of KZT 14,198 thousand (2012: KZT 13,945 thousand) cannot be determined.

The following assumptions are used by management to estimate the fair values of financial instruments:

- discount rates of 4.3 — 11.3% and 7.6 — 22.2% are used for discounting future cash flows from loans to corporate customers and loans to retail customers, respectively;
- discount rates of 0.5 — 6.7% and 0.8 — 8.3% are used for discounting future cash flows from current accounts and deposits of corporate and retail customers, respectively;
- quoted market prices are used for determination of fair value of debt securities issued.

b) Fair value hierarchy

The Group measures fair values for financial instruments recorded on the consolidated statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The table below analyses financial instruments measured at fair value at 31 December 2013, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	LEVEL 1	LEVEL 2	TOTAL
Financial instruments at fair value through profit or loss			
– Debt and other fixed income instruments	1,139,628	–	1,139,628
– Derivative liabilities	–	2,278	2,278
Available-for-sale financial assets			
– Debt and other fixed income instruments	–	10,965,674	10,965,674
	1,139,628	10,967,952	12,107,580

The table below analyses financial instruments measured at fair value at 31 December 2012, by the level in the fair value hierarchy into which the fair value measurement is categorised:

KZT'000	LEVEL 1	LEVEL 2	TOTAL
Financial instruments at fair value through profit or loss			
– Debt instruments	1,259,771	–	1,259,771
– Derivative assets	–	3,102	3,102
– Derivative liabilities	–	(1,123)	(1,123)
Available-for-sale financial assets			
– Debt and other fixed income instruments	–	18,409,601	18,409,601
	1,259,771	18,411,580	19,671,351

Due to low market liquidity, management consider that quoted prices in active markets are not available, including for government securities listed on the Kazakhstan Stock Exchange. Accordingly, as at 31 December 2013 and 2012 the estimated fair value of these financial instruments is based on the results of valuation techniques involving the use of observable market inputs.

As at 31 December 2013 and 2012 the Group does not have any financial instruments for which fair value is based on valuation techniques involving the use of non-market inputs.

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2013:

KZT'000	LEVEL 2	LEVEL 3	TOTAL FAIR VALUES	TOTAL CARRYING AMOUNT
ASSETS				
Cash and cash equivalents	83,146,378	–	83,146,378	83,146,378
Loans and advances to banks	2,922,373	–	2,922,373	2,922,373
Loans to customers	411,449,826	25,351,950	436,801,776	432,529,086
Held-to-maturity investments	23,454,919	–	23,454,919	23,462,306
LIABILITIES				
Deposits and balances from banks	14,116,633	–	14,116,633	14,116,633
Amounts payable under repurchase agreements	8,803,285	–	8,803,285	8,803,285
Current accounts and deposits from customers	406,857,673	–	406,857,673	404,673,786
Debt securities issued	29,935,291	–	29,935,291	32,786,356
Subordinated debt securities issued	35,439,121	–	35,439,121	35,669,288
Other borrowed funds	21,410,349	–	21,410,349	21,410,349

The following table analyses the fair value of financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised as at 31 December 2012:

KZT'000	LEVEL 2	LEVEL 3	TOTAL FAIR VALUES	TOTAL CARRYING AMOUNT
ASSETS				
Cash and cash equivalents	59,622,754	–	59,622,754	59,622,754
Loans and advances to banks	3,485,413	–	3,485,413	3,485,413
Loans to customers	348,839,385	11,099,970	359,939,355	354,642,287
Held-to-maturity investments	10,300,736	–	10,300,736	10,327,192
LIABILITIES				
Deposits and balances from banks	21,228,576	–	21,228,576	21,228,576
Current accounts and deposits from customers	316,678,100	–	316,678,100	314,720,398
Debt securities issued	33,206,182	–	33,206,182	34,441,764
Subordinated debt securities issued	24,790,278	–	24,790,278	27,871,504
Other borrowed funds	18,562,156	–	18,562,156	18,562,156

37. SUBSEQUENT EVENTS

a) Devaluation

On 11 February 2014, the NBRK announced that it was devaluing the KZT. The NBRK said in its statement that the currency will now trade at KZT 185 per USD, with a range of 3 KZT on either side. The KZT closed at 184.55 per USD after the announcement, down approximately 19% from the previous day's close of KZT 155.63 per USD. As the devaluation occurred after the reporting date, these consolidated financial statements have not been adjusted for the rate change.

