Bank RBK JSC

Independent Auditor's Report and Financial Statements for the year ended 31 December 2013

BDO

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Statement of the Management's Responsibility for the Preparation of the Financial Statements for the year ended 31 December 2013

The Management presents the financial statements of Bank RBK JSC (hereinafter – "the Bank") for the year ended 31 December 2013.

Responsibility of the Bank's Management

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

The Management of the Bank prepares the financial statements for the year ended 31 December 2013 that fairly present in all significant aspects the financial position of the Bank as well as profits and losses for the corresponding period.

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

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

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

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

These financial statements were authorized for issue by 24 April 2014 and signed by the Board.

Zhakubayeva M.
Chairman of the Board

Dauletbekova A.
Chief Accountant

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Almaty city, 050036
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INDEPENDENT AUDITOR'S REPORT

To Shareholder and Board of Directors of Bank RBK JSC

Introduction

We have audited the accompanying financial statements of Bank RBK JSC (hereinafter "the Bank") as at 31 December 2013, which comprise the statement of financial position as at 31 December 2013 and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company 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.

Emphasis of Matter

We draw your attention to Note 29 to the financial statements describing subsequent events with respect to provision accrual after the reporting date. We do not qualify our opinion with regard to this issue.

Koshkimbayev A.E.
Certified Auditor of the Republic of Kazakhstan
Auditor Qualification Certificate No. 0000218 issued by the Republic of Kazakhstan Auditor Certification Commission on 18.12.1995

BDO Kazakhstanaudit LLP

General State Audit License No.0000276 issued on 24 June 2004 by Ministry of Finance of the Republic of Kazakhstan (Initial license No. 0000001 of Kazakhstanaudit Audit Company was re-issued due to change of the name to BDO Kazakhstanaudit LLP).

Koshkimbayev S.Kh.
Managing Partner
General Director
BDO Kazakhstanaudit LLP

April 24, 2014

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(in thousands of Tenge)	Notes	31 December 2013	31 December 2012
Assets			
Cash and cash equivalents	6	29 973 311	8 286 492
Due from other banks		470 298	9 346
Loans and advances to customers	7	143 246 719	65 332 872
Investment securities available for sale	8	46 110 289	12 612 385
Fixed assets	9	2 269 292	1 813 640
Other assets	10	703 570	610 846
Fixed assets		**222 773 479**	**88 665 581**
Liabilities			
Customer accounts	11	193 921 414	72 960 046
Bank accounts		40	-
Issued debt securities	13	7 055 362	-
Subordinated debt	13	5 036 377	-
Current income tax payable		-	15 547
Deferred tax liability		92 714	117 813
Other liabilities	12	316 599	188 374
Total liabilities		**206 422 506**	**73 281 780**
Equity			
Share capital	14	14 500 000	14 500 000
Other reserves/funds		257 281	416 193
Retained earnings		1 593 692	467 608
Total equity		**16 350 973**	**15 383 801**
Total liabilities and equity		**222 773 479**	**88 665 581**
Book Value Per Common Share	15	11 584	10 571
Book value per preferred share	15	10 000	10 000

Approved and signed on behalf of the Board 24 April 2013.

Zhakubayeva M.
Chairman of the Board

"Bank RBK" Банкі Акционерное общество "Банк RBK" Республикасы Казахстан BANKRBK

Dauletbekova A.
Chief Accountant

The notes set out on pages 10 to 51 form an integral part of these financial statements.

(in thousands of Tenge)	Notes	2013	2012
Interest income	16	15 725 509	6 457 428
Interes expense	16	(7 554 834)	(2 313 811)
Net interest income		**8 170 675**	**4 143 617**
Provision for loan impairment		(3 624 073)	(1 845 069)
Net interest income after provision for loan impairment		**4 546 602**	**2 298 548**
Fee and commission income	17	1 461 035	848 913
Fee and commission expense	17	(80 149)	(63 050)
Gains less losses from trading in foreign currencies	18	444 005	235 947
Net income from financial assets available-for-sale	19	76 577	82 877
Other operating income		188 517	119 046
Operating income		**6 636 587**	**3 522 281**
Administrative and other operating expenses	20	(4 944 825)	(3 059 112)
Provision for impairment of other assets		15 459	(40 336)
Profit before tax		**1 707 221**	**422 833**
Income tax expense	21	(186 182)	(22 246)
Profit for the year		**1 521 039**	**400 587**
Other comprehensive income			
Items which will not be reclassified subsequently to profit or loss.			
Income tax of other comprehensive income		29 142	(29 142)
Items that may be reclassified subsequently to profit or loss			
Fair value revaluation reserve of financial assets available for sale:			
- Net change in fair value		(146 432)	126 313
- Net change in fair value transferred to profit or loss		(76 577)	(82 877)
		(223 009)	43 436
Other comprehensive income/(expense) for the period		**(193 867)**	**14 294**
Total comprehensive income for the period		**1 327 172**	**414 881**
Based and diluted earnings per share on the profit attributable to Bank's owners (tenge per share)	15	1 215	68
Weighted average number of shares		1 000 000	598 462

Zhakubayeva M.
Chairman of the Board

Dauletbekova A.
Chief Accountant

The notes set out on pages 10 to 51 form an integral part of these financial statements.

(in thousands of Tenge)	Share capital	Reserve capital	Revaluation reserve for fixed assets	Revaluation reserve for securities	Retained earnings	Total
Balance at 31 December 2011	**5 000 000**	**99 086**	**266 368**	**16 370**	**87 096**	**5 468 920**
Profit for the year	-	-	-	-	400 587	400 587
Financial assets available for sale:	-	-	-	-	-	-
Net change in fair value:	-	-	-	126 313	-	126 313
Net change in fair value transferred to profit or loss:	-	-	-	(82 877)	-	(82 877)
Income tax relating to components of other comprehensive income	-	-	-	(29 142)	-	(29 142)
Total comprehensive income:	-	-	-	**14 294**	**400 587**	**414 881**
Share issue:	9 500 000	-	-	-	-	9 500 000
Mandatory reserve:	-	22 633	-	-	(22 633)	-
Realised revaluation reserve			(2 558)		2 558	-
Balance at 31 December 2012	**14 500 000**	**121 719**	**263 810**	**30 664**	**467 608**	**15 383 801**
Profit for the period	-	-	-	-	1 521 039	1 521 039
Other comprehensive income	-	-	-	-	-	-
Financial assets available for sale:	-	-	-	-	-	-
Net change in fair value:	-	-		(146 432)	-	(146 432)
Net change in fair value transferred to profit or loss:	-	-	-	(76 577)	-	(76 577)
Change in income tax with regard to other comprehensive income components	-	-	-	29 142	-	29 142
Total comprehensive income	-	-	-	**(193 867)**	**1 521 039**	**1 327 172**
Mandatory reserve:	-	40 587	-	-	(40 587)	-
Payment of dividends	-	-		-	(360 000)	**(360 000)**
Realized revaluation provision			(5 632)		5 632	-
Balance at 31 December 2013	**14 500 000**	**162 306**	**258 178**	**(163 203)**	**1 593 692**	**16 350 973**

Zhakubayeva M.
Chairman of the Board

Dauletbekova A.
Chief Accountant

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(in thousands of Tenge)	2013	2012
Cash flows from operating activities		
Interest received	13 301 808	4 801 713
Interest paid	(7 414 412)	(1 999 939)
Fees and commissions received	1 504 079	873 258
Fees and commissions paid	(78 381)	(63 050)
Net income from foreign currency transactions	406 086	235 947
Net income from financial assets available-for-sale	76 577	82 877
Other operating income received	166 574	119 046
Administrative and other operating expenses	(4 635 363)	(2 968 947)
Cash flows from/(used in) operating activities before changes in operating assets and liabilities	**3 326 968**	**1 080 905**
(Increase)/decrease operating assets		
Due from other banks	(458 771)	(7 463)
Loans and advances to customers	(79 012 143)	(49 773 622)
Amounts receivable under reverse REPO	-	4 933 001
Other financial assets	308 340	144 638
Increase/(decrease) operating liabilities		
Customer accounts	120 546 181	39 538 069
Bank accounts	40	-
Accounts payable from REPO	-	(96 001)
Other liabilities	(33 701)	101 980
Net cash from/(used in) operating activities before income tax paid	**44 676 914**	**(4 078 493)**
Income tax paid	(363 619)	-
Net cash from/(used in) operating activities	**44 313 295**	**(4 078 493)**
Cash flows from investing activities		
Acquisition of investment securities available-for-sale	(49 372 451)	(23 760 957)
Revenue from sales and repayment of investment securities available for sale	15 951 824	20 862 556
Acquisition of fixed assets and intangible assets	(889 898)	(775 963)
Net cash from/(used in) investing activities	**(34 310 525)**	**(3 674 364)**
Cash flows from financing activities		
Shares issuance	-	9 500 000
Subordinated debt	4 959 278	-
Issued debt securities	6 963 707	-
Dividends	(360 000)	-
Net cash from financing activities	**11 562 985**	**9 500 000**
Effect of exchange rate changes on cash and cash equivalents	121 064	19 905
Net increase in cash and cash equivalents	**21 686 819**	**1 767 048**
Cash and cash equivalents at the beginning of the year	8 286 492	6 519 444
Cash and cash equivalents at the end of the year	**29 973 311**	**8 286 492**

