JOINT STOCK COMPANY KAZKOMMERTSBANK

Consolidated Financial Statements
For the Years Ended 31 December 2013, 2012 and 2011

JOINT STOCK COMPANY KAZKOMMERTSBANK

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JOINT STOCK COMPANY KAZKOMMERTSBANK

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

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

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

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

Management is also responsible for:

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

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

On behalf of the Management Board of the Bank:

Zhussupova N.A.	**Shoinbekova G.K.**
Chairman of the Board	**Chief Accountant**
31 March 2014	31 March 2014
Almaty	Almaty

ҚАЗАҚСТАН РЕСПУБЛИКАСЫ АКЦИОНЕРЛІК ҚОҒАМЫ КАЗКОММЕРЦБАНК РЕСПУБЛИКА КАЗАХСТАН АКЦИОНЕРНОЕ ОБЩЕСТВО

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders and the Board of Directors of JSC Kazkommertsbank:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of matter

We draw attention to Note 4 to the consolidated financial statements which describes the restatement of comparative financial statements for the years ended 31 December 2012 and 2011. Our audit opinion is not qualified in respect of this matter.

Mark Smith
Engagement partner
Chartered Accountant
Institute of Chartered
Accountants of Scotland
License № M21857
Glasgow, Scotland

Deloitte, LLP

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

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

31 March 2014
Almaty, Kazakhstan

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

	Notes	Year ended 31 December 2013 (KZT million)	Year ended 31 December 2012 (KZT million) (Restated)*	Year ended 31 December 2011 (KZT million) (Restated)*
Interest income	5, 33	252,092	233,357	240,815
Interest expense	5, 33	(110,550)	(110,398)	(125,189)
NET INTEREST INCOME BEFORE PROVISION FOR IMPAIRMENT LOSSES ON INTEREST BEARING ASSETS		141,542	122,959	115,626
Provision for impairment losses on interest bearing assets	6, 33	(71,555)	(286,325)	(66,095)
NET INTEREST INCOME/(EXPENSE)		69,987	(163,366)	49,531
Net gain/(loss) on financial assets and liabilities at fair value through profit or loss	7	4,743	(326)	(5,232)
Net (loss)/gain on foreign exchange and precious metals operations	8	(559)	3,610	986
Fee and commission income	9	31,535	27,470	23,946
Fee and commission expense	9	(9,187)	(8,584)	(7,247)
Net realized gain/(loss) on investments available-for-sale		86	(649)	102
Dividend income		324	8,508	210
Other income	10	5,192	4,748	5,791
NET NON-INTEREST INCOME		32,134	34,777	18,556
OPERATING EXPENSES	11, 33	(32,739)	(33,890)	(34,128)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS		69,382	(162,479)	33,959
Provision for impairment losses on other transactions	6, 33	(5,748)	(2,577)	(1,865)
(Provision)/recovery of provision for guarantees and other contingencies	6, 33	(1,415)	(109)	1,387
PROFIT/(LOSS) BEFORE INCOME TAX		62,219	(165,165)	33,481
Income tax (expense)/benefit	12	(9,684)	32,854	(7,657)
NET PROFIT/(LOSS)		52,535	(132,311)	25,824
Attributable to:				
Ordinary shareholders of the Parent		45,640	(132,510)	22,863
Preference shareholders of the Parent		6,482	-	2,921
Non-controlling interest		413	199	40
		52,535	(132,311)	25,824
EARNINGS/(LOSS) PER SHARE				
Basic and diluted (KZT)	13	58.68	(170.33)	29.37

*Restated as described in Note 4.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

31 March 2014
Almaty

Shoinbekova G.K.
Chief Accountant

31 March 2014
Almaty

The notes on pages 12-110 form an integral part of these consolidated financial statements.

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

	Year ended 31 December 2013 (KZT million)	Year ended 31 December 2012 (KZT million)	Year ended 31 December 2011 (KZT million)
NET PROFIT/(LOSS)	52,535	(132,311)	25,824
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified subsequently to profit or loss:			
Net gain resulting on revaluation of property	162	376	70
Income tax	(6)	-	(3)
	156	376	67
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations	(954)	1,398	224
Net gain/(loss) resulting on revaluation of available-for-sale investments during the year	24	10	(1,459)
Reclassification adjustment relating to available-for-sale investments disposed of during the year	(86)	649	(102)
Net gain on cash flows hedges	388	236	731
Income tax	(71)	(183)	7
	(699)	2,110	(593)
OTHER COMPREHENSIVE (LOSS)/INCOME AFTER INCOME TAX	(543)	2,486	(526)
TOTAL COMPREHENSIVE INCOME/(LOSS)	51,992	(129,825)	25,298
Attributable to:			
Ordinary shareholders of the Parent	45,193	(132,024)	22,412
Preference shareholders of the Parent	6,411	1,996	2,848
Non-controlling interest	388	203	38
TOTAL COMPREHENSIVE INCOME/(LOSS)	51,992	(129,825)	25,298

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

31 March 2014
Almaty

Shoinbekova G.K.
Chief Accountant

31 March 2014
Almaty

The notes on pages 12-110 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013, 2012 AND 2011

	Notes	31 December 2013 (KZT million)	31 December 2012 (KZT million) (Restated)*	31 December 2011 (KZT million) (Restated)*
ASSETS:				
Cash and balances with national (central) banks	14	191,687	106,497	105,067
Precious metals		2,491	3,823	3,280
Financial assets at fair value through profit or loss	15	121,855	118,822	188,313
Loans and advances to banks and other financial institutions	16	139,743	146,703	53,968
Loans to customers	17, 33	1,900,993	1,898,295	2,058,968
Investments available-for-sale	18	21,249	15,682	15,419
Investments held to maturity	19	6,503	6,937	4,026
Investment property	20	38,849	1,462	-
Goodwill	21	-	2,405	2,405
Property, equipment and intangible assets	22	32,688	32,520	33,028
Deferred income tax assets	12	1,730	4,220	-
Other assets	23	128,504	88,049	80,522
TOTAL ASSETS		2,586,292	2,425,415	2,544,996
LIABILITIES AND EQUITY				
LIABILITIES:				
Loans and advances from banks and other financial institutions	24	97,955	110,477	92,215
Customer accounts	25, 33	1,682,035	1,521,879	1,428,704
Financial liabilities at fair value through profit or loss	15	2,296	8,877	37,771
Debt securities issued	26	253,311	297,247	324,087
Other borrowed funds	27	15,437	18,631	26,359
Provisions	6	19,811	15,549	10,724
Deferred income tax liabilities	12	-	-	29,131
Dividends payable		6	40	6
Other liabilities	28	18,074	10,296	7,647
		2,088,925	1,982,996	1,956,644
Subordinated debt	29	125,160	122,150	138,040
Total liabilities		2,214,085	2,105,146	2,094,684
EQUITY:				
Equity attributable to equity holders of the Parent:				
Issued and outstanding share capital	30	8,999	9,008	9,023
Share premium reserve		194,676	194,721	194,924
Property and equipment revaluation reserve		5,779	5,808	5,488
Other reserves		161,050	109,417	239,765
Total equity attributable to equity holders of the Parent		370,504	318,954	449,200
Non-controlling interest		1,703	1,315	1,112
Total equity		372,207	320,269	450,312
TOTAL LIABILITIES AND EQUITY		2,586,292	2,425,415	2,544,996

*Restated as described in Note 4.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

31 March 2014
Almaty

Shoinbekova G.K.
Chief Accountant

31 March 2014
Almaty

The notes on pages 12-110 form an integral part of these consolidated financial statements.

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

	Share capital (KZT million)	Treasury shares (KZT million)	Share premium reserve (KZT million)	Property and equipment revaluation reserve (KZT million)	Investments available-for-sale fair value reserve/ (deficit)[1] (KZT million)	Cumulative translation reserve[1] (KZT million)	Hedging reserve[1] (KZT million)	Statutory reserves (KZT million)	Retained earnings[1] (KZT million)	Total equity attributable to equity holders of the Parent (KZT million)	Non-controlling interest (KZT million)	Total equity (KZT million)
31 December 2010	9,044	(13)	195,024	5,508	786	(1,502)	(182)	-	215,383	424,048	1,074	425,122
Net profit	-	-	-	-	-	-	-	-	25,784	25,784	40	25,824
Other comprehensive income/(loss)	-	-	-	68	(1,407)	229	584	-	2	(524)	(2)	(526)
Total comprehensive income/(loss)	-	-	-	68	(1,407)	229	584	-	25,786	25,260	38	25,298
Transfer to statutory reserve	-	-	-	-	-	-	-	172,009	(172,009)	-	-	-
Repurchase of treasury shares	-	(8)	(100)	-	-	-	-	-	-	(108)	-	(108)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(88)	-	-	-	-	88	-	-	-
31 December 2011	9,044	(21)	194,924	5,488	(621)	(1,273)	402	172,009	69,248	449,200	1,112	450,312

JOINT STOCK COMPANY KAZKOMMERTSBANK

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

	Share capital (KZT million)	Treasury shares (KZT million)	Share premium reserve (KZT million)	Property and equipment revaluation reserve (KZT million)	Investments available-for-sale fair value (deficit)/ reserve[1] (KZT million)	Cumulative translation reserve[1] (KZT million)	Hedging reserve[1] (KZT million)	Statutory reserves (KZT million)	Retained earnings[1] (KZT million)	Total equity attributable to equity holders of the Parent (KZT million)	Non-controlling interest (KZT million)	Total equity (KZT million)
31 December 2011	9,044	(21)	194,924	5,488	(621)	(1,273)	402	172,009	69,248	449,200	1,112	450,312
Net (loss)/profit	-	-	-	-	-	-	-	-	(132,510)	(132,510)	199	(132,311)
Other comprehensive income	-	-	-	376	523	1,394	189	-	-	2,482	4	2,486
Total comprehensive income/(loss)	-	-	-	376	523	1,394	189	-	(132,510)	(130,028)	203	(129,825)
Transfer from statutory reserve	-	-	-	-	-	-	-	(171,207)	171,207	-	-	-
Repurchase of treasury shares	-	(15)	(203)	-	-	-	-	-	-	(218)	-	(218)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(56)	-	-	-	-	56	-	-	-
31 December 2012	9,044	(36)	194,721	5,808	(98)	121	591	802	108,001	318,954	1,315	320,269

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

	Share capital (KZT million)	Treasury shares (KZT million)	Share premium reserve (KZT million)	Property and equipment revaluation reserve (KZT million)	Investments available-for-sale fair value deficit[1] (KZT million)	Cumulative translation reserve[1] (KZT million)	Hedging reserve[1] (KZT million)	Statutory reserves[1] (KZT million)	Retained earnings[1] (KZT million)	Total equity attributable to equity holders of the Parent (KZT million)	Non-controlling interest (KZT million)	Total equity (KZT million)
31 December 2012	9,044	(36)	194,721	5,808	(98)	121	591	802	108,001	318,954	1,315	320,269
Net profit	-	-	-	-	-	-	-	-	52,122	52,122	413	52,535
Other comprehensive income/(loss)	-	-	-	156	(55)	(929)	310	-	-	(518)	(25)	(543)
Total comprehensive income/(loss)	-	-	-	156	(55)	(929)	310	-	52,122	51,604	388	51,992
Transfer from statutory reserve	-	-	-	-	-	-	-	(802)	802	-	-	-
Repurchase of treasury shares	-	(9)	(45)	-	-	-	-	-	-	(54)	-	(54)
Release of property and equipment revaluation reserve due to depreciation and disposal of previously revalued assets	-	-	-	(185)	-	-	-	-	185	-	-	-
31 December 2013	9,044	(45)	194,676	5,779	(153)	(808)	901	-	161,110	370,504	1,703	372,207

[1]The amounts included within the Investments available-for-sale fair value reserve/(deficit), Cumulative translation reserve, Hedging reserve, Statutory reserves and Retained earnings, in the above table, are included within "Other reserves" in the consolidated statement of financial position.

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

31 March 2014
Almaty

Shoinbekova G.K.
Chief Accountant

31 March 2014
Almaty

The notes on pages 12-110 form an integral part of these consolidated financial statements.

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

	Year ended 31 December 2013 (KZT million)	Year ended 31 December 2012 (KZT million)	Year ended 31 December 2011 (KZT million)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Interest received from financial assets at fair value through profit or loss	5,768	6,425	5,264
Interest received on loans and advances to banks and other financial institutions	1,913	2,293	3,428
Interest received from loans to customers	165,291	166,576	181,506
Interest received from investments available-for-sale	1,025	808	698
Interest received from investments held to maturity	404	336	20
Interest paid on loans and advances from banks and other financial institutions	(3,745)	(3,996)	(5,668)
Interest paid on customer accounts	(73,718)	(65,379)	(90,020)
Interest paid on debt securities issued	(22,626)	(27,590)	(32,508)
Interest paid on other borrowed funds	(1,145)	(1,344)	(1,205)
Interest paid on subordinated debt	(7,261)	(9,485)	(10,348)
Fee and commission received	31,349	27,201	24,087
Fee and commission paid	(9,179)	(8,614)	(7,258)
Other income received	6,527	4,662	5,490
Operating expenses paid	(29,628)	(30,741)	(30,614)
Cash inflow from operating activities before changes in operating assets and liabilities	64,975	61,152	42,872
Changes in operating assets and liabilities			
(Increase)/decrease in operating assets:			
Funds deposited with National Bank of the Republic of Kazakhstan	(2,197)	16,847	(18,960)
Funds deposited with Central Bank of Russian Federation	872	(58)	(538)
Funds deposited with National Bank of the Kyrgyz Republic	(6)	(7)	(16)
Funds deposited with National Bank of Tajikistan	(6)	7	(40)
Precious metals	1,333	(543)	(1,935)
Financial assets at fair value through profit or loss	(2,568)	41,643	32,144
Loans and advances to banks and other financial institutions	12,204	(9,263)	27,524
Loans to customers	(39,263)	(76,814)	35,716
Other assets	(14,434)	7,298	(3,528)
Increase/(decrease) in operating liabilities:			
Loans and advances from banks and other financial institutions	(12,886)	17,637	(54,827)
Customer accounts	137,369	79,662	(38,683)
Other liabilities	7,656	2,626	(6,953)
Cash inflow from operating activities before taxation	153,049	140,187	12,776
Income tax paid	(4,840)	(680)	(2,104)
Net cash inflow from operating activities	148,209	139,507	10,672

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

	Year ended 31 December 2013 (KZT million)	Year ended 31 December 2012 (KZT million)	Year ended 31 December 2011 (KZT million)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property, equipment and intangible assets	(3,257)	(2,245)	(4,786)
Proceeds on sale of property and equipment	139	80	49
Dividends received	324	8,508	210
Proceeds on sale of investments available-for-sale	15,340	3,332	2,975
Purchase of investments available-for-sale	(22,019)	(3,791)	(2,576)
Purchase of investment property	(2,164)	-	-
Proceeds on rent of investment property	5	-	-
Proceeds on maturity of investments held to maturity	643	1,144	-
Purchase of investments held to maturity	(582)	(3,297)	(1,323)
Net cash (outflow)/inflow from investing activities	(11,571)	3,731	(5,451)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Purchase of treasury shares	(54)	(218)	(108)
Proceeds from debt securities issued	1,823	6,626	44,533
Repurchase and repayment of debt securities issued	(52,083)	(41,346)	(91,648)
Proceeds from other borrowed funds	-	-	7,400
Repayment of other borrowed funds	(3,166)	(7,620)	(5,053)
Dividends paid on preference shares	(758)	(744)	(729)
Net cash outflow from financing activities	(54,238)	(43,302)	(45,605)
Effect of exchange changes on the balance of cash held in foreign currencies	3,750	245	225
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	86,150	100,181	(40,159)
CASH AND CASH EQUIVALENTS, beginning of period (Note 14)	178,245	78,064	118,223
CASH AND CASH EQUIVALENTS, end of period (Note 14)	264,395	178,245	78,064

On behalf of the Management Board of the Bank:

Zhussupova N.A.
Chairman of the Board

31 March 2014
Almaty

Shoinbekova G.K.
Chief Accountant

31 March 2014
Almaty

The notes on pages 12-110 form an integral part of these consolidated financial statements.

1. ORGANISATION

Joint Stock Company ("JSC") Kazkommertsbank ("the Bank", or "Kazkommertsbank") is a Joint Stock Company and has operated in the Republic of Kazakhstan since 1990. The Bank's activities are regulated by the National Bank of the Republic of Kazakhstan ("the NBRK") and by the Committee for control and supervision of financial market and financial organizations of the NBRK ("the FMSC") in accordance with the license № 48 dated 27 December 2007. The Bank's primary business consists of commercial banking activities, operations with securities, foreign currencies and derivative instruments, originating loans and guarantees.

The registered office of the Bank is located at 135Zh, Gagarin str., Almaty 050060, Republic of Kazakhstan.

As at 31 December 2013, 2012 and 2011, the Bank has 23 branches in the Republic of Kazakhstan.