Management is still in the process of evaluating the effects of the devaluation on the Group but does not expect the operational impact to be significant. See Note 30 (b) for details of the Group's exposure to foreign currency risk at the reporting date. Management's current assessment is that the devaluation will not affect the Group's ability to comply with its NBRK prudential requirements and meet its existing contractual obligations.

ACRONYMS

ACCA	Association of Chartered Certified Accountants
ALCO	Asset and Liability Management Committee
ALM	Asset Liability Management
AML	Anti-money laundering
ATM	Automated Teller Machine
BA	Bachelor's degree
BLN	Billions
CAP	Certified Accounting Practitioner
CEEMEA	Central Eastern Europe Middle East & Africa
CEO	Chief Executive Officer
CFO	Chief Financial Officer
CIS	Confederation of Independent States
CPA	Certified Public Accountant
CPI	Consumer price index
CRO	Chief Risk Officer
ENRC	Eurasian Natural Resources Corporation
EUR	Euro Euro is the currency used by the Institutions of the European Union and is the official currency of the Eurozone
EU	European Union
FI	Financial Institutions
FMSC	Committee of Control and Supervision of the Financial Market and Financial Organizations of the National Bank of the Republic of Kazakhstan (www.kfn.kz)
FSA	Financial Services Authority
GDP	Gross domestic product
GSBA	Graduate School of Business Administration
HNWI	High-Net-Worth Individuals
IFRS	International Financial Reporting Standards
JINR	Joint Institute for Nuclear Research
JSC	Joint-stock company
KASE	Kazakhstan Stock Exchange (www.kase.kz)
KPI	Key Performance Indicators
KYC	Know Your Customer
KZT	Tenge The currency of the Republic of Kazakhstan
LLP	Limited liability partnership
MLN	Millions
Moto GP	Motorcycle Road Racing World Championship Grand Prix
MRLCO	Market and Liquidity Risks Management Committee
MSc	Master of Science
NBRK	National Bank of the Republic of Kazakhstan (www.nationalbank.kz)
NGO	Non-governmental organization
NIM	Net Interest Margin
NPL	Non Performing Loans
OJSC	Open joint-stock company
PhD	Doctor of Philosophy
POS	Point of sale
RUB	Russian Ruble The currency of the Russian Federation
RoAA	Return on Average Assets
RoAE	Return on Average Equity
RWA	Risk Weighted Assets
SME	Small and medium-sized enterprises
SOE	State-owned enterprise
SPV	Special Purpose Entity
S&P	Standard & Poor's
UK	United Kingdom
USA	United States of America
USD	US dollar The currency of the United States of America
USSR	Union of Soviet Socialist Republics
VaR	Value-at-Risk

GLOSSARY

Accrued Interest

interest payments on loans that have been counted for the bank's financial statements, but has yet to be paid by the borrower. A low proportion of accrued interest in the balance sheet of a bank is preferable for a sound bank.

Capital Adequacy

is a regulatory measure of a bank's Total Capital in relation to its RWA. Regulators mandate a minimum level to ensure that banks can withstand potential losses.

Customs Union

an Economic Union between Russia, Kazakhstan and Belarus.

Loan to Deposit ratio

as the name implies, it takes the total loans divided by total bank deposits. It can be looked at using both gross and net loans, usually net loans is used. Most banks have a ratio in the 80-120% range. When the ratio is very high, it implies that the bank is funding itself from capital markets and other banks, rather than the more stable deposit base. If the ratio is very low, it probably means that the bank has a low return on assets, as loans tend to be some of the higher earning assets on a bank balance sheet.

Net Interest Margin

is calculated taking interest income, less interest expense, and dividing the result by the interest bearing assets. It is a measure of the profitability of the interest bearing assets.