Zhakubayeva M.
Chairman of the Board

BANKRBK

Dauletbekova A.
Chief Accountant

1. Introduction

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

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

In 2013 there were changes in shareholding structure. The list of the shareholders owning 5 and more percent of total placed ordinary shares as of 31 December 2013 and 31 December 2012 presented below:

Shareholders	31 December 2013 Share, %	31 December 2013 Share of the beneficial owner, %	31 December 2012 Share, %	31 December 2012 Share of the beneficial owner, %
Farid Lyukhudzyaev	11,0%		11,0%	
Zhauarova G.K.	11,0%		-	
Utepbergenov M.M.	9,0%		-	
INTERTRANS C.A.,LLP	8,9%		9,0%	
Khamitova A.R.		100%		100%
VELTON, LLP	8,9%		8,9%	
Nurlybaev M.M.		100%		100%
Kim G.S.	8,4%		8,4%	
Dzhumayev T.T.	8,3%		8,3%	
Mamedov E.V.	8,3%		8,3%	
Mazhitov D.A.	5,2%		-	
NORTH WIND, LLP	3,8%		7,0%	
Yelgeldin Z. M.	-		9,0%	
GEFEST KOMMERZ, LLP	-		7,8%	
Others with a share of less than 5%	17,2%		22,3%	
Total	**100%**		**100%**	

The list of the shareholders owning 5 and more percent from total of placed preference shares as of 31 December 2013 and 31 December 2012 presented below:

Shareholders	31 December 2013 Share, %	31 December 2012 Share, %
CITY GARANT INVESTMENTS, LLP	44,2%	44,3%
VELTON, LLP	22,2%	22,2%
NORTH WIND, LLP	11,1%	11,1%
ALEMTRADINGKOMMERZ, LLP	11,1%	11,1%
GEFEST KOMMERZ, LLP	-	11,1%
Others with a share of less than 5%	11,4%	0,2%
Total	**100%**	**100%**

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

1. Introduction (continued)

Number of the Bank's employees as at 31 December 2013 was 673 (31 December 2012: 537). As at 31 December 2013 the Bank had 6 branches (2012: 5 branches) and 7 offices in Almaty city (2012: 5 departments).
The Bank's registered address is: Adi Sharipov street 84, Almaty, Republic of Kazakhstan.

2. Economic Environment in which the Bank Operates

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

3. Basis of Preparation of Financial Statements

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

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

Functional and Presentation Currency

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

Tenge is also the presentation currency of these financial statements.

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

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

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

4. Summary of Significant Accounting Policies

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

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

4. Summary of Significant Accounting Policies (continued)

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

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

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

Financial instruments

Classification of Financial Instruments

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

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

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

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

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

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

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

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4. Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

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

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

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

- loans and receivables measured at amortised cost using the effective interest method;
- held-to-maturity investments measured at amortised cost using the effective interest method;
- investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Such instruments are recognised in non-consolidated financial statements at actual costs.

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

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

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

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

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

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

4. Summary of Significant Accounting Policies (continued)

Financial instruments (continued)

***Gains and Losses Arising from Subsequent Revaluation* (continued)**

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

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

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

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

REPO and Reverse REPO

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

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

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

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

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

Premises of the Bank are subject to revaluation with sufficient frequency to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. They were last revalued in 2009. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognized in other comprehensive income and decrease the previously recognized revaluation surplus in equity; all other decreases are charged to profit and loss for the year.

4. Summary of Significant Accounting Policies (continued)

Fixed assets (continued) The revaluation reserve for fixed assets included in equity is transferred directly to retained earnings when the surplus is realised, i.e. either on the retirement or disposal of the asset, or as the asset is used by the Bank. In the latter case, the amount of the surplus realised is the difference between depreciation based on the revaluated carrying amount of the asset and depreciation based on the asset's original cost.

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

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

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

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

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

Item	**31 December 2013**	**31 December 2012**
Buildings	50 years	100 years
Constructions	10 years	100 years
Computer facility	5 years	5 years
Transport	7 years	10 years
Other assets	2-14 years	2-14 years
Intangible assets, including:		
Licensed software	5 years	5 years
Other intangible assets	3 years	5 years

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

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

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

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

4. Summary of Significant Accounting Policies (continued)

Impairment

Financial assets carried at amortised cost. Financial assets carried at amortised cost include primarily loans and other receivables (hereinafter "loans and receivables"). The Bank reviews loans and receivables for impairment on a regular basis.

***Financial assets carried at amortised cost* (continued)** A loan or account receivable is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan or account receivable (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the loan that can be reliably estimated.

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies (continued)

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

Available-for-sale financial assets. The impairment loss on available-for-sale financial assets is recognised by reclassifying the cumulative loss that had been recognised in other comprehensive income to profit or loss as a reclassification adjustment.

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

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

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

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

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

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

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

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

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

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

4. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

Pension Obligations

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

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

5. New Standards and Interpretations Not Yet Effective

During the year the Bank adopted the following new and revised IFRSs, adoption whereof had no significant impact on the Bank's financial position or performance.

IFRS 13 ***Fair Value Measurement***

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

IFRS 13 also provides fair value disclosure requirements replacing current disclosure requirements contained in other IFRSs, including IFRS 7 Financial Instruments: Disclosures.

IAS 27 ***Separate Financial Statements***

The issue of new standards, IFRS 10 and IFRS 12, resulted in IAS 27 (Revised) being limited to accounting of subsidiaries, jointly controlled entities and associates in separate financial statements.

IAS 1 ***Presentation of Items of Other Comprehensive Income – Amendments to IAS 1***

5. New Standards and Interpretations Not Yet Effective (continued)

The amendments to IAS 1 introduce a grouping of items presented in OCI. Items that will be reclassified ('recycled') to profit or loss at a future point in time (e.g., net loss or gain on AFS financial assets) have to be presented separately from items that will not be reclassified (e.g., revaluation of land and buildings). The amendments affect presentation only and have no impact on the Bank's financial position or performance.

IFRS 7 *Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities -*

Amendments to IFRS 7

The amendment requires an entity to disclose information about rights to set-off financial instruments and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 *Financial Instruments: Presentaton*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether the financial instruments are set off in accordance with IAS 32.

IAS 34 *Interim financial reporting and segment information for total assets and liabilities* (Amendment)

The amendment brings IAS 34 in compliance with IFRS 8 *Operating Segments*. Total assets and liabilities for a reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total amount disclosed in the Bank's previous annual financial statements for that reportable segment. The Bank provides this disclosure as total segment assets were reported to the chief operating decision maker (CODM). However, the amendment does not affect disclosures, as the Bank previously disclosed total segment liabilities.

Standards and Interpretations to current standards effective for reporting periods beginning on or after 1 January 2013, not applicable to the Bank activities.

- IFRS 10 *Consolidated Financial Statements*
- IFRS 11 *Joint Arrangements*
- IFRS 12 *Disclosure of Interests in Other Entities*
- IAS 28 *Investments in Associates and Joint Ventures*
- Amendments to IFRSs 10, 11 and 12 on transition guidance
- Amendment to IAS 19 *Employee Benefits*.

A number of new standards, amendments and interpretations are not yet effective as at 31 December 2013, and were not adopted at preparation of these financial statements. New standards and interpretations below may potentially have an impact on the Bank's activities. The Bank plans to adopt those standards, amendments and interpretations once they are effective.

The Bank has not yet analyzed possible consequences of introducing new standards in the context of their impact on the Bank's financial position and performance, and, accordingly, has not adopted them early:

IFRS 9 Financial Instruments

The standard comes into effect for annual reporting periods beginning on or after 1 January 2015. The standard shall be released in several phases, and eventually replace IAS 39 *Financial Instruments: Recognition and Measurement*. The first phase regarding recognition and measurement of financial assets was completed in November 2009. The second phase regarding classification and measurement of financial liabilities was published in October 2010. The Bank admits that the new standard introduces number of changes into accounting of financial instruments, and probably shall have significant effect on the Bank's financial statements.

5. New Standards and Interpretations Not Yet Effective (continued)

The Bank will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. The Bank has no intention to adopt the standard early.