Kazkommertsbank is a parent company of the banking group ("the Group") which consists of the following subsidiaries consolidated in the financial statements:

		Proportion of ownership interest/voting rights			
Name	**Country of operation**	**2013**	**2012**	**2011**	**Type of operation**
JSC Kazkommerts Securities	Republic of Kazakhstan	100%	100%	100%	Securities market transactions
LLP Processing Company	Republic of Kazakhstan	100%	100%	100%	Payment card processing and other related services
Kazkommerts International B.V.	Kingdom of the Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Finance II B.V.	Kingdom of the Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
Kazkommerts Capital II B.V.	Kingdom of the Netherlands	100%	100%	100%	Raising funds for the Bank on international capital markets
JSC OCOPAIM Grantum Asset Management	Republic of Kazakhstan	100%	100%	100%	Management of pension assets
JSC Life Insurance Company Kazkommerts Life	Republic of Kazakhstan	100%	100%	100%	Life insurance
CJSC Kazkommertsbank Tajikistan	Republic of Tajikistan	100%	100%	100%	Commercial bank
JSC Insurance Company Kazkommerts-Policy	Republic of Kazakhstan	100%	100%	100%	Insurance
Commercial Bank Moskommertsbank (OJSC)	Russian Federation	100%	100%	100%	Commercial bank
LLP KUSA-KKB-1	Republic of Kazakhstan	100%	-	-	Management of distressed assets
LLP KUSA KKB-2	Republic of Kazakhstan	100%	-	-	Management of distressed assets
OJSC Kazkommertsbank Kyrgyzstan	Kyrgyz Republic	95.75%	95.75%	95.75%	Commercial bank
JSC Grantum APF	Republic of Kazakhstan	82.52%	82.52%	82.52%	Pension fund

JSC Kazkommerts Securities is a Joint Stock Company and has operated under the laws of the Republic of Kazakhstan since 1997. The company's primary business consists of trading with securities, including broker and dealing operations, consulting in investments and corporate finances, organization of security issuances, allocation and underwriting of securities, and purchase and sale of securities in the capacity as an agent. Due to re-registration from OJSC to JSC, the company received a license on broker and dealing operations № 0401201207 dated 17 May 2006 and license for investment portfolio management № 0403200439 dated 17 May 2006 issued by the FMSC.

LLP Processing Company is a limited liability partnership and has operated under the laws of the Republic of Kazakhstan since 9 July 2004. The company is registered with the Ministry of Justice of the Republic of Kazakhstan under № 64313-1910-TOO. The Company's primary business is to provide payment and other types of card processing.

Kazkommerts International B.V. is a limited liability partnership (B.V.) and has operated under the laws of the Kingdom of the Netherlands. The Company was established for the primary purpose of raising funds for the Bank in foreign capital markets. The company was registered with the Chamber of Commerce of the Netherlands under the license № 24278506 dated 1 October 1997 for raising funds, including the issuance of bonds and other securities and entering into agreements regarding those activities.

Kazkommerts Finance II B.V. is a limited liability partnership (B.V.) and has operated under the laws of the Kingdom of the Netherlands. The Company was established for the primary purpose of raising funds for the Bank at foreign capital markets. The company was registered with the Chamber of Commerce of the Netherlands under the license № 24317181 dated 13 February 2001 for conducting operations.

Kazkommerts Capital II B.V. is a limited liability partnership (B.V.) and has operated under the laws of the Kingdom of the Netherlands since 11 April 2000. The Company was established for the primary purpose of raising funds for the Bank in foreign capital markets. The company has license № 24305284 dated 11 April 2000 issued by the Chamber of Commerce of the Netherlands for conducting operations.

On 9 September 2011, the Board of Directors of the Bank decided to liquidate the subsidiary of special-purpose - Kazkommerts Capital II B.V. which performed its financial activity in the Netherlands. As at 31 December 2013, the company was not liquidated due to closing procedures was not completed.

JSC OCOPAIM Grantum Asset Management ("Grantum PAMC") is a Joint Stock Company and has operated under the laws of the Republic of Kazakhstan since 1998. The company's primary business is investment management of pension funds. The company has license № 0411200249 dated 26 June 2006 on investment management of pension funds issued by the FMSC, license № 0403200454 dated 26 June 2006 on management of investment portfolio issued by the FMSC, license № 0402200299 dated 26 June 2006 on broker and dealer activity without right to custody activities issued by the FMSC.

JSC Life Insurance Company Kazkommerts Life is a Joint Stock Company and operates under the laws of the Republic of Kazakhstan. The company's primary business consists of life insurance. The company has a license on life insurance (reinsurance) services № 2.2.42 dated 6 January 2011 issued by the FMSC.

JSC Insurance Company Kazkommerts-Policy is a Joint Stock Company and has operated under the laws of the Republic of Kazakhstan since 1996. The company's primary business consists of insurance of property, cargoes, auto insurance, civil liability insurance of vehicle owners, insurance of other civil liabilities and reinsurance. The company has license on insurance and reinsurance services № 2.1.13 dated 1 June 2011 issued by the FMSC.

On 5 January 2012, the National Bank of the Republic of Kazakhstan gave permission to the Bank on acquisition of insurance holding status of JSC Insurance Company Kazkommerts-Policy and JSC Life Insurance Company Kazkommerts Life. The Bank is the sole shareholder of both above-listed insurance organizations.

CJSC Kazkommertsbank Tajikistan. The Bank received an approval from the FMSC № 93 on 6 September 2007 for the creation of a subsidiary bank in Tajikistan. On 24 January 2008, CJSC Kazkommertsbank Tajikistan received an operating license from the National Bank of Tajikistan for banking operations in both national currency and foreign currencies № 33/1. The Bank's primary business consists of commercial activities, trading with foreign currencies, originating loans and guarantees.

OJSC Kazkommertsbank Kyrgyzstan is a Joint Stock Company and has operated under the laws of the Kyrgyz Republic since 1991. The Bank's operations are regulated by the National Bank of the Kyrgyz Republic ("the NBKR") according to license № 010 dated 15 April 2005 for banking operations in national currency and license № 010/1 dated 15 April 2005 for banking operations in foreign currency. The Bank's primary business consists of commercial banking activities, acceptance of deposits from individuals, transfer of payments, operations with foreign exchange and derivative instruments, originating loans and guarantees.

JSC Grantum APF is a Joint Stock Company and has operated since 1998 under the laws of the Republic of Kazakhstan. The company's primary business consists of the receipt of pension contributions of depositors and making pension payments to recipients under the laws of the Republic of Kazakhstan. The company operates based on a state license on the receipt of pension contributions and making pension payments, also on operating on securities market № 3.2.19/38/41 dated 7 May 2010 issued by the FMSC.

As a result of the reforms in the pension system of the Republic of Kazakhstan the JSC Grantum APF has stopped accepting pension contributions from its clients and transferred net pension assets under management to Single Accumulating Pension Fund in February 2014.

Commercial Bank Moskommertsbank OJSC ("MKB") is a Joint Stock Company and operates under the laws of the Russian Federation ("RF") since 2001. MKB's operations are regulated by the Central Bank of the Russian Federation ("the CBR") in accordance with the license on the banking operations with private sector № 3365 dated 08 December 2010. License of the Federal securities commission on broker operations № 177-11190-100000 dated 18 April 2008, license on the depository activity № 177-11200-000100 dated 18 April 2008, license on dealer operations № 177-11192-010000 dated 18 April 2008.

MKB is a parent company of the banking group, which includes the company Moscow Stars B.V. Company Moscow Stars B.V. was established in the legal form of a limited liability company under the laws of the Netherlands on 1 December 2006. The Company was established for securitization of mortgage loans provided by the banking group MKB.

MKB provides a wide spectrum of banking products and services for individuals, corporate clients and financial institutions. The Bank's primary business consists of retail banking, crediting of small and medium business and the corporate sector.

LLP KUSA-KKB-1 and LLP KUSA KKB-2 are limited liability partnerships created to purchase banks' non-working (distressed) assets and manage them in accordance with the legislation of the Republic of Kazakhstan on the Introduction of Amendments and Additions to Certain Legislative Acts regarding the Regulation of Banking Activities and Financial Institutions with Respect to Risk Mitigation, adopted in December 2011.

Shareholders

As at 31 December 2013, 2012 and 2011, the following shareholders owned the issued ordinary shares of the Bank:

	31 December 2013		**31 December 2012**		**31 December 2011**	
	Number of shares	**Direct ownership,* %**	**Number of shares**	**Direct ownership, * %**	**Number of shares**	**Direct ownership,* %**
JSC Alnair Capital Holding (“Alnair”)	223,922,790	28.79	223,922,790	28.80	223,922,790	28.77
JSC Central-Asian Investment Company (“CAIC”)**	185,561,734	23.86	185,561,734	23.86	185,561,734	23.84
JSC National Welfare Fund Samruk – Kazyna	165,517,241	21.28	165,517,241	21.29	165,517,241	21.26
European Bank for Reconstruction and Development (“EBRD”)	76,095,329	9.78	76,095,329	9.79	76,095,329	9.78
Subkhanberdin N.S.	72,570,672	9.33	72,570,672	9.33	72,570,672	9.32
Other shareholders	54,110,141	6.96	53,920,757	6.93	54,694,822	7.03
Total***	**777,777,907**	**100.00**	**777,588,523**	**100.00**	**778,362,588**	**100.00**

Notes:

*These percentage holdings were calculated based on the direct holding of each shareholder in the total number of ordinary shares outstanding less treasury shares purchased by the Bank and its subsidiaries. JSC “Kazkommerts Securities”, subsidiary of the Bank, acts as a market-maker of the Bank’s shares on the local stock exchange.

**As at 31 December 2013, the total number of shares under CAIC’s control is 241,885,810 common shares, including 56,324,076 shares received in trust management from JSC National Welfare Fund Samruk-Kazyna, ownership share – 31.10% (2012: 241,885,810 common shares, ownership share – 31.11%, 2011: 241,885,810 common shares, ownership share – 31.08%).

***This number is calculated at each reporting date as the total number of the common shares outstanding minus treasury shares purchased by the Bank’s market-maker based on the requirements of the JSC Kazakhstan Stock Exchange.

Information on major shareholders

JSC Central-Asian Investment Company (“CAIC”) is bank holding company through which the top management of the Bank own shares of the Bank. As at 31 December 2013, the sole shareholders of CAIC were Subkhanberdin N.S., Chairman of the Board of Directors of the Bank, who owns 87.21% (2012: 87.21%, 2011: 87.21%) and Zhussupova N.A., Chairman of the Management Board of the Bank, who owns 12.79% (2012: 12.79%, 2011: 12.79%). CAIC and Subkhanberdin N.S. act as the bank’s holding company and major shareholder, respectively, on the basis of approval of the FMSC. As at 31 December 2013, Subkhanberdin N.S. owns 36.45% (2012: 36.46%, 2011: 36.43%) of the ordinary share capital of the Bank through direct and indirect ownership as a result of his holdings in CAIC and Zhussupova N.A. owns 3.98% (2012: 3.98%, 2011: 3.97%) through indirect ownership.

JSC Alnair Capital Holding ("Alnair") is a company operating under the laws of the Republic of Kazakhstan whose sole participant is Alnair Capital LLP exercising all the rights of the participant and manager of the company's activity. Alnair group of companies is the Bank's shareholder from 2008 possessing the official status of the bank holding company which was obtained with approval of the FMSC. Alnair mainly holds shares in the form of GDRs which are included into the total number of shares being in the nominal holding of the Central Depositary.

JSC National Welfare Fund Samruk–Kazyna ("Samruk–Kazyna") is an entity controlled by the Government of the Republic of Kazakhstan. Samruk–Kazyna took its position in the Bank in 2009 following the Government's decision to protect the rights of the Bank's creditors and support the sustainability of the Kazakh banking system. Samruk-Kazyna is a shareholder of the Bank for a limited period based on the terms of the agreements signed between Samruk-Kazyna, the Bank and its major shareholders. According to these agreements, Samruk-Kazyna will not participate in the day-to-day management of the Bank. The major shareholders of the Bank have maintained control over the Bank, as Samruk-Kazyna has transferred a portion of its common shares to the trust management of major shareholders CAIC and Alnair. As a result of this agreement, CAIC, European Bank for Reconstruction and Development ("EBRD") and Mr. Subkhanberdin together have voting rights of 50% plus one common share of the Bank. Due to the refusal of the pre-emptive right for acquisition of shares of the Bank's major shareholders were granted an option to repurchase shares of the Bank owned by the Samruk-Kazyna.

EBRD is an international financial institution established in 1991 to support market economies in the countries of Central Europe and Central Asia. It has been a shareholder of the Bank since 2003.

These consolidated financial statements were authorized for issue by the Management Board of the Bank on 31 March 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

Other basis of presentation criteria

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

These consolidated financial statements are presented in millions of Kazakhstani tenge ("KZT"), unless otherwise indicated.

These consolidated financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments, measurement of property and equipment at revalued amounts and measurement of Investment Property at fair value according to International Accounting Standard ("IAS") 39 "Financial Instruments: Recognition and Measurement", IAS 16 "Property, Plant and Equipment" and IAS 40 "Investment Property", respectively.

Kazkommertsbank and its subsidiaries (except for subsidiaries in Russian Federation, Republic of Tajikistan and Kyrgyz Republic) maintain their accounting records in accordance with IFRS. Subsidiaries in Russian Federation, Republic of Tajikistan and Kyrgyz Republic maintain their accounting records in accordance with local GAAP and their financial statements are prepared from the local statutory accounting records and adjusted to conform with IFRS.

These consolidated financial statements have been prepared based on the accounting records of the Bank and its subsidiaries. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the provisions for impairment losses and the fair value of financial instruments.

The Group presents its consolidated statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the statement of financial position date (current) and more than 12 months after the statement of financial position date (non-current) is presented in Note 37.

Functional currency

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

Basis of consolidation

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

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

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

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

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

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

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

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

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

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, with some exceptions.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity holders of the Parent. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the Parent and to the non-controlling interests. Total comprehensive income is attributed to the equity holders of the Parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Bank's ownership interests in subsidiaries that do not result in the Bank losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Bank's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the equity holders of the Parent.

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

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Recognition and measurement of financial instruments

The Group recognizes financial assets and liabilities in its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets and liabilities are recognized using settlement date accounting.

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

Derecognition of financial assets and liabilities

Financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities

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

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

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

Cash and balances with national (central) banks

Cash and balances with national (central) banks include cash on hand and unrestricted balances on correspondent and time deposit accounts with the National Bank of the Republic of Kazakhstan, the Central Bank of the Russian Federation, the National Bank of Kyrgyz Republic and the National Bank of Tajikistan with original maturities within three months.

Cash and cash equivalents

For the purposes of determining cash flows, cash and cash equivalents includes advances to banks with original maturities within three months, cash and balances with national (central) banks less the minimum reserve deposits required by the Central Bank of the Russian Federation, the National Bank of the Republic of Kazakhstan, the National Bank of the Kyrgyz Republic and the National Bank of Tajikistan.

Precious metals

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

Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities at fair value through profit or loss represent derivative instruments or securities (1) acquired principally for the purpose of selling them in the near future, (2) which are a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent and actual pattern of short-term profit taking or (3) which are designated by the Group at fair value through profit or loss upon initial recognition.

A financial asset or liability other than a financial asset or liability held for trading may be designated at fair value through profit or loss upon initial recognition if: (1) such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; (2) the financial asset or liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or (3) it forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets and liabilities at fair value through profit or loss are initially recorded and subsequently measured at fair value. Fair value adjustment on financial assets and liabilities at fair value through profit or loss is recognized in the consolidated statement of profit or loss for the period and is included in the 'Net gain/(loss) from financial assets and liabilities at fair value through profit or loss' line item. Fair value is determined in the manner described in Note 35.

Derivative financial instruments

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

Derivative instruments embedded in other financial instruments are treated as separate derivatives if their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value with unrealized gains and losses reported in the consolidated statement of profit or loss. An embedded derivative is a component of a hybrid (combined) financial instrument that includes both the derivative and a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative.

Loans and advances to banks and other financial institutions

In the normal course of business, the Group maintains advances and deposits for various periods of time with other banks and other financial institutions. Loans and advances to banks and other financial institutions with a fixed maturity term are initially recorded at fair value plus directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest method, less any reduction from impairment or uncollectibility.

Securities repurchase and reverse repurchase agreements and lending transactions

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

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

Financial assets received under reverse repos are recorded in the consolidated financial statements as loans which are collateralized by securities and are classified within Loans and advances to banks and other financial institutions and loans to customers.

In the event that the financial assets received under reverse repos are sold to third parties, the results are recorded in net gains/(losses) on respective assets. Any related income or expense arising from the pricing difference between purchase and resale of the underlying financial assets is accrued over the life of the agreement using the effective interest rate and recognized as interest income or expense in the consolidated statement of profit or loss.

The Group enters into repos and reverse repos agreements under which it receives or transfers collateral in accordance with normal market practice. Under standard terms for repurchase transactions in the Republic of Kazakhstan and other CIS states, the recipient of collateral has the right to sell or repledge the collateral, subject to returning equivalent securities on settlement of the transaction, only if the counterparty fails to meet its obligations per the agreement on the lending transaction.

Loans to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those classified in other categories of financial assets.