Net Interest Spread

is calculated by taking interest income divided by interest bearing assets, and subtracting from this the interest expense divided by interest bearing liabilities. It is essentially a measure of the difference between the interest rate that the bank charges its customers and the interest rate the bank pays to fund itself.

Non Performing Loans

under most jurisdictions, this is the impaired loans that are more than 90 days overdue, taking the total amount of the loan, not just the overdue amount. The NPL ratio is the sum of the NPLs divided by the total loans. Under IFRS accrued interest on NPLs is also counted. Under Kazakhstan FMSC standards, only the loan amount is counted, though the criteria for determining NPLs is more restrictive than IFRS. A high NPL ratio is a concern for both the profitability, cash flow and solvency of a bank.

Return on Average Equity

is a measure of shareholder returns. It takes the net profit for a specific year, divided by the average shareholder equity during that year. It is known as a geared ratio, as it does not take into consideration the capital structure of a company, only the equity.

Return on Average Assets

is a measure of return on the whole capital structure. It takes the net profit for a specific year, divided by the average total assets during that year.

Risk Weighted Assets

different assets bear different risks. Regulators mandate specific risk weighting to specific asset classes (Government bonds have lower risk than corporate bonds, secured loans have lower risk than unsecured loans, non performing loans have higher risk than performing loans, etc.). The RWA is the sum of the risk adjusted assets.

Tier 1 Capital

is a regulatory measurement of capital which is compared to total assets or to RWA. It is the ordinary share capital, share premium, prior periods' retained earnings/accumulated losses and reserves created thereof, qualifying perpetual debt less intangible assets and current year losses.

Tier 2 Capital

is comprised of current year's income, revaluation reserves, qualifying subordinated liabilities and collective impairment allowance in the amount not exceeding 1.25% of risk-weighted assets.

Tier 3 Capital

includes subordinated liabilities not included into Tier 2 capital.

Total Capital

the sum of tier 1 capital, tier 2 capital (in the amount not exceeding tier 1 capital) and tier 3 capital (in the amount not exceeding 250% of the portion of tier 1 capital attributed to cover market risk) less investments into equity or subordinated debt if their total exceeds 10% of the total of tier 1 and tier 2 capital.

Value-at-Risk

is a widely used risk measure of the risk of loss on a specific portfolio of financial assets.

JOINT STOCK COMPANY EURASIAN BANK

Registered Address: 56, Kunayev Street, Almaty, 050002

General Banking License Number 237, issued on 28 December 2007

Brokerage and Dealing License Number 0401100623

Custodian Activity License Number 0407100189

BOND LISTINGS

ALL EXISTING BONDS ARE INCLUDED IN OFFICIAL LIST OF KASE

KASE TRADE CODE	NIN	ISIN
EUBNb4	KZPC1Y07C612	KZ2C00001170
EUBNb5	KZP02Y15C617	KZ2C00001188
EUBNb6	KZP03Y07C612	KZ2C00001196
EUBNb7	KZP04Y10C614	KZ2C00001204
EUBNb8	KZP01Y15D252	KZ2C00001212
EUBNb9	KZP02Y07D257	KZ2C00001220
EUBNb10	KZP03Y03D254	KZ2C00001568
EUBNb11	KZP04Y07D253	KZ2C00001915
EUBNb12*	KZP05Y08D258	KZ2C00002467
EUBNb13*	KZP06Y10D252	KZ2C00002475

*Securities were included in the list of KASE on 10.01.2014

CONTACT INFORMATION

Eurasian Bank Investor Relations

56, Kunayev Street
Almaty, 050002
Kazakhstan
Tel: +7 (727) 2445379
E-mail: investors@eubank.kz
www.eubank.kz

AUDITORS

KPMG Audit LLC

Koktem Business Centre
180, Dostyk Avenue
Almaty, 050051
Kazakhstan
Tel: +7 (727) 298 08 98
E-mail: company@kpmg.kz
www.kpmg.com

SECURITIES REGISTRAR

The Integrated Securities Registrar JSC

141, Abylay Khan Avenue
Almaty, 050000
Kazakhstan
Tel: +7 (727) 272 47 60
E-mail: info@tisr.kz
www.tisr.kz

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