Amendments to IFRS (IAS) 32 Financial Instruments: Presentation -" Offsetting Financial Assets and Financial Liabilities"

The amendments do not establish new rules regarding offsetting financial assets and liabilities, but specify criteria for offset, to settle the issue of their discrepancy in application. Amendments specify that the entity currently a legally enforceable right to set-off if this right does not depend on future events, and also is valid both in the course of ordinary business, and in case of non-performance of liabilities (default), insolvency or bankruptcy of the entity and all its contractors. Amendments are subject to retrospective application concerning annual reporting periods beginning on or after 1 January 2014.

Recoverable Amount Disclosures for Non-Financial Assets* – Amendments to IAS 36 *Impairment of Assets

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after 1 January 2014 with earlier application permitted, provided IFRS 13 is also applied.

Financial Instruments: Recognition and Measurement Amendment to IAS 39 'Novation of derivatives'

This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counter party meets specified criteria.

Various "Improvements to IFRS" are considered in relation to each standard separately. All amendments leading to changes in keeping accounting records for representation, recognitions or measurement purposes, come into force not earlier than 1 January 2014. The Bank did not analyse possible effect of improvements on its financial position or performance.

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

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

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

Comparative information

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

Statement of changes in equity 31 December 2012 *(in thousands of Tenge)*	**In accordance with the previous classification**	**Effect of reclassification**	**After reclassification**
Reserve capital	121 021	698	121 719
Retained earnings	468 306	(698)	467 608
	589 327	-	**589 327**

6. Cash and Cash Equivalents

(in thousands of Tenge)	31 December 2013	31 December 2012
Cash on hand	**7 779 567**	**2 759 373**
Cash balances with NBRK	**15 360 537**	**3 212 977**
Term deposits (overnight)		
- with a credit rating "BBB"	-	248 102
Total term deposits	**-**	**248 102**
Accounts of the "Nostro" with other banks		
- with a credit rating "A+" to "A-"	6 256 066	1 936 803
- with a credit rating "BBB" to "BBB-"	80 094	34 541
- with a credit rating "BB" to "BB-"	216 744	93 578
- with a credit rating "B+" to "B-"	280 303	1 118
Totals of accounts of the "Nostro" with other banks	**6 833 207**	**2 066 040**
Total cash and cash equivalents	**29 973 311**	**8 286 492**

As at 31 December 2013 statutory provisions included to RK National Bank account balances amounted to KZT 3 864 964 thousand (31 December 2012: KZT 1 698 494 thousand).

Credit ratings are presented in accordance with Fitch rating agency scale.

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

As of 31 December 2013 the Bank has share in bank which individually exceeded 10% of the capital with total balance of KZT 4 681 163 thousand (31 December 2012 - 1 bank with the remainder of KZT 1 891 377 thousand).

7. Loans and Advances to Customers

(in thousands of Tenge)	31 December 2013	31 December 2012
Corporate loans	119 173 227	57 963 629
Loans to individuals	29 030 075	9 374 829
Loans and advances to customers before allowance for impairment	**148 203 302**	**67 338 458**
Provision for loan impairment	(4 956 583)	(2 005 586)
Total loans and advances to customers	**143 246 719**	**65 332 872**

Below is the analysis of changes in provision for impairment by classification of loans to customers for the year ended 31 December 2013:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total
At January 1, 2013	**(1 788 613)**	**(216 973)**	**(2 005 586)**
Net creation of reserves	(3 236 441)	(387 632)	(3 624 073)
Debt relief through provisions	755 537	-	755 537
Repayment of loans previously written off as a loss	(71 500)	-	(71 500)
Exchange rate difference	(12 095)	1 134	(10 961)
Provision for loan impairment at December, 31 2013	**(4 353 112)**	**(603 471)**	**(4 956 583)**

7. Loans and Advances to Customers (continued)

Changes in provision for impairment by classification of loans to customers for the year ended 31 December 2012 are as follows:

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

Below is the analysis of loans by credit quality as at 31 December 2013:

(in thousands of Tenge)	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Impairment-to-loans before impairment rate, %
Loans to large entities				
Individually impaired loans				
- not overdue	1 324 735	(467 944)	856 791	35,32%
Total Individually impaired loans	**1 324 735**	**(467 944)**	**856 791**	**35,32%**
Collectively impaired loans				
- not overdue	57 621 546	(516 307)	57 105 239	0,90%
- past due less than 30 days	514 939	(206)	514 733	0,04%
- past due from 30 to 90 days	482 325	(193)	482 132	0,04%
- past due from 91 to 180 days	194 763	(4 265)	190 498	2,19%
Total collectively impaired loans	**58 813 573**	**(520 971)**	**58 292 602**	**0,89%**
Total loans to large entities	**60 138 308**	**(988 915)**	**59 149 393**	**1,64%**
Loans to small and medium entities				
Individually impaired loans				
- past due less than 30 days	1 955 994	(575 379)	1 380 615	29,42%
- past due from 91 to 180 days	773 404	(252 663)	520 741	32,67%
- past due from 181 to 360 days	1 746 576	(1 181 211)	565 365	67,63%
- past due more than 360 days	806 358	(806 358)	-	100%
Total individually impaired loans	**5 282 332**	**(2 815 611)**	**2 466 721**	**53,30%**
Collectively impaired loans				
- not overdue	51 214 598	(521 833)	50 692 765	1,02%
- past due to 30 days	768 872	(13 637)	755 235	1,77%
- past due from 30 to 90 days	574 114	(12 042)	562 072	2,10%
- past due from 91 to 180 days	1 195 003	(1 074)	1 193 929	0,09%
Total collectively impaired loans	**53 752 587**	**(548 586)**	**53 204 001**	**1,02%**
Total loans to small and medium entities	**59 034 919**	**(3 364 197)**	**55 670 722**	**5,70%**
Total corporate loans	**119 173 227**	**(4 353 112)**	**114 820 115**	**3,65%**

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7. Loans and Advances to Customers (continued)

The analysis of loans by credit quality as at 31 December 2013 (continued)

(in thousands of Tenge)	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Impairment-to-loans before impairment rate, %
Consumer and other loans to individuals				
Individually impaired loans				
- past due from 30 to 90 days	207 801	(207 801)	-	100%
Total individually impaired loans	**207 801**	**(207 801)**	**-**	**100%**
Collectively impaired loans				
- not overdue	26 556 164	(34 522)	26 521 642	0,13%
- past due less than 30 days	1 008 663	(1 535)	1 007 128	0,15%
- past due from 30 to 90 days	668 363	(27 252)	641 111	4,08%
- past due from 91 to 180 days	285 432	(44 914)	240 518	15,74%
- past due from 181 to 360 days	253 234	(237 029)	16 205	93,60%
- past due more than 360 days	50 418	(50 418)	-	100%
Total collectively impaired loans	**28 822 274**	**(395 670)**	**28 426 604**	**1,37%**
Total consumer and other loans to individuals	**29 030 075**	**(603 471)**	**28 426 604**	**2,08%**

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

(in thousands of Tenge)	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Impairment-to-loans before impairment rate, %
Loans to large entities				
Individually impaired loans	-	-	-	-
Collectively impaired loans	**4 911 042**	**(21 147)**	**4 889 895**	**0,4%**
Total loans to large entities	**4 911 042**	**(21 147)**	**4 889 895**	**0,4%**
Loans to small and medium entities				
Individually impaired loans				
- not overdue	20 497 642	(88 161)	20 409 481	0,4%
- past due less than 30 days	571 221	(571 221)	-	100%
- past due from 30 to 90 days	3 456	(3 456)	-	100%
- past due from 91 to 180 days	849 463	(827 205)	22 258	97,4%
- past due from 181 to 360 days	156 649	(144 165)	12 484	92,0%
Total individually impaired loans	**22 078 431**	**(1 634 207)**	**20 444 224**	**7,40%**
Collectively impaired loans				
- not overdue	30 974 156	(133 258)	30 840 897	0,43%
Total collectively impaired loans	**30 974 156**	**(133 258)**	**30 840 897**	**0,43%**
Total loans to small and medium entities	**53 052 587**	**(1 767 465)**	**51 285 121**	**3,33%**
Total corporate loans	**57 963 629**	**(1 788 613)**	**56 175 016**	**3,09%**

7. Loans and Advances to Customers (continued)

The analysis of loans by credit quality as at 31 December 2012 (continued)

(in thousands of Tenge)	Loans before provision for impairment	Provision for impairment	Loans net of provision for impairment	Impairment-to-loans before impairment rate, %
Consumer and other loans to individuals				
Individually impaired loans				
- not overdue	156 551	(156 551)	-	100%
- past due from 30 to 90 days	9 854	(9 854)	-	100%
- past due from 91 to 180 days	28 550	(28 550)	-	100%
- past due from 181 to 360 days	7 615	(7 615)	-	100%
- past due more than 360 days	539	(539)	-	100%
Total individually impaired loans	**203 109**	**(203 109)**	-	**100%**
Collectively impaired loans				
- not overdue	8 963 789	(13 547)	8 950 242	0,15%
- past due less than 30 days	178 891	(275)	178 616	0,15%
- past due from 30 to 90 days	28 727	(42)	28 685	0,15%
- past due more than 360 days	313	-	313	0%
Total collectively impaired loans	**9 171 720**	**(13 864)**	**9 157 856**	**0,15%**
Total consumer and other loans to individuals	**9 374 829**	**(216 973)**	**9 157 856**	**2,31%**