Loans to customers granted by the Group are initially recognized at fair value plus related transaction costs that directly relate to acquisition or creation of such financial assets. Where the fair value of consideration given does not equal the fair value of the loan, for example where the loan is issued at lower than market rates, the difference between the fair value of consideration given and the fair value of the loan is recognized as a loss on initial recognition of the loan and included in the consolidated statement of profit or loss according to nature of the losses. Subsequently, loans are carried at amortized cost using the effective interest method. Loans to customers are carried net of any allowance for impairment losses.

Write off of loans and advances

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

Finance leases

Finance leases are leases that transfer substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred. Whether a lease is a finance lease or an operating lease depends on the substance of the transaction rather than the form of the contract. A lease is classified as a finance lease if:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price which is expected to be sufficiently lower than the fair value at the date the option becomes exercisable such that, at the inception of the lease, it is reasonably certain that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of a specialized nature such that only the lessee can use them without major modifications being made.

The Group as a lessor presents finance leases within Loans to customers and initially measures them in the amount equal to net investment in the lease. Subsequently, the recognition of finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment in the finance lease.

Investments available-for-sale

Investments available-for-sale represents debt and equity investments that are intended to be held for an indefinite period of time. Investments in available-for-sale financial assets are non-derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Investments available-for-sale are initially recorded at fair value and subsequently are measured at fair value, with such re-measurement recognized in other comprehensive income and accumulated within the Investments available-for-sale fair value reserve which is included in Other reserves category within equity, except for impairment losses, foreign exchange gains or losses, interest income accrued using the effective interest method and dividends on available-for-sale equity investments, which are recognized directly in the consolidated statement of profit or loss. When sold, the cumulative gain or loss previously accumulated in the Investments available-for-sale fair value reserve is reclassified to profit or loss. Fair value is determined in the manner described in Note 35.

Dividends on available-for-sale equity investments are recognised when the Group's right to receive the dividends is established and are included in dividend income in the consolidated statement of profit or loss.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Investments held to maturity

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

Impairment of financial assets

Financial assets carried at amortized cost

The Group accounts for impairment losses of financial assets when there is objective evidence that a financial asset or group of financial assets is impaired. Impairment losses are measured as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the financial asset’s original effective interest rate. Such impairment losses are not reversed unless in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, such as recoveries, in which case the previously recognized impairment loss is reversed by adjustment of an allowance account to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Investments available-for-sale

Investments in available-for-sale debt securities are considered impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. For available-for-sale equity securities, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. If an available-for-sale asset is impaired, the cumulative loss comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of profit or loss, is reclassified from equity to the consolidated statement of profit or loss. Reversals of impairment losses in respect of equity securities classified as available-for-sale are not recognized in the consolidated statement of profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated within the Investments available-for-sale fair value reserve which is included in Other reserves line item within equity. Reversals of impairment losses on debt instruments are reversed through the consolidated statement of profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement of profit or loss.

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

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

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

It should be noted that the evaluation of losses includes a subjective factor. The management of the Group believes that the amount of recorded impairment is sufficient to cover losses incurred on assets subject to risks at the reporting date, although it is not improbable that in certain periods the Group can incur losses greater than recorded impairment.

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (“CGU”) (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Property, equipment and intangible assets

Property and equipment, except for buildings and other real estate and construction, and intangible assets are carried at historical cost less accumulated depreciation and amortization. Buildings and other real estate and construction are carried at market value. Depreciation on assets under construction and those not placed in service commences from the date the assets are ready for their intended use.

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

Buildings and other real estate	1-10%
Furniture and equipment	4-50%
Intangible assets	15-50%

Freehold land is not depreciated.

Leasehold improvements are amortized over 5 years. Expenses related to repairs and renewals are charged when incurred and included in operating expenses in the consolidated statement of profit or loss, unless they qualify for capitalization.

The carrying amounts of property, plant and equipment and intangible assets are reviewed at each reporting date to assess whether they are recorded in excess of their recoverable amounts. The recoverable amount is the higher of fair value less costs to sell and value in use, where carrying values exceed this estimated recoverable amount, assets are written down to their recoverable amount. An impairment is recognized in the respective period and is included in operating expenses. After the recognition of an impairment loss the depreciation charge for property, equipment and intangible assets is adjusted in future periods to allocate the assets' revised carrying value, less its residual value (if any), on a systematic basis over its remaining useful life.

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

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

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

Market value of property is assessed using one of three methods:

- The comparable sales method which involves analysis of market sales prices for similar real estate property based on available public information;
- The income-based method which assumes a direct relationship between revenues generated by the property and its market value;
- The costs method which presumes the value of property to be equal to its recoverable amount less any depreciation charges.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the consolidated statement of profit or loss.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise. When the Group determines that the fair value of an investment property under construction is not reliably measurable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably measurable or construction is completed (whichever is earlier).

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Non-current assets held for sale

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

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

Taxation

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

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

Deferred income tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit or taxable temporary difference from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

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

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

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

Countries where the Group operates also have various other taxes other than income tax, which are assessed on the Group's activities. These taxes are included as a component of operating expenses in the consolidated statement of profit or loss.

Loans and advances from banks and other financial institutions, customer accounts, debt securities issued, other borrowed funds and subordinated debt

Loans and advances from banks and other financial institutions, customer accounts, debt securities issued, other borrowed funds and subordinated debt are initially recognized at fair value less transaction costs. Subsequently, amounts due are stated at amortized cost and any difference between net proceeds and the redemption value is recognized in the consolidated statement of profit or loss over the period of the borrowings using the effective interest method.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

Financial guarantee contracts issued and letters of credit

Financial guarantee contracts and letters of credit issued by the Group are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Contingencies

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

Share capital and share premium reserve

Share capital is recognized at historical cost. Share premium reserve represents the excess of contributions over the nominal value of the shares issued. Gains and losses on sales of treasury stock are charged or credited to share premium reserve.

Costs directly attributable to the issue of new shares, other than on a business combination, are deducted from equity net of any related income taxes.

Dividends on ordinary shares are recognized in equity as a reduction in the period in which they are declared. Dividends that are declared after the reporting date are treated as a subsequent event under IAS 10 “Events after the Balance Sheet Date” and disclosed accordingly.

Preference shares

Preference shares having a prescribed dividend amount are considered to be compound financial instruments in accordance with the substance of the contractual arrangement and accordingly the liability and equity components are presented separately in the consolidated statement of financial position. On initial recognition the equity component is assigned the residual amount after deducting from the initial carrying amount of the instrument as a whole the fair value determined for the liability component. The fair value of the liability component on initial recognition is estimated by discounting expected future cash flows at a market interest rate for a comparable debt instrument. Subsequently, the liability component is measured according to the same principles used for subordinated debt, and the equity component is measured according to the same principles used for share capital.

Retirement and other benefit obligations

In accordance with the requirements of the legislation of the countries in which the Group operates certain percentages of pension payments are withheld from total disbursements to staff to be transferred to pension funds, such that a portion of salary expense is withheld from the employee and instead paid to a pension fund on behalf of the employee. This expense is charged in the period in which the related salaries are earned. Upon retirement all retirement benefit payments are made by the pension funds as selected by employees. The Group does not have any pension arrangements separate from the state pension system of the countries in which the Group operates. In addition, the Group has no post-retirement benefits or other significant compensated benefits requiring accrual.

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 carrying amount of the financial asset or financial liability.

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

Interest income also includes income earned on investments in securities. Other income is credited to the consolidated statement of profit or loss when the related transactions are completed. Interest income, received on assets assessed at fair value, is classified as interest income.

Recognition of fee and commission income and expense

Loan origination fees are deferred, together with the related direct and incremental costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated statement of profit or loss over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the profit or loss on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated statement of profit or loss when the syndication has been completed. All other commissions are recognized when services are provided.

Underwriting income and expenses

Underwriting income includes net written insurance premiums and commissions earned on ceded reinsurance reduced by the net change in the unearned premium reserve, claims paid, the provision of insurance losses and loss adjustment expenses, and insurance policy acquisition cost.

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

Losses and loss adjustments are charged to the consolidated statement of profit or loss as incurred. Commissions earned on ceded reinsurance contracts are recorded to the consolidated statement of profit or loss at the date the reinsurance contract is written and deemed enforceable.

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

Reserve for insurance losses and loss adjustment expenses

Reserve for insurance losses and loss adjustment expenses is a summary of estimates of ultimate losses, and includes both claims reported but not settled ("RBNS") and claims incurred but not reported ("IBNR").

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

Life insurance

The reserves for claims and claims incurred for annuity contracts are determined as the sum of the discounted value of the expected future benefits, annuities handling and contracts administration expenses, which are directly related to the contract, less the discounted value of the expected estimated premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The reserves are either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

The reinsurers' share in the provision for losses is calculated in accordance with the reinsurers' share under the reinsurance contracts.

Reinsurance

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

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses and loss adjustment expenses, and ceded unearned premiums. Amounts receivable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policy. Reinsurance is recorded gross unless a right of offset exists and is included in the accompanying consolidated statements of financial position within other assets.

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

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

Rates of exchange

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

	31 December 2013	**31 December 2012**	**31 December 2011**
KZT/1 US Dollar	154.06	150.74	148.40
KZT/1 Euro	212.02	199.22	191.72
KZT/1 Kyrgyz Som	3.13	3.18	3.21
KZT/1 Russian Rouble	4.68	4.96	4.61
KZT/1 Tajikistan Somoni	32.27	31.68	31.18

Collateral

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

Equity reserves

The reserves recorded in equity on the Group's statement of financial position include:

- 'Property and equipment revaluation reserve' which comprises revaluation reserve of land and buildings;
- 'Investments available-for-sale fair value reserve/(deficit)' which comprises changes in fair value of available-for-sale investments;
- 'Cumulative translation reserve' which is used to record exchange differences arising from the translation of the net investment in foreign operations;
- 'Hedging reserve' which is used to record the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. Since late 2009, the hedge did not meet the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive income from the period when the hedge was effective shall remain separately in equity until the forecast transaction occurs;
- 'Statutory reserve' which reflects the difference between provisions calculated in accordance with local requirements and provisions calculated under IFRS. The difference is attributable to fundamental methodological deviations including the impact of discounted future cash flows and the impact which certain forms of collateral have on the level of provision. Before 1 January 2013 this reserve was required by legislation of the Republic of Kazakhstan and is created through appropriations of retained earnings. This requirement was cancelled by NBRK effective from 1 January 2013.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and reported net on the consolidated statement of financial position when the Group has a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for derecognition, the Group does not offset the transferred asset and the associated liability.

Fiduciary activities

The Group provides depositary services to its customers, which include transactions with securities on their depository accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's consolidated financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Segment reporting

The segments are identified on the basis used by the Group's chief operating decision maker (Management Board) to allocate resources and evaluate performance, in accordance with IFRS 8 "Operating Segments". The Board reviews discrete financial information for each of its segments, including measures of operating results, assets and liabilities. The segments are managed primarily on the basis of their results, which excludes certain unallocated costs related to interest expense on debt securities issued and loans and advances to banks and other financial institutions and operating expenses other than salaries and other employee benefits. Segments with a majority of revenue earned from sales to external customers and whose revenue, result or assets are ten per cent or more of all the segments are reported separately. Geographical segments of the Group have been reported based on the domicile of the company within the Group.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Group management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the Group management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Allowance for impairment losses of loans and receivables

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

The Group uses management's judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans and receivables. The Group uses management's judgment to adjust observable data for a group of loans or receivables to reflect current circumstances not reflected in historical data.

The most significant judgment is applied in assessing impairment levels in real estate loans and construction financing. Current economic and market conditions make historical statistical loss levels less relevant in determining the inherent loss levels in the loan portfolio. Instead, management is required to use recent empirical evidence of impairment or employ analytical tools to estimate future economic value of collateral secured under loans or the expected cash generating ability of the borrowers' business. This area of judgment bears significant sensitivity to various risk factors, such as general economic growth, central government involvement, support of local authorities, trends in the housing and commercial real estate markets, and changes in the regulatory environment. The assumptions underlying this judgment are highly subjective.

The level of loan loss provisions for this loan category at the reporting date is supported by following factors:

- The economic value assessment of collateral under real estate loans. In some cases management used certain assumptions to determine the inherent value of collateral, such as land, based on highest and best use, current observable lease rates and sale prices for commercial and residential real estate. Moreover, the assessment sometimes depends on expectations that local municipal government will continue funding capital expenditure costs for infrastructure development in and around any given real estate project. In certain cases, the requirement for additional financing as well as investment is factored into determining the value.
- The Bank has formulated a work-out strategy for construction loans, which is currently being implemented, most significantly in Almaty and Astana. In many cases the approach taken by the Bank necessitates close partnership with local municipal authorities, construction subcontractors, suppliers of construction materials, and the availability of construction materials, specialized equipment and labor.
- Incomplete construction projects are more likely to result in past due construction loans. Therefore, the Bank encourages additional investments in incomplete construction projects, which in turn increase an opportunity to generate more cash flows for existing borrowers of the Bank that are involved in ancillary services to the construction sector, such as equipment leasing, construction materials, site management, labor outsourcing, transportation, security, and other services.

Fair value changes in the above factors and assumptions may result in significant adjustment to loan loss provisions and the carrying value of loans to customers. Management seeks to regularly update assumptions and the approach it has taken toward individual borrowers.

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

The impairment of a loan is identified within credit monitoring, which includes monitoring of payments of the customer and preparation of regular monitoring reports on the customer and his loans every 6 or 12 months, depending on the solvency of the customer. In addition, on a regular basis the credit managers monitor the quality of the loan, financial position and business of the customer, and observe the terms of the loan agreements. For the purpose of provisioning, an assessment of impairment losses for corporate loans is performed on an individual basis.

The Group classifies corporate loans as non-performing and accordingly impaired if there is a default on payment of the principal or accrued interest for 30 days or more.

The Group classifies consumer (retail) loans as non-performing or impaired if there is a default on payments of the principal or accrued interest for 60 days or more. For the purpose of provisioning, assessment of impairment losses is made on a collective or portfolio basis.

According to the Group's credit portfolio management policy, if at least one loan of a customer is recognized as impaired based on the above mentioned criteria, the total debt of such a customer is considered impaired, i.e. other performing loans of such customer are also recognized as impaired.

For certain performing loans which are not overdue, the Group classifies them as homogenous and individually assessed watch assets. Homogenous assets are not individually impaired, because there is not enough objective evidence to recognize them as impaired. At the same time, the Group assesses these assets for credit risk and impairment on a collective basis taking into account the general macroeconomic environment as well as industry specific developments. The individually assessed watch assets consist of loans not past due, but there is a possibility that the credit losses may arise in the future due to a possible negative trend in the borrower's financial position or evidence of some unsatisfactory financial results which affect the ability of a borrower to repay. The financial standing of such clients is evidenced and monitored, based on business results, repayment discipline and cash flows.

The Group creates an allowance for impairment losses in order to cover credit losses, including losses where the asset is not specifically identified. At least monthly, the provision for impairment losses on interest bearing assets is reviewed by the Chairman of the Board, the Head of Risk Management Department №1, the Chief Financial Officer, and the Chief Accountant. At least quarterly, the provision for impairment losses and overall credit quality is reviewed by the Board of Directors. The amount of provision is reviewed relative to the credit portfolio and current economic conditions. The amount of provision is determined by individual and portfolio-based approaches. As at 31 December 2013, 2012 and 2011, management deemed the provision for impairment losses to be appropriate and sufficient to absorb losses that are inherent to the Group's loan portfolio.

Goodwill impairment

The review of goodwill for impairment reflects management's best estimate of the future cash flows of the CGUs and the rates used to discount these cash flows, both of which are subject to uncertain factors as follows:

- the future cash flows of the CGUs are sensitive to the cash flows projected for the periods for which detailed forecasts are available and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance, and reflect management's expectations of future business prospects at the time of the assessment; and
- the rates used to discount future expected cash flows are based on the costs of capital assigned to individual CGUs and the rates can have a significant effect on their valuation. The cost of capital percentage is generally derived from a Capital Asset Pricing Model, which incorporates inputs reflecting a number of financial variables, which are subject to fluctuations in external market rates and economic conditions beyond control of the Group.

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

Valuation of financial instruments

As described in Note 35, the Group uses valuation techniques that include inputs that are not based on observable market date to estimate the fair value of certain types of financial instruments. Note 35 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. The Group management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

Recoverability of deferred tax assets

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

3. APPLICATION OF NEW AND REVISED IFRS

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

Standards affecting the financial statements

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

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

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

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

Impact of the application of IFRS 10

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

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

Impact of the application of IFRS 11

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

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

Impact of the application of IFRS 12

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of IFRS 12 do not result in significant impact on disclosures in the consolidated financial statements.

Amendments to IFRS 7 “Financial instruments: Disclosures”

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

In the current year, the Group transferred some financial assets that are not derecognised. The application of the amendments has resulted in more disclosures regarding the transfer of financial assets (see Note 31).

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

The Group has applied the amendments to IAS 1 titled Presentation of Items of Other Comprehensive Income. The amendment increases the required level of disclosure within the statement of other comprehensive income.

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

IAS 19 "Employee Benefits" (revised June 2011)

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

IFRS 13 "Fair Value Measurement"

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

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

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

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

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

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

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

New and revised IFRSs in issue but not yet effective

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

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

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

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IAS 39 "Financial Instruments: Recognition and Measurement" are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 9 is effective starting from January 2018.