The following is information on collateral as at 31 December 2013:

(in thousands of Tenge)	Corporate loans	Loans to individuals	Total	%
Unsecured loans	**336 259**	**1 686 249**	**2 022 508**	**1,4%**
Loans collateralised by:				
- assets coming in the future from contracts	9 778 635	-	9 778 635	6,6%
- real estate	20 239 757	21 961 615	42 201 372	28,5%
- third party guarantees	28 162 228	3 350 408	31 512 636	21,3%
- goods in circulation and goods coming in the future	5 842 658	-	5 842 658	3,9%
- cash	3 699 678	1 533 999	5 233 677	3,5%
- combined provision	3 197 210	72 684	3 269 894	2,2%
- transport	34 656	239 366	274 022	0,2%
- other assets	47 882 146	185 754	48 067 900	32,4%
Total loans and advances to customers	**119 173 227**	**29 030 075**	**148 203 302**	**100%**

As at 31 December 2013 total cash collateral on corporate loans amounted to KZT 4 732 973 thousand, on loans to individuals – KZT 1 420 438 thousand.

7. Loans and Advances to Customers (continued)

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

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

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

(in thousands of Tenge)	31 December 2013		Individuals	
	Amount	%	Amount	%
Wholesale and retail trade	42 590 335	29%	20 435 602	30%
Individuals	29 030 075	20%	9 374 829	14%
Processing industry	20 496 589	14%	3 956 477	6%
Transport, warehousing	9 572 618	6%	5 492 394	8%
Other professional, scientific and technical activities	8 884 971	6%	3 727 163	6%
Mining industry	8 523 150	6%	1 108 048	2%
Construction	7 434 437	5%	11 092 347	16%
Agriculture, forestry and fishery	4 471 790	3%	3 893 114	6%
Financial and insurance services	4 111 203	3%	3 089 483	5%
Real estate operations	3 261 931	2%	583 486	1%
Administration and support services	2 330 635	2%	2 050 918	3%
Information and communication	904 870	1%	977 820	1%
Accommodation and meals	637 532	0%	246 944	0%
Public health and social service	666 191	0%	217 583	0%
Electric power supply, gas supply and air conditioning	100 325	0%	769 710	1%
Education	31 218	0%	32 653	0%
Arts, entertainment and leisure activities	15 802	0%		0%
Other industries	5 139 630	3%	289 887	0%
Total credits and advances to customers (before provision for impairment of loan portfolio)	**148 203 302**	**100%**	**67 338 458**	**100%**

As at 31 December 2012 changes in the RK National Bank Guidebook Type of Economic Activities led to change in grouping of the Bank's loan portfolio by economy sectors.

(in thousands of Tenge)	31 December 2013		31 December 2012	
	Amount	%	Amount	%
Loans to individuals				
Consumer loans	25 737 572	89%	8 431 363	90%
Mortgages	3 136 181	11%	857 780	9%
Auto loans	156 322	1%	85 686	1%
Total loans to individuals	**29 030 075**	**100%**	**9 374 829**	**100%**

7. Loans and Advances to Customers (continued)

As at 31 December 2013 the Bank has 18 borrowers or groups of related borrowers (31 December 2012: 11), the loans whereof are of more than 10% of the capital. Total loan balances of borrowers specified as at 31 December 2013 was KZT 59 820 580 thousand (31 December 2012: KZT 22 091 522 thousand).

In the review for impairment of loans and advances paid to the clients the Bank uses the following key assumptions and judgements:

- Within the loan portfolio, loans that are individually significant (amount of debt exceeding KZT 1 000 000 thousand – for legal entities, exceeding KZT 200 000 thousand - for individuals) are identified, which are considered on a loan-by-loan basis for impairment provisioning purposes.
- Individually insignificant impaired borrowings of legal entities are considered on a loan-by-loan basis.
- Loans that are not individually significant for which there is no impairment evidence are grouped by credit risk profiles and are together reviewed for impairment.
- Clients are reviewed by corporate (industry) and retail accounts.
- For impairment identification purposes, the Bank performs a complex analysis of corporate client financial positions. Where there is no objective evidence of impairment, individually significant loans would be reviewed using a collective impairment rate of a group with similar credit risk portfolio.
- Collective impairment rate is calculated by reference to the Bank's historical data with the use of Roll Rate model.

The interest rate analysis of customer accounts is disclosed in Note 23. The relevant information on related parties is disclosed in Note 28.

8. Financial Assets Available-for-Sale

(in thousands of Tenge)	31 December 2013	31 December 2012
Government securities of RK		
Government securities of the Ministry of Finance of the Republic of Kazakhstan	34 705 664	7 425 242
NBRK notes	1 999 308	994 687
Securities of SOVEREIGN WEALTH FUND "SAMRUK KAZYNA" JSC	303 585	304 840
Total government securities of RK	**37 008 557**	**8 724 769**
Government securities of foreign states		
Securities of international financial institutions	1 937 845	214 687
Securities of foreign states	1 682 622	646 150
Total government securities of foreign states	**3 620 467**	**860 837**
Corporate bonds	**5 481 265**	**3 026 779**
Total debt securities	**46 110 289**	**12 612 385**

8. Financial Assets Available-for-Sale (continued)

Below is the analysis of debt securities by credit quality as at 31 December 2013:

(in thousands of Tenge)	Government securities of the MF RK	NBRK notes	Securities of SWF "SAMRUK KAZYNA" JSC	Securities of international financial institutions	Securities of foreign states	Corporate bonds	Total
Neither past due nor impaired							
Fitch Ratings: "AAA"	-	-	-	939 772	-	-	939 772
Fitch Ratings: "BBB"	-	-	-	-	-	2 135 230	2 135 230
Fitch Ratings: "BBB-"	-	-	-	-	-	329 891	329 891
Moody's: "Baa1"	-	-	-	-	1 682 622	1 010 802	2 693 424
Moody's: "Baa3"	-	-	-	-	-	1 531 105	1 531 105
Moody's: "A3"	-	-	-	998 073	-	-	998 073
Moody's: "Ba3"	-	-	-	-	-	474 237	474 237
Standard & Poor's: "BBB+"	34 705 664	1 999 308	303 585	-	-	-	37 008 557
Total neither past due nor impaired	**34 705 664**	**1 999 308**	**303 585**	**1 937 845**	**1 682 622**	**5 481 265**	**46 110 289**

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

(in thousands of Tenge)	Government securities of the MF RK	NBRK notes	Securities of SWF "SAMRUK KAZYNA" JSC	Securities of international financial institutions	Securities of foreign states	Corporate bonds	Total
Neither past due nor impaired							
Standard & Poor's: "AAA"	-	-	-	164 400	-	-	164 400
Standard & Poor's: "A-"	-	-	-	50 287	-	-	50 287
Standard & Poor's: "BBB+"	7 425 242	994 687	304 840	-	-	-	8 724 769
Standard & Poor" s: "BBB"	-	-	-	-	646 150	1 658 630	2 304 780
Standard & Poor's: "BBB-"	-	-	-	-	-	877 971	877 971
Moody's Investors Service: "Ba3"	-	-	-	-	-	490 178	490 178
Total neither past due nor impaired	**7 425 242**	**994 687**	**304 840**	**214 687**	**646 150**	**3 026 779**	**12 612 385**

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9. Fixed and Intangible Assets

As at 31 December 2013 and 2012 Property, Plant and Equipment comprise fully depreciated for the amount of KZT 45 544 thousand and KZT 23 632 thousand respectively.