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

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

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

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

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

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

Amendments to IAS 32 "Offsetting Financial Assets and Financial Liabilities"

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

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

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

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

Amendments to IAS 36

Amendments to IAS 36 "Impairment of Assets" reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique.

Amendments to IFRIC 21 Levies

Amendments to IFRIC 21 Levies provide guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" and those where the timing and amount of the levy is certain.

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

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

4. RESTATEMENTS AND RECLASSIFICATIONS

Restatements

In 2013 management identified that certain financial assets and liabilities at initial recognition were not accounted at fair value. As at 31 December 2012 and 2011, some accounts of consolidated financial statements were restated for correction of error as financial assets and financial liabilities were not recognized at fair value at initial recognition.

	Amount (KZT million)	**As per previous report Year ended 31 December 2012 (KZT million)**	**As per restated report Year ended 31 December 2012 (KZT million)**
As per Consolidated Statement of profit or loss			
Interest income	1,296	232,061	233,357
Interest expense	(2,675)	(107,723)	(110,398)
Net interest expense	(1,379)	(161,987)	(163,366)
Net loss	(1,379)	(130,932)	(132,311)
Loss per share			
Basic and diluted (KZT)	(2.77)	(168.56)	(171.33)
As per Consolidated Statement of Financial Position			
Loans to customers	(19,397)	1,917,692	1,898,295
Customer accounts	(31,697)	1,553,576	1,521,879
Retained earnings (included in 'Other reserves' line)	12,300	97,117	109,417

As per Consolidated Statement of profit or loss	Amount (KZT million)	As per previous report Year ended 31 December 2011 (KZT million)	As per restated report Year ended 31 December 2011 (KZT million)
Interest income	(6,038)	246,853	240,815
Interest expense	8,342	(133,531)	(125,189)
Net interest income	2,304	47,227	49,531
Net profit	2,304	23,520	25,824
Earnings per share			
Basic and diluted (KZT)	2.55	26.82	29.37
As per Consolidated Statement of Financial Position			
Loans to customers	(20,693)	2,079,661	2,058,968
Customer accounts	(34,373)	1,463,077	1,428,704
Retained earnings (included in 'Other reserves' line)	13,680	226,085	239,765

Reclassifications

As at 31 December 2012, investment property previously included in other assets within consolidated statement of financial position were reclassified for consistency with current period information. As a result of significant increase in investment property Management of the Group reclassified this account into separate financial statement line within statement of financial position.

As per Consolidated Statement of Financial Position	Amount (KZT million)	As per previous report Year ended 31 December 2012 (KZT million)	As per reclassified report Year ended 31 December 2012 (KZT million)
Investment property	1,462	-	1,462
Other assets	(1,462)	89,511	88,049

5. NET INTEREST INCOME

	Year ended 31 December 2013 (KZT million)	Year ended 31 December 2012 (KZT million)*	Year ended 31 December 2011 (KZT million)*
Interest income comprises:			
Interest income on financial assets recorded at amortized cost:			
- interest income on homogenous and individually assessed watch assets	163,365	149,980	150,752
- interest income on individually impaired financial assets	66,311	54,069	65,641
- interest income on unimpaired financial assets	16,066	22,738	15,968
Interest income on financial assets at fair value through profit or loss	5,180	5,799	7,680
Interest income on investments available-for-sale	1,170	771	774
Total interest income	252,092	233,357	240,815
Interest income on financial assets recorded at amortized cost comprises:			
Interest on loans to customers	243,497	223,966	228,901
Interest on loans and advances to banks and other financial institutions	1,790	2,441	3,391
Interest on investments held to maturity	455	380	69
Total interest income on financial assets recorded at amortized cost	245,742	226,787	232,361
Interest income on financial assets at fair value through profit or loss:			
Interest income on financial assets held-for-trading	5,180	5,799	7,680
Total interest income on financial assets at fair value through profit or loss	5,180	5,799	7,680
Interest income on investments available-for-sale	1,170	771	774
Total interest income	252,092	233,357	240,815
Interest expense comprises:			
Interest on financial liabilities recorded at amortized cost	110,550	110,398	125,189
Total interest expense	110,550	110,398	125,189
Interest expense on financial liabilities recorded at amortized cost comprise:			
Interest on customer accounts	74,892	68,661	77,149
Interest on debt securities issued	20,602	24,737	28,701
Interest on loans and advances from banks and other financial institutions	3,659	3,972	5,412
Interest on subordinated debt	9,586	10,891	11,938
Preference share dividends	724	778	730
Other interest expense	1,087	1,359	1,259
Total interest expense on financial liabilities recorded at amortized cost	110,550	110,398	125,189
Net interest income before provision for impairment losses on interest bearing assets	141,542	122,959	115,626

*Restated as described in Note 4.

6. ALLOWANCE FOR IMPAIRMENT LOSSES AND OTHER PROVISIONS

Individually assessed watch assets represent loans with some minor indicators of deterioration in credit quality not yet resulting in the impairment of the loan. Such indicators may include minor breaches of loan covenants, and/or some factors leading to the deterioration of the financial position of the borrower, which are not yet affecting the ability of the borrower to repay the amounts in due course. Watch list loans are subject to stricter monitoring of financial position, collateral and other enhanced credit risk management tools in comparison with unimpaired assets.

The movements in allowance for impairment losses on interest bearing assets were as follows:

	Loans and advances to banks and other financial institutions (KZT million) (Note 16)	Loans to customers (KZT million) (Note 17)	Investments available-for-sale (KZT million) (Note 18)	Total (KZT million)
31 December 2010	136	572,450	18	572,604
Additional provision recognized	25	65,944	126	66,095
Write-off of assets	-	(10,279)	-	(10,279)
Recovery of previously written-off loans	-	29,879	42	29,921
Foreign exchange differences	(1)	114	-	113
31 December 2011	160	658,108	186	658,454
Additional provision recognized	132	286,193	-	286,325
Write-off of assets	-	(30,824)	-	(30,824)
Foreign exchange differences	(12)	9,810	-	9,798
31 December 2012	280	923,287	186	923,753
(Recovery of provision)/additional provision recognized	(112)	71,667	-	71,555
Write-off of assets	-	(27,949)	-	(27,949)
Foreign exchange differences	3	11,748	-	11,751
31 December 2013	171	978,753	186	979,110

As at 31 December 2013, the Group has identified certain corporate customer loans, where under the contractual terms of the loan agreements there are no cash flows to the Group in the next few years. These loans are considered impaired by management. In accordance with IAS 39, interest should continue to be accrued on impaired loans, even where there are doubts in relation to its collection. The accrued interest income on these loans for the year ended 31 December 2013 amounted to KZT 43,872 million (2012: KZT 42,314 million, 2011: KZT 42,172 million). Management has accrued allowance for loan losses against this interest. While there is currently evidence of impairment, the Group continues to progress work out strategies on these loans. The Group regularly evaluates probability of cash flows and introduces respective changes to the list of these corporate loans.

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Insurance provisions, gross	15,655	12,876	8,200
Reinsurance share in provision	(3,114)	(3,322)	-
	12,541	9,554	8,200

The movements in insurance provisions, allowances for impairment losses on other transactions were as follows:

	Insurance provisions, gross (KZT million)	Other assets (KZT million) (Note 23)	Total (KZT million)
31 December 2010	6,287	4,033	10,320
Additional provision recognized/(recovery of provision)	1,913	(48)	1,865
Write-off of assets	-	(219)	(219)
Foreign exchange differences	-	7	7
31 December 2011	8,200	3,773	11,973
Additional provision recognized	4,676	1,223	5,899
Write-off of assets	-	(201)	(201)
Foreign exchange differences	-	95	95
31 December 2012	12,876	4,890	17,766
Additional provision recognized	2,779	2,761	5,540
Write-off of assets	-	(906)	(906)
Foreign exchange differences	-	68	68
31 December 2013	15,655	6,813	22,468

Insurance provisions, net of reinsurance, comprised:

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Annuity insurance	7,724	4,432	3,798
Civil liability for damage	2,284	1,851	1,493
Property	716	1,395	648
Civil liability for owners of vehicles	598	645	813
Life insurance	417	252	133
Medical insurance	219	276	214
Accidents	197	226	342
Vehicles	176	193	294
Other	210	284	465
	12,541	9,554	8,200

Other insurance provisions include provisions for insurance of private lawyers, auditors and audit organizations, medical, air and marine transport and others.

The movements in provision for guarantees and other contingencies were as follows:

	Guarantees and other off-balance sheet contingencies (KZT million) (Note 32)
31 December 2010	3,903
Recovery of provision	(1,387)
Foreign exchange differences	8
31 December 2011	2,524
Additional provision recognized	109
Foreign exchange differences	40
31 December 2012	2,673
Additional provision recognized	1,415
Foreign exchange differences	68
31 December 2013	4,156

The movements in provision for reinsurance assets were as follows:

	Reinsurance assets (KZT million) (Note 23)
31 December 2011	-
Reinsurance share in provision	(3,322)
31 December 2012	(3,322)
Reinsurance share in provision	208
31 December 2013	(3,114)

7. NET GAIN/(LOSS) ON FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	Year ended 31 December 2013 (KZT million)	Year ended 31 December 2012 (KZT million)	Year ended 31 December 2011 (KZT million)
Net gain/(loss) on operations with financial assets and liabilities held-for-trading comprise:			
Realized gain on trading operations	45	1,178	1,090
Unrealized gain/(loss) on fair value adjustment of financial assets held for trading	800	(5,441)	144
Net gain/(loss) on operations with derivative financial instruments	3,898	3,937	(6,466)
Total net gain/(loss) on financial assets and liabilities at fair value through profit or loss	4,743	(326)	(5,232)

8. NET (LOSS)/GAIN ON FOREIGN EXCHANGE AND PRECIOUS METALS OPERATIONS

	Year ended 31 December 2013 (KZT million)	Year ended 31 December 2012 (KZT million)	Year ended 31 December 2011 (KZT million)
Dealing, net	5,923	4,823	2,009
Translation differences, net	(6,482)	(1,213)	(1,023)
Total net (loss)/gain on foreign exchange and precious metals operations	(559)	3,610	986

9. FEE AND COMMISSION INCOME AND EXPENSE

	Year ended 31 December 2013 (KZT million)	Year ended 31 December 2012 (KZT million)	Year ended 31 December 2011 (KZT million)
Fee and commission income:			
Plastic cards operations	10,676	8,690	6,794
Cash operations	6,704	6,136	5,631
Settlements	5,066	4,629	3,885
Investment fees on administered pension funds	4,594	3,661	3,011
Documentary operations	2,043	1,853	2,088
Foreign exchange and securities operations	1,633	1,693	1,710
Encashment operations	545	440	361
Other	274	368	466
Total fee and commission income	31,535	27,470	23,946
Fee and commission expense:			
Payments to the deposits and insurance payment guarantee fund	4,476	4,738	4,017
Plastic cards services	3,710	2,936	2,283
Foreign exchange and securities operations	290	278	296
Correspondent bank services	224	244	197
The NBRK computation center services	181	138	138
Documentary operations	71	68	93
Insurance activity	-	2	7
Other	235	180	216
Total fee and commission expense	9,187	8,584	7,247

10. OTHER INCOME

	Year ended 31 December 2013 (KZT million)	Year ended 31 December 2012 (KZT million)	Year ended 31 December 2011 (KZT million)
Income from insurance activity	5,085	3,092	4,223
Gain from revaluation of investment property	1,032	217	-
Recovery of impairment loss/(impairment loss) of non-current assets held for sale	726	(150)	(164)
Rental income	133	124	10
Reimbursement of expenses on collateral	108	50	-
Gain on repayment of bonds	73	124	-
Net gain on sale of property and equipment	25	23	30
Fines and penalties received	16	6	120
Net gain on sale of inventory	13	7	1
Income from repurchase of own debt securities and early redemption of other obligations	8	63	543
Income from recovery of impairment loss on property and equipment	7	5	6
Net (loss)/gain from sale of non-current assets held for sale	(54)	776	465
Impairment loss of goodwill	(2,405)	-	-
Other	425	411	557
	5,192	4,748	5,791

For the year ended 31 December 2013, the Bank repurchased debt securities issued in the amount of KZT 5,224 million (USD 34 million) (2012: KZT 556 million (USD 3.6 million), 2011: KZT 47,841 million (USD 322 million)). As a result of this operation the Bank received a gain on debt repayment in the amount of KZT 8 million (2012: KZT 63 million, 2011: KZT 543 million), which is included in other income in the consolidated statement of profit or loss.

11. OPERATING EXPENSES

	Year ended 31 December 2013 (KZT million)	Year ended 31 December 2012 (KZT million)	Year ended 31 December 2011 (KZT million)
Staff costs	16,878	17,799	18,036
Depreciation and amortization	3,112	3,149	3,286
Property and equipment maintenance	2,136	2,279	2,276
Operating leases	2,131	2,452	2,509
Taxes, other than income tax	1,781	1,599	1,609
Advertising costs and telecommunications	1,733	2,093	2,378
Bank cards services	891	866	824
Security	886	793	322
Vehicle maintenance	320	415	343
Other expenses	2,871	2,445	2,545
	32,739	33,890	34,128

12. INCOME TAX

The Group provides for taxes based on the tax accounts maintained and prepared in accordance with the tax regulations of countries where the Group and its subsidiaries operate and which may differ from IFRS.

The Group is subject to certain permanent tax differences due to non-tax deductibility of certain expenses and a tax free regime for certain income.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as at 31 December 2013, 2012 and 2011 relate mostly to different methods of income and expense recognition as well as to recorded values of certain assets.

In December 2012 changes to the Tax Code were adopted in Kazakhstan, which were effective since 1 January 2013. These changes were related, but not limited to interest expense deduction, introduction of dynamic provision, deduction of provision for impairment losses and changes in the deduction of doubtful debts, documentary operations.

Tax effect of temporary differences as at 31 December 2013, 2012 and 2011:

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Deferred income tax assets:			
Accrued interest payable	3,279	-	-
Tax losses carried forward on trading securities and derivatives	2,852	3,047	2,517
Unrealised loss on trading securities and derivatives	519	785	4,093
Bonuses accrued	496	459	309
Tax losses carried forward	-	3,070	-
Allowance for impairment losses on loans and advances to banks and customers	-	42	-
Provision on guarantees and letters of credit	-	-	61
Other assets	73	273	165
Total deferred income tax assets	7,219	7,676	7,145
Deferred income tax liabilities:			
Unrealised gain on trading securities and derivatives	(2,852)	(1,320)	-
Property, equipment, intangible assets and accrued depreciation	(2,183)	(1,988)	(1,729)
Unrealized gain on revaluation of financial instruments, recognized on cash flow hedges	(225)	(147)	(100)
Allowance for impairment losses on loans and advances to banks and customers	(3)	-	(34,447)
Provision on guarantees and letters of credit	-	(1)	-
Other liabilities	(226)	-	-
Total deferred income tax liabilities	(5,489)	(3,456)	(36,276)
Net deferred income tax assets/(liabilities)	1,730	4,220	(29,131)

The management of the Group believes the deferred tax assets are recognizable based on the probability of future income. The Group has been consistently profitable in recent years with the exception of 2012, when losses were primarily due to a significant impairment charge that is not expected to recur. This history of income provides sufficient positive evidence for the Group to recognize this deferred tax asset. This recognition is based on projections of future profits – if these projections change or if future income differs from these projections, this could have a significant impact on future financial statements.

Unrecognized deferred income tax assets as at 31 December 2013, 2012 and 2011 are as follows:

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Deductible temporary differences	571	341	89
Tax losses carried forward	179	343	383
	750	684	472

Deferred tax assets have not been recognised in respect of allowance for impairment losses and certain part of other assets because it is not probable that future taxable profit will be available against which the OJSC CB Moskommertsbank, Bank’s subsidiary, can utilise the benefits there from. Tax losses carried forward will expire in 2022.

Relationships between tax expenses and accounting profit for the years ended 31 December 2013, 2012 and 2011 are explained as follows:

	Year ended 31 December 2013 (KZT million)	**Year ended 31 December 2012 (KZT million)**	**Year ended 31 December 2011 (KZT million)**
Profit/(loss) before income tax	62,219	(165,165)	33,481
Tax at the statutory tax rate	12,444	(33,033)	6,696
Tax effect of permanent differences:			
- tax exempt income	(5,884)	(2,682)	(2,314)
- non-deductible expense	3,067	2,459	3,252
Adjustments in respect of current income tax expense based on declarations for prior years	57	402	23
Income tax expense/(benefit)	9,684	(32,854)	7,657
Current income tax expense	7,214	278	8,530
Adjustments in respect of current income tax expense based on declarations for prior years	57	402	23
Deferred income tax expense/(benefit)	2,413	(33,534)	(896)
Income tax expense/(benefit)	9,684	(32,854)	7,657

During 2013, 2012 and 2011, tax exempted income was represented by interest income and capital gains on state and other securities listed on the Kazakhstan Stock Exchange ("KASE"), dividend income and interest income on finance leases, and non-deductible expenses comprising non-deductible operating expenses and provisions on finance leases.

Corporate income tax rate in the Republic of Kazakhstan was 20% during 2013, 2012 and 2011.