(in thousands of Tenge)	Premises and land	Computer equipment	Vehicles	Equipment and other	Capital repairs of leased fixed assets	Fixed assets under construction and leased buildings	Total fixed assets	Intangible assets	Total
Cost or valuation at 31 December 2011	**650 948**	**82 820**	**5 100**	**227 535**	**47 373**	**126 052**	**1 139 828**	**67 618**	**1 207 446**
Additions	2 572	69 986	148 729	208 254	113 557	79 690	622 788	233 642	**856 430**
Disposals	-	(3 662)	(1 540)	(12 038)	-	-	(17 240)	(520)	**(17 760)**
Transfer	-	-	-	-	55 636	(126 052)	(70 416)	70 416	-
Cost or valuation at 31 December 2012	**653 520**	**149 144**	**152 289**	**423 751**	**216 566**	**79 690**	**1 674 960**	**371 156**	**2 046 116**
Additions	-	38 853	128 816	161 590	-	456 386	785 645	9 598	**795 243**
Disposals	-	(697)	-	(14 657)	-	-	(15 354)	(41)	**(15 395)**
Transfer	360	4 174	-	184 410	307 416	(515 995)	(19 635)	19 634	**(1)**
Cost or valuation at 31 December 2013	**653 880**	**191 474**	**281 105**	**755 094**	**523 982**	**20 081**	**2 425 616**	**400 347**	**2 825 963**
Accumulated amortisation at 31 December 2011	**(11 500)**	**(15 391)**	**(43)**	**(28 583)**	**(1 680)**	-	**(57 197)**	**(20 868)**	**(78 065)**
Amortisation charge	(6 370)	(22 376)	(9 505)	(52 339)	(39 143)	-	(129 733)	(37 880)	**(167 613)**
Disposals	-	3 120	15	9 679	-	-	12 814	388	**13 202**
Accumulated amortisation at 31 December 2012	**(17 870)**	**(34 647)**	**(9 533)**	**(71 243)**	**(40 823)**	-	**(174 116)**	**(58 360)**	**(232 476)**
Amortisation charge	(14 473)	(34 361)	(30 024)	(135 227)	(48 560)	-	(262 645)	(74 674)	**(337 319)**
Disposals	-	557	-	12 526	-	-	13 083	41	**13 124**
Accumulated amortisation at 31 December 2013	**(32 343)**	**(68 451)**	**(39 557)**	**(193 944)**	**(89 383)**	-	**(423 678)**	**(132 993)**	**(556 671)**
Carrying amount at 31 December 2012	**635 650**	**114 497**	**142 756**	**352 508**	**175 743**	**79 690**	**1 500 844**	**312 796**	**1 813 640**
Carrying amount at 31 December 2013	**621 537**	**123 023**	**241 548**	**561 150**	**434 599**	**20 081**	**2 001 938**	**267 354**	**2 269 292**

10. Other Assets

(in thousands of Tenge)	31 December 2013	31 December 2012
Financial assets		
Investments	100 030	100 030
Receivables on guarantees and documentary settlements	-	346 698
Interest on deposits prepaid	47 702	84 207
Other financial assets	107 695	36 891
Provision for impairment	(24 874)	(39 329)
Total other financial assets	**230 553**	**528 497**
Non-financial assets		
Prepayments for goods and services	199 072	14 763
Prepayments for the services of a capital nature	93 774	20 874
Inventories	8 919	31 808
Other non-financial assets	171 352	15 911
Provision for impairment	(100)	(1 007)
Total other non-financial assets	**473 017**	**82 349**
Total other assets	**703 570**	**610 846**

The analysis of changes in provisions is as follows:

(in thousands of Tenge)	Financial Assets	Other Assets	Total
At 1 January, 2013	**(39 329)**	**(1 007)**	**(40 336)**
Net creation of reserves	14 552	907	15 459
Effect of difference in rates of exchange	(97)	-	(97)
Provision for impairment of other assets at 31 December 2012	**(24 874)**	**(100)**	**(24 974)**

11. Customer Accounts

(in thousands of Tenge)	31 December 2013	31 December 2012
State and public organisations		
- Current/settlement accounts	38 058 757	3 493 167
- Term deposits	34 813 912	7 472 777
- Deposits which are collateral for liabilities	463 792	560 184
Other legal entities		
- Current/settlement accounts	34 740 926	17 655 196
- Term deposits	36 651 790	17 798 234
- Deposits which are collateral for liabilities	15 341 187	9 382 090
- Other deposits	6 005	31 792
Individuals		
- Current/demand accounts	1 775 818	359 913
- Term deposits	30 333 384	14 816 879
- Deposits which are collateral for liabilities	1 733 566	1 389 814
- Other deposits	2 277	-
Total customer accounts	**193 921 414**	**72 960 046**

As at 31 December 2013, the Bank had 19 customers with balances over 10% of the Bank's capital (31 December 2012: 11). Total balance of those customers was KZT 110 163 830 thousand (31 December 2012: KZT 36 090 321 thousand).

12. Other liabilities

(in thousands of Tenge)	31 December 2013	31 December 2012
Financial liabilities		
Accounts payable	53 847	46 383
Other financial liabilities	29 284	34 501
Total other financial liabilities	**83 131**	**80 884**
Non-financial liabilities		
Accrued vacation payments reserve	145 700	54 281
Prepayments on goods and services	16 978	22 025
Prepayments on capital expenditures	558	22 313
Other non-financial liabilities	70 232	8 871
Total non-financial liabilities	**233 468**	**107 490**
Total other liabilities	**316 599**	**188 374**

13. Debt securities issued and subordinated loans

Committee for the control and supervision of the financial market and financial organizations of the NBRK registered first and second bond issue of subordinated bonds within the first bond program of the Bank in 15 March 2013.

As of 31 December 2013, bank issued unsecured bonds in the amount of 6 970 000 thousands of tenge, with a maturity of 3 years. In addition, bank issued subordinated debentures in the amount of 4 962 230 thousands of tenge with the maturity of 7 years.

These bonds have a nominal interest rate of 8.0% - 9.5% per annum for coupon bonds and subordinated bonds, respectively. Discounts and accrued interests considered, unsecured bonds are in the amount of 7 055 362 thousands of tenge, and subordinated debentures are 5 036 377 thousands of tenge.

In December the Bank declared the third issue of bonds within the first bond program in the amount of KZT 8 000 000 thousand

(in thousands of Tenge)	31 December 2013	31 December 2012
Subordinated debt		
Issued Subordinated debt securities	5 036 377	-
Subordinated debt	**5 036 377**	-

14. Share Capital

Below is the structure of the share capital as at 31 December 2013 and 31 December 2012:

(In thousands of Tenge except for number of shares)	Number of outstanding shares (in thousands)	Common Stock	Preferred Stock
At 1 January 2012	500 000	5 000 000	-
Shares issuance	950 000	5 000 000	4 500 000
At 31 December 2012	**1 450 000**	**10 000 000**	**4 500 000**
Shares issuance	-	-	-
At 31 December 2013	**1 450 000**	**10 000 000**	**4 500 000**

As at 31 December 2013 and 31 December 2012, the authorised share capital of the Bank made 1 000 000 of ordinary and 450 000 of preference shares. As at the reporting date, ordinary shares were paid for the amount of KZT 10 000 000 thousand, and preference shares – for the amount of KZT 4 500 000 thousand.

As at 31 December 2013 and 2012 the nominal value of one ordinary share with one-vote right was KZT 10 000. The nominal value of one preference share was KZT 10 000 as well.

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14. Share Capital (continued)

Dividends

In the reporting period, dividends of KZT 360 000 thousand at the rate of KZT 800 per preference share were declared and paid.

Reserve fund

According to current legislation and NBRK rules, at the formation date of obligatory reserve fund, the Bank transferred retained earnings to reserve fund. During the period ended 31 December 2013 the Bank transferred KZT 40 587 thousand to reserve fund (period ended 31 December 2012: KZT 22 633 thousand). In 2013 due to modification of NBRK legislative acts, NBRK rules requiring obligatory formation of reserve fund became invalid.

According to current legislation the Bank formed dynamic reserves of KZT 638 061 thousand.

15. Earnings per Share

Carrying amount (book value) per common share and preferred share is calculated by the Bank in accordance with Appendix 6 to the Listing Rules approved by the Exchange Council of Kazakhstan Stock Exchange JSC (Meeting Minutes No. 22 dated 4 October 2010).

Book value per common share

BVcs = NAV / NOcs, where

BVcs – book value per common share at the calculation date;
NAV – net asset value for common shares at the calculation date;
NOcs – number of outstanding common shares at the calculation date.
Net assets for common shares are calculated by the following formula:

NAV = (TA – IA) – TL – PS, where
TA – total assets of an issuer in the issuer's statement of financial position at the calculation date;
IA – intangible assets in the issuer's statement of financial position at the calculation date;
TL – total liabilities in the issuer's statement of financial position at the calculation date;
PS – preferred stock balance in the issuer's statement of financial position at the calculation date.

At the end of the reporting year book value per common share was:

(in thousands of Tenge)	31 December 2013	31 December 2012
Assets	222 773 479	88 665 581
Intangible assets	(267 354)	(312 795)
Liabilities	(206 422 506)	(73 281 780)
Share capital, Preferred stock	(4 500 000)	(4 500 000)
Net asset value (common shares)	**11 583 619**	**10 571 006**
Number of common shares	1 000 000	1 000 000
Book value per common share (KZT)	**11 584**	**10 571**

Book value per preferred share

BVpsi= (EPS + DCpsi)/NOpsi, where

BVpsi - book value per preferred share of the first group at the calculation date;

NOpsi - number of outstanding preferred shares of the first group at the calculation date;

Book value per preferred share (continued)

EPC - equity with prior claims at the calculation date;

DCpsi - debt component of preferred shares of the first group at the calculation date charged to liabilities.