	2013 (KZT million)	**2012 (KZT million)**	**2011 (KZT million)**
Net deferred income tax (assets)/liabilities			
1 January	(4,220)	29,131	30,035
Deferred income tax expense/(benefit) recognized in statement of profit or loss	2,413	(33,534)	(896)
Change in hedging reserve	78	47	147
Change in available-for-sale reserve	(7)	136	(154)
Change in deferred tax liability from revaluation of property and equipment	6	-	(1)
31 December	(1,730)	(4,220)	29,131

During 2012, the tax authorities conducted a tax audit of the Bank covering the period from 2007 to 2010 inclusive. Based on the results of the tax authority's audit, a total amount of KZT 3,775 million in additional taxes and penalties, and a further KZT 1,395 million in fines were assessed. The Bank has appealed to the Almaty City Court to overrule the tax authorities judgment in the amount of KZT 3,775 million and that the fines imposed are therefore not applicable. Based on previous experience, the Bank believes that their position is fully supportable by the tax legislation. As at the date of approval of these financial statements the Bank has the right to appeal the tax authorities' actions in court. Term of the appeal - until 25 September 2014.

13. EARNINGS/(LOSS) PER SHARE

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

As described in Note 30, dividend payments per ordinary shares cannot exceed the dividends per share on preference shares for the same period. Therefore, net profit/(loss) for the period is allocated to the ordinary shares and the preference shares in accordance with their legal and contractual dividend rights to participate in undistributed earnings:

	Year ended 31 December 2013 (KZT million)	Year ended 31 December 2012 (KZT million)	Year ended 31 December 2011 (KZT million)
Basic and diluted earnings/(loss) per share			
Net profit/(loss) for the year attributable to equity holders of the Parent	52,122	(132,510)	25,784
Less: additional dividends that would be paid on full distribution of profit to the preferred shareholders	(6,482)	-	(2,921)
Net profit/(loss) for the year attributable to ordinary shareholders	45,640	(132,510)	22,863
Weighted average number of ordinary shares for basic and diluted earnings/(loss) per share	777,738,469	777,954,987	778,508,421
Earnings/(loss) per share – basic and diluted (KZT)	58.68	(170.33)	29.37

The book value per share for each type of shares as at 31 December 2013, 2012 and 2011 is as follows:

	31 December 2013			31 December 2012			31 December 2011		
Type of shares	**Outstanding shares**	**Net asset value (KZT million)**	**Book value per share, KZT**	**Outstanding shares**	**Net asset value (KZT million)**	**Book value per share, KZT**	**Outstanding shares**	**Net asset value (KZT million)**	**Book value per share, KZT**
Ordinary shares	777,777,907	363,958	467.95	777,588,523	312,755	402.21	778,362,588	442,592	568.62
Preference shares	122,135,445	13,097	107.24	123,209,769	13,038	105.82	123,963,374	13,002	104.89
		377,055			325,793			455,594	

The number of outstanding ordinary and preferred shares is calculated net of treasury shares.

According to amendments enacted to the KASE Listing Rules effective from 25 August 2010, listed companies are required to present book value per share (ordinary and preferred) in their financial statements. In the table above, net asset value and book value per share is calculated in accordance with the methodology in the KASE Listing Rules.

14. CASH AND BALANCES WITH NATIONAL (CENTRAL) BANKS

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Cash on hand	46,339	50,188	41,308
Balances with national (central) banks	145,348	56,309	63,759
	191,687	106,497	105,067

Cash and cash equivalents for the purposes of the consolidated statement of cash flows are comprised of the following:

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Cash and balances with national (central) banks	191,687	106,497	105,067
Loans and advances to banks with original maturities less than 3 months	115,030	112,733	30,771
Less funds deposited with the National Bank of the Republic of Kazakhstan ("NBRK")	(40,003)	(37,806)	(54,653)
Less funds deposited with the Central Bank of Russian Federation ("CBR")	(2,102)	(2,974)	(2,916)
Less funds deposited with the National Bank of the Kyrgyz Republic ("NBKR")	(139)	(133)	(126)
Less funds deposited deposit with the National Bank of Tajikistan ("NBT")	(78)	(72)	(79)
	264,395	178,245	78,064

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

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Debt securities	99,934	103,644	165,359
Derivative financial instruments	16,584	8,823	13,102
Equity investments	5,337	6,355	9,852
Total financial assets at fair value through profit or loss	121,855	118,822	188,313

The financial assets at fair value through profit or loss relate entirely to financial assets held for trading.

	31 December 2013		31 December 2012		31 December 2011	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:						
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.30-8.75	74,242	0.00-8.75	77,504	2.50-8.75	86,456
Treasury bonds of USA	0.25	7,689	-	-	-	-
Bonds of Russian companies	4.20-13.50	7,475	7.40-13.50	13,760	7.25-14.25	10,062
Bonds of Russian banks	6.90-10.15	2,919	7.90-10.15	4,039	7.60-9.00	3,002
Bonds of Kazakhstani companies	6.00-9.20	2,494	6.00-9.20	2,489	7.50-9.50	2,509
Municipal bonds of the RF	8.35	1,717	8.86-9.00	2,010	8.79-9.00	2,195
Eurobonds of Kazakhstani companies	5.75-9.13	1,395	8.38	866	6.25-9.13	2,889
Eurobonds of Kazakhstani banks	7.25-9.50	1,080	7.25-9.50	1,891	7.25-9.25	3,398
Bonds of Kazakhstani banks	7.00-9.70	707	6.00-9.70	768	6.00-10.00	586
Bonds of Development Bank of Kazakhstan	6.50	165	6.50	173	6.50	147
Bonds of international financial organizations, foreign banks and foreign financial organizations	2.82	51	5.87-6.95	89	4.20-6.75	3,018
Eurobonds of the Government of the RF	-	-	7.85	55	7.85	8,765
Eurobonds of Eurasian Development Bank	-	-	-	-	7.38	638
Bonds of federal loan of the Ministry of Finance of the RF	-	-	-	-	8.00	73
Short-term NBRK notes	-	-	-	-	-	41,621
		99,934		103,644		165,359

	31 December 2013		31 December 2012		31 December 2011	
	Ownership share %*	**Amount (KZT million)**	**Ownership share %***	**Amount (KZT million)**	**Ownership share %***	**Amount (KZT million)**
Equity investments:						
Shares of Kazakhstani companies	0.000-3.083	5,311	0.001-3.083	4,430	0.010-3.080	6,642
GDRs of Kazakhstani companies	-	26	1.425	1,262	-	465
GDRs of Russian banks	-	-	-	240	-	264
Shares of Russian companies	-	-	-	161	-	285
Shares of foreign companies	-	-	-	106	0.0001-1.470	383
Shares of Russian banks	-	-	-	76	-	60
Shares of foreign banks	-	-	-	55	-	165
GDRs of Kazakhstani banks	-	-	-	25	-	1,421
GDRs of Russian companies	-	-	-	-	-	122
ADRs of Russian company	-	-	-	-	-	23
ADRs of foreign companies	-	-	-	-	-	22
		5,337		6,355		9,852

*Ownership interest in equity securities is below 1%, if not indicated otherwise.

As at 31 December 2013, fair value of financial assets at fair value through profit or loss pledged under repurchase agreements were equal to KZT 75,380 million (2012: KZT 77,936 million, 2011: KZT 29,404 million) (see Note 24).

	31 December 2013			31 December 2012			31 December 2011		
	Notional value	**Fair value (KZT million)**		**Notional value**	**Fair value (KZT million)**		**Notional value**	**Fair value (KZT million)**	
Derivative financial instru-ments:		**Assets**	**Liabilities**		**Assets**	**Liabilities**		**Assets**	**Liabilities**
Foreign exchange contracts:									
Swaps	222,346	16,552	(1,619)	166,073	8,701	(1,514)	268,980	13,013	(26,700)
Spot	11,423	7	(19)	21,723	23	(12)	10,044	5	(17)
Forwards	3,312	25	(22)	4,540	22	-	3,768	12	-
Interest rate contracts:									
Swaps	6,632	-	(636)	34,193	77	(7,351)	67,104	72	(11,054)
		16,584	(2,296)		8,823	(8,877)		13,102	(37,771)

As at 31 December 2013, the aggregate amount of unrealized gains under foreign exchange swap contracts deferred in the hedging reserve relating to the exposures amounted to KZT 1,197 million (2012: KZT 1,468 million, 2011: KZT 1,646 million). It is being recycled to profit or loss over the periods up to February 2017, in line with the previously hedged cash flows relating to these contracts.

As at 31 December 2013, the aggregate amount of unrealized losses under interest rate swap contracts deferred in the hedging reserve relating to the exposures amounted to KZT 72 million (2012: KZT 732 million, 2011: KZT 1,145 million). It is being recycled to the consolidated statement of profit or loss over the periods up to June 2014, in line with the previously hedged cash flows relating to these contracts.

16. LOANS AND ADVANCES TO BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Recorded as loans and receivables:			
Loans and advances to banks	82,134	42,805	26,433
Correspondent accounts with other banks	47,190	93,490	26,895
Loans under reverse repurchase agreements	10,590	10,688	800
	139,914	146,983	54,128
Less allowance for impairment losses	(171)	(280)	(160)
	139,743	146,703	53,968

Movements in allowances for impairment losses on loans and advances to banks and other financial institutions for the years ended 31 December 2013, 2012 and 2011 are disclosed in Note 6.

As at 31 December 2013, the Group had no loans and advances to banks and other financial institutions, which individually exceeded 10% of the Group's equity (2012: KZT 74,947 million, 2011: KZT nil).

The fair value of collateral and carrying value of loans under reverse repurchase agreements as at 31 December 2013, 2012 and 2011 comprised:

	31 December 2013 (KZT million)		31 December 2012 (KZT million)		31 December 2011 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of the Ministry of Finance of the Republic of Kazakhstan	9,185	8,597	11,623	10,688	-	-
Bonds of the Russian banks	1,077	957	-	-	-	-
Bonds of the Russian companies	624	562	-	-	-	-
Bonds of Ministry of Finance of the RF	522	474	-	-	-	-
Notes of NBRK	-	-	-	-	842	800
	11,408	10,590	11,623	10,688	842	800

In addition, as at 31 December 2013, the Bank maintained deposits of KZT 119 million included in loans and advances to banks as collateral for credit cards operations (2012: KZT 95 million, 2011: KZT 228 million).

Maturity of reverse repo agreements that were effective as at 31 December 2013 was in January 2014 (2012: in January 2013, 2011: in January 2012).

As at 31 December 2013, reverse repo agreements were concluded through KASE. The Bank believes that counterparties of these agreements are banks and other financial institutions.

17. LOANS TO CUSTOMERS

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Recorded as loans and receivables:			
Originated loans	2,872,468	2,814,843	2,710,912
Net investments in finance lease	7,278	6,739	6,164
	2,879,746	2,821,582	2,717,076
Less allowance for impairment losses	(978,753)	(923,287)	(658,108)
	1,900,993	1,898,295	2,058,968

Movement in allowances for impairment losses on loans to customers for the years ended 31 December 2013, 2012 and 2011 are disclosed in Note 6.

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

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Analysis by type of collateral:			
Loans collateralized by real estate and land	1,111,504	1,041,839	959,275
Loans collateralized by equipment	306,822	400,186	557,616
Loans collateralized by shares	130,615	135,693	162,865
Loans collateralized by inventories	128,481	167,656	201,338
Loans collateralized by accounts receivable	67,665	61,316	74,744
Loans collateralized by mixed types of collateral	20,001	11,667	21,784
Loans collateralized by cash or Kazakhstani Government guarantees	7,047	15,977	30,423
Loans collateralized by guarantees of enterprises	3,741	11,579	17,109
Loans with collateral under the registration process (property, land, shares, guarantees, etc.)	765	7,883	2,072
Unsecured loans	124,352	44,499	31,742
	1,900,993	1,898,295	2,058,968

Mixed collateral consists of multiple types of collateral including real estate, guarantees and inventories. Loans are classified as being collateralized by mixed collateral where it is impractical to split this collateral into the categories disclosed above.

In addition to the collateral disclosed above, as at 31 December 2013, the Bank has debt securities issued with a fair value of KZT 1 million (USD 6 thousand) (2012: KZT 47 million (USD 313 thousand), 2011: KZT 12,673 million (USD 85 million)) as collateral for certain loans.

	31 December 2013 (KZT million)	31 Decmber 2012 (KZT million)	31 December 2011 (KZT million)
Analysis by sector:			
Housing construction	513,668	484,635	518,044
Commercial real estate construction	298,337	296,818	280,338
Individuals	270,550	213,185	208,786
Hospitality business	135,565	138,146	132,654
Real estate	127,343	113,363	131,525
Wholesale and retail trade	120,924	197,549	207,291
Production of other non-metal materials	112,971	103,829	99,485
Investments and finance	43,382	39,860	96,886
Transport and communication	40,660	40,262	64,311
Industrial and other construction	40,599	36,321	53,892
Energy	40,325	43,558	54,286
Production of construction materials	17,885	19,325	18,616
Food industry	12,562	15,259	17,258
Mining and metallurgy	11,261	8,786	13,361
Agriculture	8,936	21,847	27,376
Medicine	7,835	7,323	6,905
Machinery construction	3,481	4,233	6,424
Other	94,709	113,996	121,530
	1,900,993	1,898,295	2,058,968

During the years ended 31 December 2013, 2012 and 2011, the Group received non-financial assets by taking possession of collateral it held as security. As at 31 December 2013, such assets in the amount of KZT 83,856 million (2012: KZT 50,267 million, 2011: KZT 42,893 million) are included in the other assets line of the consolidated statement of financial position. These assets are represented mostly by real estate the majority of which will be realized through auctions. As well as, as at 31 December 2013 2012 and 2011, the Group received assets by taking possession of collateral it held as security, which represents construction in progress. As at 31 December 2013, such assets in the amount of KZT 14,687 million (2012: KZT 21,586 million, 2011: KZT 25,248 million) are included in the other assets line of the consolidated statement of financial position.

Loans to individuals comprise the following products:

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Consumer loans	156,257	83,595	72,954
Mortgage loans	109,271	123,104	127,527
Car loans	1,994	2,536	3,483
Business loans	841	2,186	2,231
Other	2,187	1,764	2,591
	270,550	213,185	208,786

As at 31 December 2013, the Group granted loans to the borrowers, which individually exceeded 10% of the Group’s equity, in the total amount of KZT 827,114 million (2012: KZT 832,629 million, 2011: KZT 401,578 million).

As at 31 December 2013, a significant part of loans 90.42% (2012: 90.52%, 2011: 87.67%) of the total portfolio is granted to companies operating in the territory of the Republic of Kazakhstan, which represents a significant geographical concentration.

The components of net investment in finance lease as at 31 December 2013, 2012 and 2011 are as follows:

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Minimum lease payments	8,313	8,058	6,381
Less: unearned finance income	(1,035)	(1,319)	(217)
Net investment in finance lease	7,278	6,739	6,164
Not later than one year	2,230	1,674	1,628
From one year to five years	2,876	2,906	3,414
More than five years	2,172	2,159	1,122
Net investment in finance lease	7,278	6,739	6,164

The value of future minimum lease payments receivable from the customer under a finance lease as at 31 December 2013, 2012 and 2011 comprised:

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Not later than one year	2,670	2,207	1,699
From one year to five years	3,462	3,647	3,544
More than five years	2,181	2,204	1,138
Total value of future minimum lease payments	8,313	8,058	6,381
Less: unearned finance income	(1,035)	(1,319)	(217)
Present value of minimum lease payments receivable	7,278	6,739	6,164

As at 31 December 2013, 2012 and 2011, the Group’s finance lease agreements have an average life of five years.

18. INVESTMENTS AVAILABLE-FOR-SALE

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Debt securities	19,756	13,965	11,312
Equity securities	1,493	1,717	4,107
	21,249	15,682	15,419

	31 December 2013		31 December 2012		31 December 2011	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:						
Bonds of Kazakhstani companies	0.00-9.13	6,562	0.00-8.62	6,839	0.00-9.90	6,118
Bonds of Russian companies	7.65-9.00	5,675	-	-	-	-
Bonds of Russian banks	7.65-8.55	2,395	-	-	-	-
Bonds of Kazakhstani banks	0.00-9.25	2,383	6.90-12.50	1,873	7.25-9.10	1,097
Bonds of the Ministry of Finance of the Republic of Kazakhstan	3.20-7.00	2,196	0.01-6.50	4,622	0.01-8.40	3,522
Eurobonds of the Ministry of Finance of the RF	-	469	7.85	551	7.85	575
Eurobonds of Eurasian Development Bank	4.77	76	4.77	80	-	-
		19,756		13,965		11,312

As at 31 December 2013, impairment of some debt securities, available-for-sale, was in the amount of KZT 186 million (2012: KZT 186 million, 2011: 186 million). Movements in those impairment for the years ended 31 December 2013, 2012 and 2011 are disclosed in Note 6.

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Equity securities*:			
ADR of Kazakhstani companies	930	780	1,402
Shares of Kazakhstani companies	561	610	657
Shares of Kazakhstani banks	2	66	50
GDR of Russian banks	-	261	284
GDR of Kazakhstani companies	-	-	1,635
GDR of Kazakhstani banks	-	-	79
	1,493	1,717	4,107

*Ownership share is less than 1%.