15. Earnings per Share (continued)

Equity with prior claims is calculated by the following formula:

EPC = TDPS1 + PS, where

TDpsi - total dividends (dividends accrued but unpaid on preferred shares of the first group (balance of Settlements with shareholders (dividends)) at the calculation date.

At the end of the reporting year book value per preferred share was:

in thousands of Tenge (if other not indicated)	**31 December 2013**	**31 December 2012**
Share capital, Preferred stock	4 500 000	4 500 000
Equity with prior claims	**4 500 000**	**4 500 000**
Number of outstanding preferred shares	450 000	450 000
Book value per preferred share (KZT)	**10 000**	**10 000**

Basic earnings per share were as follows:

in thousands of Tenge (if other not indicated)	**31 December 2013**	**31 December 2012**
Profit for the year	**1 521 039**	**400 587**
Less dividends that may be paid to preferred shareholders in case of full profit distribution	306 000	360 000
Net profit attributable to common shareholders	1 215 039	40 587
Average weighted common shares to calculate basic and diluted earnings per share	1 000 000	598 462
Basic and diluted earnings per share on the profit attributable to the Bank's shareholders (KZT per share)	1 215	68

16. Interest Income and Expense

(in thousands of Tenge)	**2013**	**2012**
Interest income		
Loans and advances to customers	14 280 235	5 958 652
Financial assets available for sale	1 337 053	479 135
Reverse REPO transaction	58 675	7 279
Correspondent accounts in other banks	6 187	1 126
Due from other banks	43 359	11 236
Total interest income	**15 725 509**	**6 457 428**
Interest expense		
Term deposits	6 959 374	2 278 431
REPO transactions	85 188	23 797
Debt securities issued	317 977	-
Subordinated debt	192 295	11 583
Total interest expense	**7 554 834**	**2 313 811**
Net interest income	**8 170 675**	**4 143 617**

17. Fee and Commission Income and Expense

(in thousands of Tenge)	2013	2012
Fee and commission income		
- Cash transactions	386 175	199 529
- Transactions on sale and purchase of foreign currency	205 978	143 012
- Settlement transactions	125 972	85 155
- Guarantees issued	652 407	397 599
- Other	90 503	23 618
Total fee and commission income	**1 461 035**	**848 913**
Fee and commission expense		
- Settlement transactions	32 464	13 472
- Agent's services	6 279	35 970
- Sale and purchase of securities	19 441	10 314
- Other	21 965	3 294
Total fee and commission expense	**80 149**	**63 050**
Net fee and commission income	**1 380 886**	**785 863**

18. Net Income from Foreign Currency Transactions

(in thousands of Tenge)	2013	2012
Dealing operations, net	406 086	226 125
Exchange rate difference, net	37 919	9 822
Total	**444 005**	**235 947**

19. Net Income from Financial Assets Available-for-Sale

(in thousands of Tenge)	2013	2012
Government securities of the Republic of Kazakhstan	567	9 745
Other	76 010	73 132
Total	**76 577**	**82 877**

20. Administrative and Other Operating Expenses

(in thousands of Tenge)	2013	2012
Staff costs	2 591 980	1 557 255
Advertising and marketing services	570 648	370 506
Depreciation and amortization	337 319	167 613
Rent expenses	239 959	149 504
Security expenses	203 168	141 260
Professional services	151 447	124 970
Taxes other than income tax	170 671	118 268
Contributions to the Deposits Guarantee Fund	186 647	100 425
Expenditures for repairs and maintenance	46 461	50 258
Expenditures for maintenance of administrative and leased buildings	52 842	38 200
Transportation expense	52 659	33 811
Communication expense	44 136	27 648
Business trip expenses	31 625	19 274
Stationery	15 777	12 331
Representative expense	6 215	5 541
Staff trainings	3 593	4 065
Other	239 678	138 183
Total administrative and other operating expenses	**4 944 825**	**3 059 112**

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21. Income Tax Expenses

(in thousands of Tenge)	2013	2012
Current income tax expense		
Current tax payable	182 139	15 547
Income tax overpaid in previous periods	-	587
	182 139	**16 134**
Deferred income tax expense		
Origination and reversal of temporary differences	4 043	6 112
Total income tax expense	**186 182**	**22 246**

Tax rate applied to current and deferred taxes is 20% (2012: 20%).

Reconciliation of effective tax rate

(in thousands of Tenge)	2013	%	2012	%
Profit before tax	1 707 221	100%	422 833	100%
Income tax at effective income tax rate	341 444	20,00%	84 567	20,00%
Non-taxable yeild on securities	(228 880)	(13,41)%	(78 423)	(18,55)%
Income tax overpaid in previous periods	-	-	587	0,14%
Non-deductible expenses	73 618	4,31%	15 515	3,67%
Income tax expenses	**186 182**	**10,91%**	**22 246**	**5,26%**

Deferred Tax Requirements and Liabilities

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

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

Deferred tax reflects the tax effect from temporary differences between the carrying amount of assets and liabilities for financial statements purpose, and the amount determined for tax purposes. Temporary differences as at 31 December 2013 and 2012 are mainly related to various methods of income and expense accounting, as well as to the carrying amount of some assets.

Movement of temporary differences for the years ended 31 December 2013 and 31 December 2012 is presented below:

(in thousands of Tenge)	2012	Recognised in profit or loss	Recognised in other comprehensive income	2013
Accrued commission income on loans to customers	30 174	(15 794)	-	14 380
Vacation reserve	10 856	18 284	-	29 140
Accrued and unpaid interest expense	-	83 870		83 870
Other financial liabilities	139	1 116	-	1 255
Deferred tax assets	**41 169**	**87 476**	-	**128 645**
Fixed and intangible assets	(110 403)	16 656	-	(93 747)
Revaluation of financial assets available-for-sale	(29 142)	-	29 142	-
Provision for impairment of loan portfolio and guarantees	(19 437)	19 437	-	-
Dynamic reserve	-	(127 612)	-	(127 612)
Deferred tax liabilities	**(158 982)**	**(91 519)**	**29 142**	**(221 359)**
Total deferred liabilities	**(117 813)**	**(4 043)**	**29 142**	**(92 714)**

21. Income Tax Expenses (continued)

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

22. Segment Analysis

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

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

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

Products and services as the source of income for each reportable segment

The Bank's operations are organised in three major business segments:

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

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

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

22. Segment Analysis (continued)

The table below presents segment information by reportable segment assets for the year ended 31 December 2013:

(in thousands of Tenge)	Corporate banking	Private banking services	Investment banking	Total
Assets				
Due from other banks	-	-	470 298	470 298
Loans and advances to customers	114 820 115	28 426 604	-	143 246 719
Financial assets available for sale	-	-	46 110 289	46 110 289
Other financial assets	76 228	54 295	100 030	230 553
Total segment assets	**114 896 343**	**28 480 899**	**46 680 617**	**190 057 859**
Liabilities				
Customer accounts	160 076 369	33 845 045	-	193 921 414
Bank accounts	40	-	-	40
Issued debt securities		-	7 055 362	7 055 362
Subordinated debt securities	-	-	5 036 377	5 036 377
Other financial liabilities	83 789	(658)	-	83 131
Total segment liabilities	**160 160 198**	**33 844 387**	**12 091 739**	**206 096 324**

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

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

The table below presents segment information by performance ratios for the year ended 31 December 2013. This information was revised as compared to the previous presentation.

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

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

22. Segment Analysis (continued)

(in thousands of Tenge)	**Corporate banking**	**Private banking services**	**Investment banking**	**Elimination**	**Total**
Interest income	11 710 777	2 569 457	1 445 275	-	15 725 509
Interest expense	(5 070 903)	(1 888 242)	(595 689)	-	(7 554 834)
Internal interest income / expense	1 098 414	771 923	(28 134)	(1 842 203)	-
Net interest income	**7 738 288**	**1 453 138**	**821 452**	**(1 842 203)**	**8 170 675**
Recovery of/(provision for) loan impairment	(3 236 441)	(387 632)	-	-	(3 624 073)
Net interest income after provision for loan portfolio impairment	**4 501 847**	**1 065 506**	**821 452**	**(1 842 203)**	**4 546 602**
Fee and commission income from reportable segments	1 363 732	97 303		-	1 461 035
Fee and commission expense from reportable segments	(36 896)	(11 562)	(31 691)	-	(80 149)
Gains less losses from trading in foreign currencies	327 647	114 407	1 951	-	444 005
Income from financial assets available for sale	-	-	76 577	-	76 577
Segment result	**6 156 330**	**1 265 654**	**868 289**	**(1 842 203)**	**6 448 070**

The table below presents segment information by performance ratios for the year ended 31 December 2012:

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

22. Segment Analysis (continued)

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

(in thousands of Tenge)	31 December 2013	31 December 2012
Total segment assets	**190 057 859**	**78 483 100**
Fixed assets	2 269 292	1 813 640
Cash and cash equivalents	29 973 311	8 286 492
Other assets	473 017	82 349
Total Assets	**222 773 479**	**88 665 581**
Total segment result	**206 096 324**	**73 040 930**
Current income tax payable	-	15 547
Deferred tax liability	92 714	117 813
Other liabilities	233 468	107 490
Total Liabilities	**206 422 506**	**73 281 780**
Total segment result	6 448 070	3 403 235
Other operating income	188 517	119 046
Administrative and other operating expenses	(4 944 825)	(3 059 112)
Provisions for impairment of other operations	15 459	(40 336)
Profit before tax	**1 707 221**	**422 833**
Income tax expense	(186 182)	(22 246)
Total Income for the year	**1 521 039**	**400 587**

All of the Bank's income is generated in Kazakhstan. Geographical areas of the Bank's operations are presented in Note 23 to these financial statements based on the physical location of the counterparty, i.e. based on economic risk rather than legal risk of the counterparty.