As at 31 December 2013, fair value of investments available-for-sale pledged under repurchase agreements were equal to KZT 6,440 million (2012: KZT nil, 2011: KZT nil) (see Note 24).

19. INVESTMENTS HELD TO MATURITY

	31 December 2013		31 December 2012		31 December 2011	
	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)	Nominal interest rate %	Amount (KZT million)
Debt securities:						
Bonds of Kazakhstani companies	6.00-11.75	2,335	6.40-11.75	2,024	8.60-11.75	1,253
Bonds of Kazakhstani banks	7.00-13.00	2,060	6.70-13.00	2,365	6.60-11.00	1,358
Bonds of the Ministry of Finance of the Republic of Kazakhstan	4.20-4.48	1,414	4.48-6.75	1,661	0.07-6.75	243
Bonds of Russian banks	7.88-8.70	340	7.88-8.70	351	8.70	189
Bonds of JSC National Welfare Fund “Samruk-Kazyna”	6.50	202	6.50	203	6.50	204
Bonds of international financial institutions and foreign banks	2.82	152	5.46-6.75	333	6.69-6.75	487
Eurobonds of the Government of RF	-	-	-	-	7.85	292
		6,503		6,937		4,026

20. INVESTMENT PROPERTY

	2013 (KZT million)	2012 (KZT million)
As at 1 January	1,462	-
Acquisitions	1,011	-
Transferred from assets held for sale	35,244	1,198
Property classified as held for sale	(1,937)	-
Increase due to capitalization of costs	2,164	-
Gain on property revaluation	1,032	217
Effect of foreign currency exchange difference	(127)	47
As at 31 December	38,849	1,462

As at 31 December 2013 and 2012, there was no investment property that was pledged as collateral for liabilities.

Included into operating lease income is investment property rental income for the year ended 31 December 2013 amounted to KZT 5 million (2012: KZT nil).

Operating expenses arising from the investment property that generated rental income during the year ended 31 December 2013 amounted to KZT 7 million (2012: KZT nil). Operating expenses arising from the investment property that did not generate rental income during the years ended 31 December 2013 and 2012 amounted to KZT 28 million and KZT nil, respectively.

The fair value of the Group's investment property as at 31 December 2013 was determined by independent appraisers. The following methods were used for the estimation of its fair value: income approach, cost based method and comparative approach. In estimating the fair value of the properties, the highest and best use of the properties is their current use. There has been no change to the valuation technique during the year.

Details of the Group's investment properties and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Fair value as at 31 December 2013 (KZT million)
Investment property at fair value:				
Land	-	2,828	72	2,900
Real estate	-	589	10,682	11,271
Total	-	3,417	10,754	14,171

As at 31 December 2013 investment property under construction amounted to KZT 24,678 million.

21. GOODWILL

Goodwill arising as a result of a business acquisition is distributed to the companies that generate cash flows (cash generating units).

Companies that generate cash flows:	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
JSC Grantum APF	-	1,281	1,281
JSC OCOPAIM Grantum Asset Management	-	1,124	1,124
	-	2,405	2,405

As a result of the reform of the national pension system of the Republic of Kazakhstan on unifying all pension assets and associated liabilities managed by private pension funds into a wholly state owned Single Accumulating Pension Fund, as at 31 December 2013 the Bank had recognized an impairment of previously recognized goodwill.

22. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS

	Buildings and other real estate (KZT million)	Furniture and equipment (KZT million)	Intangible assets (KZT million)	Construction in progress (KZT million)	Other (KZT million)	Total (KZT million)
At primary/revalued cost:						
31 December 2010	22,574	18,371	3,939	38	1,929	46,851
Additions	1,432	2,296	373	51	634	4,786
Revaluation	36	-	-	-	-	36
Disposals	(77)	(943)	(94)	(21)	(1,120)	(2,255)
Foreign exchange differences	(23)	(48)	(17)	-	(56)	(144)
31 December 2011	23,942	19,676	4,201	68	1,387	49,274
Additions	114	1,668	408	24	31	2,245
Revaluation	239	-	-	-	-	239
Disposals	(41)	(957)	(91)	(33)	(306)	(1,428)
Foreign exchange differences	39	72	29	-	66	206
31 December 2012	24,293	20,459	4,547	59	1,178	50,536
Additions	150	1,715	1,320	12	60	3,257
Transfers	25	-	-	(25)	-	-
Revaluation	203	-	-	-	-	203
Disposals	(1,011)	(925)	(1,119)	(19)	(118)	(3,192)
Foreign exchange differences	(35)	(60)	(24)	-	(54)	(173)
31 December 2013	23,625	21,189	4,724	27	1,066	50,631
Accumulated depreciation:						
31 December 2010	390	10,814	2,307	-	1,483	14,994
Charge for the year	275	2,076	544	-	391	3,286
Disposals	(9)	(747)	(94)	-	(1,112)	(1,962)
Foreign exchange differences	(1)	(40)	(17)	-	(14)	(72)
31 December 2011	655	12,103	2,740	-	748	16,246
Charge for the year	352	2,098	509	-	190	3,149
Revaluation	(126)	-	-	-	-	(126)
Disposals	(33)	(941)	(91)	-	(306)	(1,371)
Foreign exchange differences	1	62	26	-	29	118
31 December 2012	849	13,322	3,184	-	661	18,016
Charge for the year	307	2,155	495	-	155	3,112
Disposals	(985)	(890)	(1,086)	-	(117)	(3,078)
Foreign exchange differences	-	(53)	(23)	-	(31)	(107)
31 December 2013	171	14,534	2,570	-	668	17,943
Net book value:						
31 December 2013	23,454	6,655	2,154	27	398	32,688
31 December 2012	23,444	7,137	1,363	59	517	32,520
31 December 2011	23,287	7,573	1,461	68	639	33,028

As at 31 December 2013, property, equipment and intangible assets of the Group included fully depreciated and amortized assets on initial cost amounting to KZT 8,752 million (2012: KZT 8,064 million, 2011: KZT 7,363 million), of which KZT 6,632 million pertain to the Bank (2012: KZT 6,560 million, 2011: KZT 6,487 million).

Buildings and other real estate are revalued on a regular cyclical basis, with the last valuation being conducted on 27 August 2013 (2012: 27 July 2012, 2011: 26 August 2011). The valuation was conducted by a local independent appraisal company and for determining of the final value on these dates, the Group used observable prices in an active market for the properties. These prices are obtained through publications and current market data, and are adjusted based on characteristics of the valued property.

Details of the Group's buildings and information about the fair value hierarchy as at 31 December 2013 are as follows:

	Level 1 (KZT million)	**Level 2** (KZT million)	**Level 3** (KZT million)	**Fair value as at 31 December 2013** (KZT million)
Buildings in following region:				
- Kazakhstan	-	-	23,008	23,008
- Russia	-	-	617	617
Total	-	-	23,625	23,625

There were no transfers between Levels 1 and 2 during the year.

The carrying value of the buildings and other real estate as at 31 December 2013 amounted to KZT 23,454 million (2012: KZT 23,444 million, 2011: KZT 23,287 million). If the buildings were accounted for at historical cost restated according to inflation indices less accumulated depreciation and impairment losses, their carrying value as at 31 December 2013 would be KZT 14,277 million (2012: KZT 14,380 million, 2011: KZT 14,366 million).

Intangible assets include software, patents and licenses.

23. OTHER ASSETS

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Other financial assets:			
Receivables on other transactions	9,063	6,800	7,302
Accounts receivable from insurance activity	1,901	1,668	2,059
Accrued commission	1,438	1,253	842
	12,402	9,721	10,203
Less allowance for impairment losses	(6,813)	(4,890)	(3,773)
Total other financial assets	5,589	4,831	6,430
Other non-financial assets:			
Non-current assets held for sale	83,856	50,267	42,893
Construction in progress*	14,687	21,586	25,248
Tax settlements, other than income tax	10,476	4,452	4,380
Inventory	6,070	13	-
Prepaid expenses	4,508	943	1,208
Resinsurance share in insurance reserves	3,114	3,322	-
Income tax assets	204	2,635	363
Total other non-financial assets	122,915	83,218	74,092
	128,504	88,049	80,522

*Construction in progress is accounted for at historical cost.

Movement in allowances for impairment losses for the years ended 31 December 2013, 2012 and 2011 are disclosed in Note 6.

During the years ended 31 December 2013, 2012 and 2011, the Group received non-financial assets by taking possession of collateral it held as security as assets held for sale at fair value. The assets have been subsequently measured at the lower of fair value less cost to dispose or the carrying value, as the appropriate level of management has committed to a plan to sell the assets and an active program to locate a buyer and complete the plan has been initiated. The type of assets recognized were land, buildings and constructions. The majority of these assets are in Almaty and Astana. It was intended that the fair value of these assets would be recovered principally through a sale transaction within one year from the date of classification.

Non-current assets held for sale are as follows:

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Land	57,530	25,124	19,056
Real estate	25,685	25,057	23,349
Other assets	641	86	488
Total non-current assets held for sale	83,856	50,267	42,893

The (loss)/gain on sale of assets held for sale and recovery of impairment/(impairment loss) are disclosed in Note 10. The non-current assets are included in the retail banking and corporate banking segments in Note 34.

24. LOANS AND ADVANCES FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Recorded at amortized cost:			
Correspondent accounts of other banks	3,759	2,348	3,322
Correspondent accounts of organizations that serve certain types of banking operations	558	171	180
Loans from banks and other financial institutions	18,661	35,969	60,438
Deposits with banks	1	503	338
Loans under repurchase agreements	74,976	71,486	27,937
	97,955	110,477	92,215

As at 31 December 2013, loans under repurchase agreements included in loans and advances from banks and other financial institutions amounted to KZT 74,976 million (2012: KZT 71,486 million, 2011: KZT 27,937 million).

The fair value of collateral held and carrying value of loans under repurchase agreements as at 31 December 2013, 2012 and 2011 are presented as follows:

	31 December 2013 (KZT million)		31 December 2012 (KZT million)		31 December 2011 (KZT million)	
	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans	Fair value of collateral	Carrying value of loans
Bonds of the Ministry of Finance of the Republic of Kazakhstan	65,113	60,342	65,186	60,222	-	-
Bonds of foreign companies	10,579	9,142	8,964	7,857	-	-
Bonds of foreign banks	3,967	3,410	1,793	1,512	-	-
Municipal bonds of the RF	1,704	1,625	1,993	1,895	-	-
Bonds of Ministry of Finance of the RF	457	457	-	-	-	-
Notes of the NBRK	-	-	-	-	29,404	27,937
	81,820	74,976	77,936	71,486	29,404	27,937

Maturity of repurchase agreements that were effective as at 31 December 2013 was in January 2014 (2012: in January 2013, 2011: in January 2012).

As at 31 December 2013, repurchase agreements were concluded through KASE. The Bank believes that counterparties of these agreements are banks and other financial institutions.

In accordance with the contractual terms of the loans from certain OECD based banks and EBRD, the Group is required to maintain certain financial ratios, particularly with regard to its liquidity, capital adequacy and lending exposures. In accordance with the terms of certain of those loans, the Group is also required to obtain the approval of the lender before distributing any dividends to the common shareholders except for dividends to be reinvested for ordinary shares. Furthermore, certain of the Group's outstanding financing agreements include covenants restricting the capability of the Group to create the right of pledge on its assets. The Group's failure to observe obligations on these covenants can lead to cross-accelerations and cross-defaults under the terms of the other financial agreements of the Group. The Group has not breached any of these covenants during the years ended 31 December 2013, 2012 and 2011.

25. CUSTOMER ACCOUNTS

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Recorded at amortized cost:			
Time deposits	1,247,918	1,137,371	967,859
Demand deposits	431,626	380,866	457,588
Accounts in precious metals	2,491	3,642	3,257
	1,682,035	1,521,879	1,428,704

As at 31 December 2013, customer accounts were pledged as a guarantee for issued letters of credit and other transactions relating to contingent liabilities of KZT 11,314 million (2012: KZT 6,626 million, 2011: KZT 7,697 million), as disclosed in Note 32.

As at 31 December 2013, the total amount of funds deposited under the stabilization program of the Government of Kazakhstan by means of deposits from JSC National Welfare Fund "Samruk-Kazyna" and JSC Distressed Assets Fund amounted to KZT 101,062 million (2012: KZT 103,701 million, 2011: KZT 105,072 million), including:

- KZT 21,257 million for refinancing mortgage loans (initially granted and deposited in the Bank KZT 24,000 million);
- KZT 76,165 million for completion of construction projects in Almaty and Astana (initially granted and deposited in the Bank KZT 111,998 million); and
- KZT 3,640 million for financing large-scale businesses in the manufacturing sector.

On 23 February 2012, the Bank has completed a program of refinancing mortgage loans under the government program of the JSC National Welfare Fund "Samruk-Kazyna".

As at 31 December 2013, customer accounts of KZT 795,308 million or 47.28% (2012: 654,158 million or 42.11%, 2011: 610,002 million or 41.69%), were due to 10 customers, which represents a significant concentration. The Management of the Group believes that in the event of withdrawal of funds, the Group would be given sufficient notice as to realize its liquid assets to enable repayment.

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Analysis by sector:			
Individuals	683,729	659,384	594,062
Chemical and petrochemical industry	311,554	199,811	114,484
Public organizations and unions	162,672	84,825	71,074
Transport and communication	66,392	96,591	116,668
Government related entities	65,411	68,199	67,801
Investments and finance	53,322	88,531	102,976
Distribution of electricity, gas and water	50,562	70,207	98,340
Education	50,283	35,944	25,523
Wholesale and retail trade	49,216	49,602	47,973
Agriculture	46,811	12,519	20,934
Construction	42,645	60,053	55,536
Services	42,170	41,419	41,095
Mining and metallurgy	14,128	10,887	18,771
Other	43,140	43,907	53,467
	1,682,035	1,521,879	1,428,704

26. DEBT SECURITIES ISSUED

	Currency	Maturity date	Annual coupon rate %	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Recorded at amortized cost:						
Eurobonds:						
Issued in February 2007 at the price of 99.962%	GBP	February 2012	7.63	-	-	25,903
Issued in April 2003 at the price of 97.548%	USD	April 2013	8.50	-	45,940	45,279
Issued in April 2004 at the price of 99.15%	USD	April 2014	7.88	29,583	29,016	26,851
Issued in November 2005 at the price of 98.32%	USD	November 2015	8.00	42,113	42,671	39,030
Issued in November 2006 at the price of 98.282%	USD	November 2016	7.50	44,641	43,121	41,410
Issued in February 2007 at the price of 99.277%	EUR	February 2017	6.88	78,986	78,202	75,258
Issued in May 2011, at the price 99.353%	USD	May 2018	8.50	45,940	45,188	44,490
Other Eurobonds	USD	December 2012	12.85	-	-	10,384
				241,263	284,138	308,605
(Less)/including:						
Discount on Eurobonds issued				(1,505)	(1,791)	(2,038)
Accrued interest on Eurobonds issued				6,664	7,401	8,886
Total issued Eurobonds				246,422	289,748	315,453
Debt securities issued of JSC Kazkommertsbank at the price 102.21%-104.48%	KZT	April 2016	9.00	2,423	2,436	2,455
Issued promissory notes of OJSC CB Moskommertsbank at the price of 88.00-100.00%	USD, EUR, RUR	April 2014	2.50-12.00	865	423	478
Issued bonds of Moscow Stars B.V. at the price of 99.00%	USD	February 2022	1.92-5.42	3,601	4,640	5,701
				253,311	297,247	324,087

During 2013, the Bank repurchased debt securities issued in the total amount of KZT 5,224 million (USD 34 million) (2012: KZT 556 million (USD 3.7 million), 2011: KZT 47,841 million (USD 322 million)) with maturity dates in 2015-2017.

During 2013, the Bank sold debt securities issued in the total amount of KZT 1,056 million (USD 7 million) (2012: KZT 6,119 million (USD 41 million), 2011: KZT Nil) with maturity dates in 2016.

On 16 April 2013, the Bank has repaid Eurobonds issued in April 2003 for the original amount of USD 500 million. The Eurobond was repaid in full on the date of its maturity from the Bank's own funds.

The Group is obligated to comply with financial covenants in relation to the debt securities disclosed above. These covenants include stipulated capital ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2013, 2012 and 2011.

27. OTHER BORROWED FUNDS

	Currency	Maturity	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Loans from JSC Entrepreneurship Development Fund "Damu"	KZT	August 2016	14,640	17,540	20,359
Loans from Private Export Funding Corporation	USD	April 2017	797	1,075	1,378
Loans from Deere Credit	USD	May 2013	-	16	76
Loans from Societe Generale Financial Corp	USD	September 2017	-	-	3,062
Loans from London Forfaiting Company LTD	USD	June 2012	-	-	1,484
			15,437	18,631	26,359

The Group is obligated to comply with financial covenants in relation to other borrowed funds disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2013, 2012 and 2011.