23. Financial Risk Management

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

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

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

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

23. Financial Risk Management (continued)

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

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

The Bank established several credit committees which approve credit limits for borrowers:

- The Board of Directors considers and approves limits over 20% of the Bank's equity;
- The Management Board considers and approves limits from 5% to 20% of equity;
- The Credit Committee considers and approves credit limits lower than 5% of equity.

Credit risk is also managed by using scoring models and procedures when issuing loans.

Credit risk exposure is monitored through regular analysis of reports with use of the following indicators:

- customer's business and financial performance;
- compliance with intended use of lending product;
- collateral sufficiency, and
- deteriorated solvency.

The Management Board regularly traces the credit risk exposure by analyzing management reporting. Credit risk with regard to off-balance financial instruments is determined as likelihood of loss due to a failure of the other party to the transaction to comply with contractual conditions under the financial instrument. With regard to contingent liabilities, the Bank applies the same credit policy as regarding balance financial instruments, which involves transaction approval procedures, use of risk limits, and monitoring procedures.

Due to current economic situation, the Bank analyzes fair value of pledged property in the market twice a year.

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

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

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

23. Financial Risk Management (continued)

The Bank is controlling compliance with the established limits on currencies on a daily basis. The table below shows a general analysis of the Bank's currency risk as at 31 December 2013:

(in thousands of Tenge)	Monetary financial assets	Monetary financial liabilities	Net balance sheet position
Tenge	181 465 654	(167 769 458)	13 696 196
US Dollars	37 433 925	(37 240 293)	193 632
Euros	982 550	(956 973)	25 577
Russian Roubles	121 123	(121 938)	(815)
Pound Sterling	27 798	(7 662)	20 136
Other	707	-	707
Total	**220 031 757**	**(206 096 324)**	**13 935 433**

The table below shows a general analysis of the Bank's currency risk as at 31 December 2012:

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

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

(in thousands of Tenge)	31 December 2013	31 December 2012
US Dollars strengthening by 5%	7 746	(20 040)
US Dollars weakening by 5%	(7 746)	20 040
Euro strengthening by 15%	3 069	4 788
Euro weakening by 15%	(3 069)	(4 788)
Russian Rouble strengthening by 15%	(98)	2 898
Russian Rouble weakening by 15%	98	(2 898)
Total effect of strengthening	**10 717**	**(12 354)**
Total effect of weakening	**(10 717)**	**12 354**

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

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

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

23. Financial Risk Management (continued)

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

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

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

In % p.a.	31 December 2013		
	KZT	USD	Other
Assets			
Cash and cash equivalents	-	0,11%	0,21%
Loans and advances to customers	14,38%	13,69%	5,05%
Financial assets available for sale	3,83%	3,24%	2,37%
Liabilities			
Customer accounts	6,50%	5,40%	2,50%
- term deposits of legal entities	6,00%	2,50%	2,20%
- term deposits of individuals	9,40%	6,50%	2,70%

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

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

Geographical risk concentrations. The geographical concentration of the Bank's financial assets and liabilities at 31 December 2013 is set out below:

(in thousands of Tenge)	Kazakhstan	OECD	Other countries	Total
Financial assets				
Cash and cash equivalents	19 557 809	4 135 598	6 279 904	29 973 311
Due from other banks	470 298	-	-	470 298
Loans and advances to customers	143 246 719	-	-	143 246 719
Investment securities available-for-sale	39 473 908	473 309	6 163 072	46 110 289
Other financial assets	230 553	-	-	230 553
Total financial assets	**202 979 287**	**4 608 907**	**12 442 976**	**220 031 170**
Financial liabilities				
Customer accounts	193 739 154	117 763	64 497	193 921 414
Bank accounts	40	-	-	40
Issued debt securities	7 055 362	-	-	7 055 362
Subordinated debt	5 036 377	-	-	5 036 377
Other financial liabilities	83 131	-	-	83 131
Total financial liabilities	**205 914 064**	**117 763**	**64 497**	**206 096 324**
Net balance sheet position	**(2 934 777)**	**4 491 144**	**12 378 479**	**13 934 846**
Credit related commitments 25	**24 761 630**	**-**	**-**	**24 761 630**

23. Financial Risk Management (continued)

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

(in thousands of Tenge)	Kazakhstan	OECD	Other countries	Total
Financial assets				
Cash and cash equivalents	4 520 028	3 378 744	387 720	8 286 492
Due from other banks	9 346	-	-	9 346
Loans and advances to customers	65 332 872	-	-	65 332 872
Investment securities available-for-sale	9 907 939	164 400	2 540 046	12 612 385
Other financial assets	528 489	8	-	528 497
Total financial assets	**80 298 674**	**3 543 152**	**2 927 766**	**86 769 592**
Financial liabilities				
Customer accounts	72 862 937	60 100	37 009	72 960 046
Other financial liabilities	80 376	508	-	80 884
Total financial liabilities	**72 943 313**	**60 608**	**37 009**	**73 040 930**
Net balance sheet position	**7 355 361**	**3 482 544**	**2 890 757**	**13 728 662**
Credit related commitments 25	**11 053 549**	-	-	**11 053 549**

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

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

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

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

The Bank aims at maintaining diversified and sustainable funding resources consisting primarily of corporate deposits, retail deposits, debt securities issued, dues to other banks and invest the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

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

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

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

Besides, the Bank calculates, on a daily basis, statutory liquidity ratios in accordance with the Kazakhstan National Bank's requirements. As at 31 December 2013 and 2012 the Bank's liquidity ratios were in compliance with the statutory ratios.

23. Financial Risk Management (continued)

The table below shows liabilities at 31 December 2012 and 31 December 2011 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows and gross loan commitments. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows.
When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis in accordance with contract terms of financial instruments at 31 December 2013 is as follows:

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	79 022 766	16 758 705	56 688 449	41 306 307	145 187	193 921 414
Bank accounts	40	-	-	-	-	40
Issued debt securities	-	-	89 836	6 965 526	-	7 055 362
Subordinated debt	-	-	75 950	-	4 960 427	5 036 377
Other financial liabilities	83 131	-	-	-	-	83 131
Total financial obligations	**79 105 937**	**16 758 705**	**56 854 235**	**48 271 833**	**5 105 614**	**206 096 324**
Undrawn credit lines	24 761 630	-	-	-	-	24 761 630
Guarantees issued	5 662 915	613 499	6 465 949	13 241 455	-	25 983 818
Total credit related commitments	**30 424 545**	**613 499**	**6 465 949**	**13 241 455**	**-**	**50 745 448**

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

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Liabilities						
Customer accounts	28 212 148	7 846 214	24 846 935	12 009 749	45 000	72 960 046
Other financial liabilities	13 201	-	-	67 383	300	80 884
Total financial obligations	**28 225 349**	**7 846 214**	**24 846 935**	**12 077 132**	**45 300**	**73 040 930**
Undrawn credit lines	11 053 549	-	-	-	-	11 053 549
Guarantees issued	2 628 486	8 008 700	10 023 612	51 307	-	20 712 105
Total credit related commitments	**13 682 035**	**8 008 700**	**10 023 612**	**51 307**	**-**	**31 765 654**

23. Financial Risk Management (continued)

The management believes that diversification of the clients' term deposits by terms, numbers and types of depositors, financial measures to prevent pre-term withdrawals, such as a partial loss of the interest accrued, as well as the Bank's past experience, prove that term deposits ensure a long-term and sustainable source of funding.

The management believes that cash flows from certain assets and liabilities may differ from those stipulated by contracts whether due to the fact that the management is authorised to manage cash flows or because the past experience shows that the timing of cash flows from those assets and liabilities may differ from those stipulated by contracts.

The Bank monitors liquidity risk through liquidity gap analysis between financial assets and liabilities by expected periods till maturity, which may be summarised as follows at 31 December 2013:

(in thousands of Tenge)	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	From 12 months to 5 years	More than 5 years	Total
Cash and cash equivalents	29 973 311	-	-	-	-	29 973 311
Due from other banks	470 298	-	-	-	-	470 298
Loans and advances to customers	17 569 341	21 908 970	59 290 243	35 811 656	8 666 509	143 246 719
Financial assets available for sale	46 110 289	-	-	-	-	46 110 289
Other financial assets	128 678	23	708	1 104	100 040	230 553
Total financial assets	**94 251 917**	**21 908 993**	**59 290 951**	**35 812 760**	**8 766 549**	**220 031 170**
Customer accounts	79 022 766	16 758 705	56 688 449	41 306 307	145 187	193 921 414
Bank accounts	40	-	-	-	-	40
Issued debt securities	-	-	89 836	6 965 526	-	7 055 362
Subordinated debt	-	-	75 950	-	4 960 427	5 036 377
Other financial liabilities	83 131	-	-	-	-	83 131
Total financial liabilities	**79 105 937**	**16 758 705**	**56 854 235**	**48 271 833**	**5 105 614**	**206 096 324**
Net liqidity gap at 31 December 2013	**15 145 980**	**5 150 288**	**2 436 716**	**(12 459 073)**	**3 660 935**	**13 934 846**
Cumulative gap at 31 December 2013	**15 145 980**	**20 296 268**	**22 732 984**	**10 273 911**	**13 934 846**	**13 934 846**

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23. Financial Risk Management (continued)

The analysis by expected maturities may be summarised as follows at 31 December 2012:

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

The Bank mangement believes that match and/or contollable mismatch of placements and maturities by financial assets and liabilities is the core factor for succesfull managing the Company. Due to a variety of operations and associated uncertainties a complete match of maturities by assets and liabilities is not a common practice for financial institutions which potentially increases profitability of the operations and at the same time the risk of loss is increased as well.

Limits on liquidity gap by terms established by the Bank allow to manage liquidity risk. Risk Department monitors compliance with liquidity gap limits on a regular basis.

Operational risk. The Bank is exposed to operational risk which is a risk of losses resulting from weaknesses or errors made by employees in the course of internal processes, in functioning of information systems and technologies, as well as those caused by external events. Presently, to ensure the Bank's effective operation the following tools are used to identify and measure operational risks, which comply with the world's best practices:

- CLD - Corporate Loss Database;
- RSA - Risk Self-Assessment;
- ORAP – Operational Risk Assessment Process;
- KRI – Key Risk Indicator

Operational risk management tools enable the Bank to identify activities exposed to operational risks the most, assess and monitor the Bank's losses caused by operational risks, as well as to determine appropriate controls and develop preventive measures to mitigate such risks.

24. Management of Capital

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

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

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

Under the current capital requirements set by the FSC, banks have to maintain a minimum level of regulatory capital and capital adequacy ratios K1 – a ratio of Tier 1 capital to total assets at or above the required minimum of 6 percent (2012: 6 percent) and K2 - a ratio of total regulatory capital to the risk-weighted assets at or above the required minimum of 12 percent (2012: 12 percent).

As at 31 December 2013 the Bank was in compliance with the Committee's requirements to follow prudential standards. As at 31 December 2013 the Bank's ratios were as follows: k1.1 – 6,6%, k1.2 – 8,7%, k2 – 12,7%.

25. Contingencies and Commitments

Legal proceedings

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

Contingent tax liabilities

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

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

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

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

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

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

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

25. Contingencies and Commitments (continued)

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

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

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

Credit related commitments are as follows:

(in thousands of Tenge)	31 December 2013	31 December 2012
Guarantees issued	25 983 818	20 712 105
Undrawn credit lines	24 761 630	11 053 549
Total credit related commitments	**50 745 448**	**31 765 654**

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

As at 31 December 2013 and 2012 the Bank had no customers with off-balance sheet liabilities exceeding 10% of the total off-balance sheet liabilities.

26. Operating Lease

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

(in thousands of Tenge)	31 December 2013	31 December 2012
Less than a year	217 218	156 769
From 1 to 5 years	580 771	458 305
Total lease liabilities	**797 989**	**615 074**

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

27. Fair Value and Accounting Classifications of Financial Instruments

Below is the information on carrying amount and fair value of financial assets and liabilities as at 31 December 2013 and 31 December 2012:

(in thousands of Tenge)	Loans and receivables	Available-for-sale	Other, carried at amortized cost	Carrying value	Fair value
Assets					
Cash and cash equivalents	29 973 311	-	-	29 973 311	29 973 311
Due from other banks	470 298	-	-	470 298	470 298
Loans and advances to customers	143 246 719	-	-	143 246 719	143 484 939
Investment securities available-for-sale	-	46 110 289	-	46 110 289	46 110 289
Other financial assets	130 523	-	100 030	230 553	230 553
Total assets	**173 820 851**	**46 110 289**	**100 030**	**220 031 170**	**220 269 390**
Liabilities					
Customer accounts	-	-	193 921 414	193 921 414	193 921 414
Bank accounts	-	-	40	40	40
Issued debt securities	-	-	7 055 362	7 055 362	7 059 836
Subordinated debt	-	-	5 036 377	5 036 377	5 038 180
Other financial liabilities	-	-	83 131	83 131	83 131
Total liabilities	-	-	**206 096 324**	**206 096 324**	**206 102 601**

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

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price.

The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The Republic of Kazakhstan continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distressed sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

27. Fair Value and Accounting Classifications of Financial Instruments (continued)

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

(in thousands of Tenge)	31 December 2013 Active market quotations (Level 1)	31 December 2012 Active market quotations (Level 1)
Financial assets		
Investment securities available for sale		
Government securities of the Ministry of Finance of the RK	34 705 664	7 425 242
NBRK notes	1 999 308	994 687
Securities of SOVEREIGN WEALTH FUND "SAMRUK KAZYNA"	303 585	304 840
Securities of international financial institutions	1 937 845	214 687
Securities of foreign states	1 682 622	646 150
Corporate bonds	5 481 265	3 026 779
Total financial assets at fair value	**46 110 289**	**12 612 385**

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

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

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

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

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

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

28. Related Party Transactions

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

At 31 December 2013 and 31 December 2012, the outstanding balances with related parties were as follows:

(in thousands of Tenge, unless otherwise stated)	31 December 2013				31 December 2012			
	% rate	Shareholders	Board members	Others	% rate	Shareholders	Board members	Others
Total loans and advances to customers - KZT	8%-21%	223 515	-	1 460 557	6%-12%	-	14 793	1 517 322
Total loans and advances to customers - USD	-	-	-	-	12,5%	-	-	152 727
Customer accounts, current accounts	-	19 895	28 519	306 595	-	25 053	2 052	353 686
Customer accounts, deposits - KZT	3%-10%	23 284	28 733	1 740 389	3%-10%	29 669	-	3 699 152
Customer accounts, deposits - USD	4,5%-7%	18 658	1 763 500	609 300	6,5%-7%	8 084	840 943	971 507
Customer accounts, deposits - EUR	2%	-	-	27 615	-	-	-	-
Undrawn credit lines	5%-22%	-	43 467	30 622	-	-	-	-
Guarantees issued	-	-	-	-	-	-	-	65 520

The income and expense items with related parties for the years ended 31 December 2013 and 31 December 2012 were as follows:

(in thousands of Tenge)	31 December 2013			31 December 2012		
	Shareholders	Board members	Others	Shareholders	Shareholders	Board members
Interest income	6 631	-	160 967	-	1 905	141 651
Interest expense	6 224	100 765	53 408	1 448	42 819	235 217
Administrative and other operating expenses, including:	-	146 059	-	-	104 100	-
Remuneration of members of the Board	-	97 231	-	-	32 547	-
Remuneration of members of the Board of Directors	-	48 828	-	-	71 553	-

Other related parties as at 31 December 2013 were legal entities controlled by the Bank's officers or their close relatives, and individuals who are the Bank's officers or their close relatives.

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

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29. Subsequent Events

On 11 February 2014 NBRK declared devaluation of tenge. As a result, market exchange rate of tenge per US dollar decreased to 184,55 that is about 19% lower in comparison with previous day rate – 155,63.

As at current date, the Bank management believes that devaluation will not have negative impact on the Bank's ability to fulfill existing contractual obligations.

In February 2014 the Bank revealed legal circumstances that do not allow to sell available collateral provided by borrower Omega Chemicals LLP, as a result, the provision was reconsidered and increased by KZT 287 821 thousand.

In first quarter 2014, pursuant to the Board of Directors' decision, the Bank increased share capital by KZT 6 billion due to placement of 600 thousand common shares.