28. OTHER LIABILITIES

	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Other financial liabilities:			
Settlements on other transactions	9,275	1,656	302
Payable to employees	3,405	2,729	2,353
Accounts payable to re-insurers	1,692	1,552	1,234
Accrued expenses	314	339	574
Accrued payable to deposits and insurance payment guarantee funds	55	1,184	-
Accrued commission expense	23	17	32
	14,764	7,477	4,495
Other non-financial liabilities			
Taxes payable other than income tax	2,408	1,150	2,760
Advances received	902	1,669	392
	18,074	10,296	7,647

29. SUBORDINATED DEBT

	Currency	Maturity date	Interest rate %	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)
Subordinated bonds	KZT	2015 - 2019	5.70-9.00	35,104	33,847	33,645
Subordinated debt	USD	2017	5.95	28,383	31,798	37,115
Subordinated debt	USD	2016	6.77	23,530	23,181	30,433
Subordinated debt of Citigroup GMD AG & Co	USD	2014	9.67	15,753	15,414	15,175
Perpetual bonds*	USD	-	9.20	15,388	11,059	14,928
Debt component of preference shares	USD	-	-	7,002	6,851	6,744
				125,160	122,150	138,040

In the event of bankruptcy or liquidation of the Bank repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

The Group is obligated to comply with financial covenants in relation to subordinated debt disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. The Group has not breached any of these covenants during the years ended 31 December 2013, 2012 and 2011.

30. SHARE CAPITAL

As at 31 December 2013, 2012 and 2011, authorized share capital consisted of 1,100 million ordinary shares and 175 million preference shares.

As at 31 December 2013, the Group's share capital comprised the following:

	Authorized share capital (KZT million)	Authorized but not issued share capital (KZT million)	Repurchased share capital (KZT million)	Issued share capital (KZT million)
Ordinary shares	11,000	(3,206)	(16)	7,778
Preference shares	1,750	(500)	(29)	1,221
	12,750	(3,706)	(45)	8,999

As at 31 December 2012, the Group's share capital comprised the following:

	Authorized share capital (KZT million)	Authorized but not issued share capital (KZT million)	Repurchased share capital (KZT million)	Issued share capital (KZT million)
Ordinary shares	11,000	(3,206)	(18)	7,776
Preference shares	1,750	(500)	(18)	1,232
	12,750	(3,706)	(36)	9,008

As at 31 December 2011, the Group's share capital comprised the following:

	Authorized share capital (KZT million)	Authorized but not issued share capital (KZT million)	Repurchased share capital (KZT million)	Issued share capital (KZT million)
Ordinary shares	11,000	(3,206)	(10)	7,784
Preference shares	1,750	(500)	(11)	1,239
	12,750	(3,706)	(21)	9,023

The preference shares carry no voting rights, unless preference dividends are not paid, but rank ahead of the ordinary shares in the event of liquidation of the Bank. The annual dividend is determined by the preference shares issuance rules in the amount of USD 0.04 per share. According to Kazakhstan legislation on Joint Stock Companies, additional dividend payments on the preference shares cannot be less than the dividends paid on common shares. These shares are cumulative and not redeemable.

During 2013, dividends declared on preference shares amounted to KZT 724 million (2012: KZT 778 million, 2011: KZT 730 million). In 2013, 2012 and 2011 dividends on ordinary shares of the Bank have not been declared.

The table below provides a reconciliation of the number of shares outstanding as of 31 December 2013, 2012 and 2011:

	Preference shares Number of shares	Ordinary shares Number of shares
31 December 2010	124,514,944	778,585,361
Repurchase of treasury shares	(551,570)	(222,773)
31 December 2011	123,963,374	778,362,588
Repurchase of treasury shares	(753,605)	(774,065)
31 December 2012	123,209,769	777,588,523
(Repurchase)/sale of treasury shares	(1,074,324)	189,384
31 December 2013	122,135,445	777,777,907

As at 31 December 2013, the number of ordinary shares held as treasury shares is 1,560,270 shares (2012: 1,749,654 shares, 2011: 975,615 shares).

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

The Group's profit distributable among shareholders is limited to the amount of its reserves as disclosed in its statutory accounts. Non-distributable reserves are represented by a reserve fund, which is created as required by Kazakhstan regulations, in respect of general banking risks, including future losses and other unforeseen risks or contingencies. At each reporting date the reserve comprises an amount not less than the reserve, accrued on the prior reporting date and a certain portion of non-distributable net profit of the Bank prior to any ordinary share dividend distributions.

31. TRANSFERRED FINANCIAL ASSETS

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

Securities lending and repurchase agreements

The Group has a plan to borrow and lend securities and to sell securities under agreements to repurchase (repos) and to purchase securities under agreements to resell (reverse repos). The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange, or other financial assets.

The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition, it recognises a financial liability for cash received as collateral.

Similarly, the Group may sell or re-pledge any securities borrowed or purchased under agreements to resell, but has an obligation to return the securities and the counterparty retains substantially all the risks and rewards of ownership. Consequently, the securities are not recognised by the Group, which instead record a separate asset for any possible cash collateral provided.

	Financial assets at fair value through profit or loss (KZT million) (Note 15)	Investments available-for-sale (KZT million) (Note 18)
As at 31 December 2013:		
Carrying amount of assets	75,380	6,440
Carrying amount of associated liabilities (loans under repurchase agreements)	67,967	7,009
As at 31 December 2012:		
Carrying amount of assets	77,936	-
Carrying amount of associated liabilities (loans under repurchase agreements)	71,486	-
As at 31 December 2011:		
Carrying amount of assets	29,404	-
Carrying amount of associated liabilities (loans under repurchase agreements)	27,937	-

32. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the consolidated statement of financial position.

The Group's maximum exposure to credit loss under contingent liabilities and credit commitments, in the event of non-performance or in the event of impairment by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations.

As at 31 December 2013, provision for losses on guarantees and other contingencies amounted to KZT 4,156 million (2012: KZT 2,673 million, 2011: 2,524 million).

The risk-weighted amount is obtained by applying credit conversion factor and counterparty risk weightings according to the principles employed by the standardized approach provided for under Basel 2 standards.

As at 31 December 2013, the credit risk on contingent liabilities and credit commitments was covered by collateral of KZT 47,034 million (2012: KZT 68,753 million, 2011: KZT 46,215 million). The collateral includes real estate, deposits and various other financial and non-financial assets.

As at 31 December 2013, 2012 and 2011, the nominal or contract amounts and risk-weighted amounts were:

	31 December 2013 (KZT million)	**31 December 2012 (KZT million)**	**31 December 2011 (KZT million)**
Contingent liabilities and commitments:			
Guarantees issued and similar commitments	57,465	79,314	68,895
Commitments on loans and unused credit lines	10,923	13,947	14,053
Letters of credit and other transaction related to contingent obligations	10,040	3,952	5,280
Commitments on loans sold to JSC Kazakhstan Mortgage Company with recourse	24	28	40
Total contingent liabilities and commitments	78,452	97,241	88,268
Less collateral in cash	(11,314)	(6,626)	(7,697)
Less provisions for contingent liabilities and commitments (Note 6)	(4,156)	(2,673)	(2,524)
Total contingent liabilities and commitments, net of provisions and cash collateral	62,982	87,942	78,047
Total risk-weighted amount	56,447	87,440	77,787

The decision to issue loans to customers within open credit lines is made by the Group at each request of a customer for the borrowed funds and depends on the financial position of the borrower, credit history and other factors. As at 31 December 2013, the amount of contingent liabilities on such unused credit lines equals to KZT 319,172 million (2012: KZT 417,634 million, 2011: KZT 396,716 million). The decision to issue further funds is not obligatory since the Group is entitled to suspend or stop providing the borrower with a credit line or deny the borrower the credit for any reason including in case: the borrower violates the obligations before the Group; insufficiency of the collateral when revaluing the collateral due to a decrease in its pledge value or change of prices in the market; or as a result of provision of the credit line (provision of credit) the Group will violate any of the prudential norms established by the regulatory authorities for the second-tier banks; without warning the borrower.

Capital commitments

As at 31 December 2013, capital commitments amounted to KZT 55 million (2012: KZT 173 million, 2011: KZT 395 million).

Operating lease commitments

As at 31 December 2013, 2012 and 2011, there were no material operating lease commitments outstanding.

Fiduciary activities

In the normal course of its business the Group enters into agreements with limited rights on decision making with clients for the management of assets in accordance with specific criteria established by them. The Group is liable for losses or actions aimed at appropriation of the clients' funds if such funds or securities are not returned to the client. As at 31 December 2013, these amounts represent balances of clients' funds under management of Group, including assets, which are under responsible custody in the amount of KZT 85,814 million (2012: KZT 112,884 million, 2011: KZT 89,223 million) respectively. As at 31 December 2013, assets of pension funds, which are under management of the Group, were equal to KZT 347,027 million (2012: KZT 304,422 million, 2011: KZT 243,170 million).

Legal proceedings

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

Taxation

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

Such uncertainty may relate to the valuation of financial instruments, valuation of provision for impairment losses and the market pricing of deals. Additionally such uncertainty may relate to the valuation of temporary differences on the provision and recovery of the provision for impairment losses on loans to customers, as an underestimation of the taxable profit. The management of the Group believes that it has accrued all probable tax amounts due. Income tax related provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Operating environment

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

Because the Republic of Kazakhstan produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

33. TRANSACTIONS WITH RELATED PARTIES

Related parties or transactions with related parties are assessed in accordance with IAS 24.

In considering each possible related party relationship, special attention is directed to the substance of the relationship, and not merely the legal form. Transactions between the Bank and its subsidiaries, which are related parties of the Bank, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	31 December 2013 (KZT million)		31 December 2012 (KZT million)		31 December 2011 (KZT million)	
	Related party balances	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**	**Related party balances**	**Total category as per financial statements caption**
Loans to customers	1,059	2,879,746	1,015	2,821,582	1,006	2,717,076
- key management personnel of the entity or its parent	1,059		1,015		1,006	
Allowance for impairment losses on loans to customers	(116)	(978,753)	(61)	(923,287)	(78)	(658,108)
- key management personnel of the entity or its parent	(116)		(61)		(78)	
Customer accounts	5,152	1,682,035	5,359	1,521,879	5,758	1,428,704
- parent company	1,609		1,467		1,456	
- entities with joint control or significant influence over the entity	275		349		303	
- key management personnel of the entity or its parent	3,237		3,494		3,761	
- other related parties	31		49		238	
Commitments on loans and unused credit lines	134	10,923	110	13,947	121	14,053
- key management personnel of the entity or its parent	134		110		121	
Guarantees issued and similar commitments	-	57,465	12	79,314	19	68,895
- key management personnel of the entity or its parent	-		12		19	

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

	Year ended 31 December 2013 (KZT million)		Year ended 31 December 2012 (KZT million)		Year ended 31 December 2011 (KZT million)	
	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption	Related party transactions	Total category as per financial statements caption
Interest income	65	252,092	73	233,357	81	240,815
- key management personnel of the entity or its parent	65		73		81	
Interest expense	(297)	(110,550)	(272)	(110,398)	(438)	(125,189)
-parent company	(71)		(63)		(120)	
- entities with a joint control or significant influence of the entity	(3)		-		(2)	
- key management personnel of the entity or its parent	(223)		(209)		(316)	
- other related parties			-		-	
Operating expenses	(887)	(32,739)	(1,039)	(33,890)	(2,428)	(34,128)
- short-term employee benefits	(887)		(1,039)		(2,428)	
(Provision)/recovery of provision for impairment losses on interest bearing assets, other transactions, guarantees and other contingencies	(101)	(78,718)	26	(289,011)	29	(66,573)
- key management personnel of the entity or its parent	(101)		26		29	

Key management personnel compensation for the years ended 31 December 2013, 2012 and 2011 is represented by salary and bonuses.

As at 31 December 2013, 2012 and 2011, the Group does not pledge any assets in connection with guarantees issued to Management.

34. SEGMENT REPORTING

Business segments

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

- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, documentary credits.
- Investment banking – representing financial instruments trading, structured financing, and merger and acquisitions advice, foreign currency and derivative products.
- Other – representing insurance operations and other activities.

Retail banking offers a range of personal banking, savings and mortgage products and services. Corporate banking offers business banking services principally to small and mid sized companies and commercial loans to larger corporate and commercial customers. Investment banking consists of assets and liabilities required to support the liquidity and funding requirements of the Group, Asset and Liability Management activities.

Transactions between the business segments are performed on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's cost of capital. There are no other material items of income or expense between the business segments. Internal charges and transfer pricing adjustments, if any, have been reflected in the performance of each business. Revenue sharing agreements are used to allocate external customer revenues to a business segment on a reasonable basis.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the statement of financial position, except tax assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

More specific information on the revenues from external customers for each product and service, or each group of similar products and services is not available and the cost to develop it is high. Hence the Group presents operating segments on the basis of four main segments.

Segment information about these businesses is presented below.

	Retail banking (KZT million)	Corporate banking (KZT million)	Investment banking (KZT million)	Other (KZT million)	Unallocated (KZT million)	Eliminations (KZT million)	As at and for the year ended 31 December 2013 (KZT million)
External interest income	38,593	204,903	7,404	1,192	-	-	252,092
Internal interest income	48,812	37,083	168,236	-	-	(254,131)	-
External interest expenses	(39,228)	(32,728)	(38,594)	-	-		(110,550)
Internal interest expenses	(19,730)	(128,442)	(105,959)	-	-	254,131	-
Net interest income before provision for impairment losses on interest bearing assets	28,447	80,816	31,087	1,192	-	-	141,542
Recovery of provision/(provision) for impairment losses on interest bearing assets	9,721	(81,388)	112	-	-	-	(71,555)
NET INTEREST INCOME/(EXPENSE)	38,168	(572)	31,199	1,192	-	-	69,987
Net gain/(loss) on financial assets and liabilities at fair value though profit or loss	-	-	4,770	(27)	-	-	4,743
Net gain/(loss) on foreign exchange and precious metals operations	919	83	(1,650)	89	-	-	(559)
Fee and commission income	16,811	9,956	4,768	-	-	-	31,535
Fee and commission expense	(7,933)	(685)	(414)	(155)	-	-	(9,187)
Net realized gain/(loss) on investments available-for-sale	-	2	171	(87)	-	-	86
Dividend income	-	-	280	44	-	-	324
Other (expenses)/income	(97)	(59)	223	5,125	-	-	5,192
NET NON-INTEREST INCOME	9,700	9,297	8,148	4,989	-	-	32,134
OPERATING EXPENSES	(18,973)	(9,413)	(1,806)	(2,547)	-	-	(32,739)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS	28,895	(688)	37,541	3,634	-	-	69,382
Provision for impairment losses on other transactions	-	(2,551)	(8)	(3,189)			(5,748)
Provision for guarantees and other contingencies	-	(1,415)	-	-	-	-	(1,415)
PROFIT/(LOSS) BEFORE INCOME TAX	28,895	(4,654)	37,533	445	-	-	62,219
Segment assets	305,612	1,779,538	493,571	73,343	8,623	(74,395)	2,586,292
Segment liabilities	686,360	1,058,874	520,134	17,601	2,316	(71,200)	2,214,085

	Retail banking (KZT million)	Corporate banking (KZT million)	Investment banking (KZT million)	Other (KZT million)	Unallocated (KZT million)	Eliminations (KZT million)	As at and for the year ended 31 December 2012 (KZT million)
External interest income	31,632	192,334	8,398	993	-	-	233,357
Internal interest income	59,244	31,241	183,407	-	-	(273,892)	-
External interest expenses	(43,138)	(26,314)	(40,945)	(1)	-	-	(110,398)
Internal interest expenses	(15,817)	(146,890)	(111,185)	-	-	273,892	-
Net interest income before provision for impairment losses on interest bearing assets	31,921	50,371	39,675	992	-	-	122,959
Recovery of provision/(provision) for impairment losses on interest bearing assets	4,403	(290,550)	(178)	-	-	-	(286,325)
NET INTEREST INCOME/(EXPENSE)	36,324	(240,179)	39,497	992	-	-	(163,366)
Net loss on financial assets and liabilities at fair value though profit or loss	-	-	(169)	(157)	-	-	(326)
Net gain on foreign exchange and precious metals operations	1,362	845	1,329	74	-	-	3,610
Fee and commission income	14,157	9,349	3,964	-	-	-	27,470
Fee and commission expense	(7,215)	(674)	(468)	(227)	-	-	(8,584)
Net realized loss on investments available-for-sale	-	-	(649)	-	-	-	(649)
Dividend income	-	-	8,343	165	-	-	8,508
Other (expenses)/income	(78)	137	161	4,528	-	-	4,748
NET NON-INTEREST INCOME	8,226	9,657	12,511	4,383	-	-	34,777
OPERATING EXPENSES	(18,593)	(9,855)	(2,769)	(2,673)	-	-	(33,890)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS	25,957	(240,377)	49,239	2,702	-	-	(162,479)
Provision for impairment losses on other transactions	-	(1,124)	(45)	(1,408)	-	-	(2,577)
Provision for guarantees and other contingencies	-	(109)	-	-	-	-	(109)
PROFIT/(LOSS) BEFORE INCOME TAX	25,957	(241,610)	49,194	1,294	-	-	(165,165)
Segment assets	243,952	1,760,119	416,700	67,029	11,215	(73,600)	2,425,415
Segment liabilities	632,079	899,783	586,930	14,801	1,038	(29,485)	2,105,146

	Retail banking (KZT million)	Corporate banking (KZT million)	Investment banking (KZT million)	Other (KZT million)	Unallocated (KZT million)	Eliminations (KZT million)	As at and for the year ended 31 December 2011 (KZT million)
External interest income	29,122	199,774	11,080	839	-	-	240,815
Internal interest income	57,024	50,183	192,455	-	-	(299,662)	-
External interest expenses	(42,580)	(34,569)	(48,040)	-	-	-	(125,189)
Internal interest expenses	(16,666)	(160,106)	(122,890)	-	-	299,662	-
Net interest income before provision for impairment losses on interest bearing assets	26,900	55,282	32,605	839	-	-	115,626
Provision for impairment losses on interest bearing assets	(1,215)	(64,717)	(37)	(126)	-	-	(66,095)
NET INTEREST INCOME/(EXPENSE)	25,685	(9,435)	32,568	713	-	-	49,531
Net loss on financial assets and liabilities at fair value though profit or loss	(1)	-	(5,042)	(189)	-	-	(5,232)
Net gain/(loss) on foreign exchange and precious metals operations	911	228	(125)	(28)	-	-	986
Fee and commission income	11,339	9,426	3,181	-	-	-	23,946
Fee and commission expense	(5,983)	(601)	(509)	(154)	-	-	(7,247)
Net realized gain on investments available-for-sale	-	-	25	77	-	-	102
Dividend income	-	-	186	24	-	-	210
Other income	149	1,225	128	4,289	-	-	5,791
NET NON-INTEREST INCOME/(EXPENSE)	6,415	10,278	(2,156)	4,019	-	-	18,556
OPERATING EXPENSES	(19,417)	(8,295)	(3,395)	(3,021)	-	-	(34,128)
PROFIT/(LOSS) BEFORE OTHER OPERATING PROVISIONS	12,683	(7,452)	27,017	1,711	-	-	33,959
Recovery of provision/(provision) for impairment losses on other transactions	-	81	(14)	(1,932)	-	-	(1,865)
Recovery of provision for guarantees and other contingencies	-	1,387	-	-	-	-	1,387
PROFIT/(LOSS) BEFORE INCOME TAX	12,683	(5,984)	27,003	(221)	-	-	33,481
Segment assets	236,552	1,924,979	383,429	59,432	4,594	(63,990)	2,544,996
Segment liabilities	568,301	866,206	640,855	9,813	31,669	(22,160)	2,094,684

For the year ended 31 December 2013, operating expenses included depreciation and amortization: in segment "Retail banking" amounted to KZT 1,058 million (2012: KZT 1,049 million, 2011: KZT 1,297 million), in segment "Corporate banking" amounted to KZT 1,887 million (2012: KZT 1,867 million, 2011: KZT 1,781 million), in segment "Investment banking" amounted to KZT 48 million (2012: KZT 48 million, 2011: KZT 87 million), in segment "Other" amounted to KZT 119 million (2012: KZT 185 million, 2011: KZT 121 million).

Geographical segments

Segment information for the main geographical segments of the Group is set out below for the years ended 31 December 2013, 2012 and 2011. The financial results disclosed below has been allocated based on domicile of the company within the Group.

	Kazakhstan	**CIS**	**OECD Countries**	**For the year ended 31 December 2013 Total**
	(KZT million)	**(KZT million)**	**(KZT million)**	**(KZT million)**
Interest income	241,948	10,144	-	252,092
Interest expense	(105,859)	(4,691)	-	(110,550)
Provision for impairment losses on interest bearing assets	(69,356)	(2,199)	-	(71,555)
Net gain on financial assets and liabilities at fair value through profit or loss	4,197	546	-	4,743
Net (loss)/gain on foreign exchange and precious metals operations	(1,699)	1,129	11	(559)
Fee and commission income	30,852	683	-	31,535
Fee and commission expense	(8,531)	(656)	-	(9,187)
Net realized gain on investments available-for-sale	85	1	-	86
Dividend income	322	2	-	324
Other income	4,283	909	-	5,192
OPERATING INCOME	96,242	5,868	11	102,121

	Kazakhstan	**CIS**	**OECD Countries**	**For the year ended 31 December 2012 Total**
	(KZT million)	**(KZT million)**	**(KZT million)**	**(KZT million)**
Interest income	221,360	11,997	-	233,357
Interest expense	(103,936)	(6,458)	(4)	(110,398)
Provision for impairment losses on interest bearing assets	(286,105)	(220)	-	(286,325)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(1,014)	688	-	(326)
Net gain on foreign exchange and precious metals operations	3,034	568	8	3,610
Fee and commission income	26,796	674	-	27,470
Fee and commission expense	(8,204)	(380)	-	(8,584)
Net realized (loss)/gain on investments available-for-sale	(687)	38	-	(649)
Dividend income	8,501	7	-	8,508
Other income	4,455	293	-	4,748
OPERATING (LOSS)/INCOME	(135,800)	7,207	4	(128,589)

	Kazakhstan (KZT million)	CIS (KZT million)	OECD Countries (KZT million)	For the year ended 31 December 2011 Total (KZT million)
Interest income	228,875	11,932	8	240,815
Interest expense	(116,093)	(7,951)	(1,145)	(125,189)
(Provision)/recovery of provision for impairment losses on interest bearing assets	(66,201)	106	-	(66,095)
Net loss on financial assets and liabilities at fair value through profit or loss	(5,127)	(105)	-	(5,232)
Net gain/(loss) on foreign exchange and precious metals operations	60	934	(8)	986
Fee and commission income	23,282	664	-	23,946
Fee and commission expense	(6,935)	(322)	10	(7,247)
Net realized gain on investments available-for-sale	102	-	-	102
Dividend income	210	-	-	210
Other income	5,763	28	-	5,791
OPERATING INCOME/(LOSS)	63,936	5,286	(1,135)	68,087

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

The Group classifies its financial instruments using a fair value hierarchy that reflects the significance of the inputs used in measuring the fair value of those instruments. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Financial assets/ financial liabilities	Fair value as at			Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	31 December 2013 (KZT million)	31 December 2012 (KZT million)	31 December 2011 (KZT million)				
1) Derivative financial assets (see Note 15)	16,584	8,823	13,102	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
2) Non-derivative financial assets at fair value through profit or loss (see Note 15)							
Debt securities	99,847	103,561	165,277	Level 1	Quoted bid prices in an active market.	N/A	N/A
Debt securities	87	83	82	Level 3	Discounted cash flows based on contractual terms of debt securities and yield of similar instruments of counterparties with credit risk adjustment using internal model.	Credit risk adjustment based on internal model.	The greater the credit risk adjustment the lower the fair value of instrument.
Equity investments	5,337	6,355	9,852	Level 1	Quoted bid prices in an active market.	N/A	N/A
3) Investments available-for-sale (see Note 18)	21,249	15,682	15,419	Level 1	Quoted bid prices in an active market.	N/A	N/A
4) Derivative financial liabilities (see Note 15)	2,296	8,877	37,771	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

The table below summarizes the Group's financial assets and liabilities held at fair value by valuation methodology at 31 December 2013, 2012 and 2011, respectively:

		Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	31 December 2013 Total (KZT million)
Financial assets:					
Trading assets	Debt securities	99,847	-	87	99,934
	Equity investments	5,337	-	-	5,337
Derivative financial instruments	Foreign exchange and interest rate contracts	-	16,584	-	16,584
Investments available-for-sale	Debt securities	19,756	-	-	19,756
	Equity securities	1,493	-	-	1,493
Total		126,433	16,584	87	143,104
Financial liabilities:					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	2,296	-	2,296
Total		-	2,296	-	2,296

		Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	31 December 2012 Total (KZT million)
Financial assets:					
Trading assets	Debt securities	103,561	-	83	103,644
	Equity investments	6,355	-	-	6,355
Derivative financial instruments	Foreign exchange and interest rate contracts	-	8,823	-	8,823
Investments available-for-sale	Debt securities	13,965	-	-	13,965
	Equity securities	1,717	-	-	1,717
Total		125,598	8,823	83	134,504
Financial liabilities:					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	8,877	-	8,877
Total		-	8,877	-	8,877

		Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	31 December 2011 Total (KZT million)
Financial assets:					
Trading assets	Debt securities	165,277	-	82	165,359
	Equity investments	9,852	-	-	9,852
Derivative financial instruments	Foreign exchange and interest rate contracts	-	13,102	-	13,102
Investments available-for-sale	Debt securities	11,312	-	-	11,312
	Equity securities	4,107	-	-	4,107
Total		190,548	13,102	82	203,732
Financial liabilities:					
Derivative financial instruments	Foreign exchange and interest rate contracts	-	37,771	-	37,771
Total		-	37,771	-	37,771

Reconciliation from the beginning balances to the ending balances in Level 3 of fair value hierarchy for financial assets measured at fair value on recurring basis for the years ended 31 December 2013, 2012 and 2011 was presented as follows:

	2013 (KZT million)	2012 (KZT million)	2011 (KZT million)
Beginning of the year	83	82	120
Gain/(loss) recognized in the consolidated statement of profit or loss	4	1	(38)
End of the year	87	83	82

As at 31 December 2013, 2012 and 2011, the Group used quoted market prices from independent information sources for all of its financial assets at fair value through profit or loss, with the exception of derivative financial instruments, which are valued using valuation models based on market data, and certain debt securities, which are valued using valuation models not based on observable market data.

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

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

Loans and advances to and from banks and other financial institutions and other borrowed funds – for assets and liabilities maturing within three months, the carrying amount approximates fair value due to the relatively short-term maturity of these financial instruments. For the assets and liabilities maturing in over three months, the fair value in relation to repurchase and reverse repurchase agreements was estimated as the fair value of collateral pledged and received. For all other loans and advances and other borrowed funds the fair value is estimated as the present value of estimated future cash flows discounted at the appropriate year-end market rates and making adjustments for credit risk of the Group or counterparty.

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

Debt securities issued – market values have been used, where available, to determine the fair value of debt securities traded on an active market.

Subordinated debt – market values have been used, where available, to determine the fair value of subordinated bonds issued and perpetual debt.

The fair value of financial assets and liabilities that are not carried at fair value in the consolidated statement of financial position compared with the corresponding carrying value in the consolidated financial statements of the Group are presented below:

	31 December 2013		31 December 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	(KZT million)		(KZT million)		(KZT million)	
Financial assets:						
Loans to customers	1,900,993	1,952,399	1,898,295	1,929,541	2,058,968	2,061,752
Investments held to maturity	6,503	6,381	6,937	6,911	4,026	4,074
Financial liabilities:						
Customer accounts	1,682,035	1,692,680	1,521,879	1,540,809	1,428,704	1,444,041
Debt securities issued	253,311	251,872	297,247	280,787	324,087	290,527
Other borrowed funds	15,437	14,669	18,631	15,838	26,359	20,306
Subordinated debt	125,160	125,703	122,150	122,385	138,040	137,913

	31 December 2013			
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Total (KZT million)
Financial assets:				
Loans to customers	-	-	1,952,399	1,952,399
Investments held to maturity	6,381	-	-	6,381
Financial liabilities:				
Customer accounts	-	1,692,680	-	1,692,680
Debt securities issued	251,872	-	-	251,872
Other borrowed funds	-	14,669	-	14,669
Subordinated debt	-	125,703	-	125,703

	31 December 2012			
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Total (KZT million)
Financial assets:				
Loans to customers	-	-	1,929,541	1,929,541
Investments held to maturity	6,911	-	-	6,911
Financial liabilities:				
Customer accounts	-	1,540,809	-	1,540,809
Debt securities issued	280,787	-	-	280,787
Other borrowed funds	-	15,838	-	15,838
Subordinated debt	-	122,385	-	122,385

	31 December 2011			
	Level 1 (KZT million)	Level 2 (KZT million)	Level 3 (KZT million)	Total (KZT million)
Financial assets:				
Loans to customers	-	-	2,061,752	2,061,752
Investments held to maturity	4,074	-	-	4,074
Financial liabilities:				
Customer accounts	-	1,444,041	-	1,444,041
Debt securities issued	290,527	-	-	290,527
Other borrowed funds	-	20,306	-	20,306
Subordinated debt	-	137,913	-	137,913

Financial assets and liabilities at fair value through profit or loss and investments available-for-sale are carried at fair value in the consolidated statement of financial position. The carrying amounts of cash and balances with national (central) banks, other financial assets and other financial liabilities, loans and advances to banks and other financial institutions and loans and advances from banks and financial institutions approximates fair value due to the short-term nature and concluding of such financial instruments contracts on market terms.

36. CAPITAL RISK MANAGEMENT

Quantitative measures established by regulation to ensure capital adequacy require the Group to maintain minimum amounts and ratios of total and tier 1 capital to risk weighted assets.

Capital adequacy requirements are set by the FMSC and controlled using the principles, methods and factors identified by the Basel 2 (standardised approach).

	31 December 2013 (KZT million)	**31 December 2012 (KZT million)**	**31 December 2011 (KZT million)**
Composition of regulatory capital[a]:			
Tier 1 capital:			
Share capital (ordinary shares)	7,778	7,776	7,784
Share premium reserve	194,676	194,721	194,924
Retained earnings [b]	160,289	107,088	239,540
Non-controlling interest	1,703	1,315	1,112
Goodwill	-	(2,405)	(2,405)
Perpetual bonds	11,098	10,868	14,729
Total qualifying tier 1 capital	375,544	319,363	455,684
Revaluation reserves [c]	5,626	5,710	4,866
Share capital (preference shares)	1,221	1,232	1,239
Subordinated debt [d]	47,599	66,176	82,947
Total qualifying tier 2 capital	54,446	73,118	89,052
Total capital	429,990	392,481	544,736
Risk weighted assets	2,419,037	2,229,676	2,364,569
Ratio of tier 1 capital adequacy	15.52%	14.32%	19.27%
Capital adequacy ratio	17.78%	17.60%	23.04%

[a] According to the principles applied by Basel 2.
[b] As at 31 December 2012 and 2011, in the computation of total capital for capital adequacy purposes the line "Retained earnings" included statutory reserve, which is required by legislation of the Republic of Kazakhstan and reflected in IFRS financial statements since 1 July 2011.
[c] The line "Revaluation reserves" includes property and equipment revaluation reserve and investments available-for-sale revaluation reserve/(deficit) (in accordance with the Basel 2 standards).
[d] As at 31 December 2013, 2012 and 2011, the Group included in the computation of total capital for capital adequacy purposes the subordinated debt received, which is not to exceed 50% of Tier 1 capital. In the event of bankruptcy or liquidation of the Bank, repayment of this debt is subordinate to the repayments of the Bank's liabilities to all other creditors.

During the years ended 31 December 2013, 2012 and 2011, the Group complied with all set capital requirements. The capital adequacy ratio was calculated according to the principles employed by the Basel Committee.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of debt, which includes subordinated and perpetual debt disclosed in Note 29, and equity comprising issued capital, reserves and retained earnings as disclosed in the consolidated statement of changes in equity.

The Management Board of the Bank reviews its capital structure on quarterly basis. Based on the recommendations of the Management Board by making decisions on the Board of Directors or shareholders meeting, the Group balances its overall capital structure through new share issues, issues of new debt or the redemption of existing debt, and the payment of dividends.
The Group's overall capital risk management policy remains unchanged in comparison with 2012 and 2011.

In 2014 phase-in of capital adequacy ratios in accordance with Basel III is expected to start in Kazakhstan. Currently, the National Bank discusses the issue of implementation of Basel III with the second-tier banks. Regulations of NBRK covering these amendments have not yet been approved in the manner prescribed by the legislation, thus creating uncertainty of the regulatory environment.

From 1 January 2013, banks in Kazakhstan are required to create dynamic reserve within equity according to NBRK regulation requirements. In December 2013, certain changes to NBRK regulations on dynamic reserves were adopted. As at 31 December 2013, the dynamic reserve was amounted to KZT nil.

37. RISK MANAGEMENT POLICIES

Management of risks is fundamental to the Group's business. The risk management functions include:

- Risk identification: The risks, which the Group is exposed to in its daily activities, are identified by the risk management system.
- Measuring risks: The Group measures the risks using various quantitative and qualitative methodologies, which include risk based profitability analysis, calculation of possible loss amounts, and utilization of specialized models. Measurement models and associated assumptions are periodically reviewed to ensure that the tools represent the risks adequately and reasonably.
- Risk monitoring: Group's policies and procedures determine the processes for mitigating and minimizing the risks and establish limits on various types of operations. Such limits are reviewed on a periodic basis set forth in internal documents of the Group.
- Risk reporting: Risk reporting is performed on a line of business and on a consolidated basis. This information is periodically presented to the Management.

The main risks inherent to the Group's operations are those related to:

- Credit risk;
- Interest rate risk;
- Liquidity risk;
- Market risk;
- Currency risk;
- Operational risk.

Credit risk

The Group is exposed to credit risk which is the risk that counterparty to a financial instrument will fail to fulfill its obligation to the Group. This covers actual payment defaults as well as losses in value resulting from a decrease in credit quality of the counterparty.

Risk management and monitoring is performed within set procedures and limits by the Credit Committees and the Management of the Group. Risk management coordination is performed by the risk management specialist or Risk Management Departments. Daily risk management is performed by the Head of the Credit Departments or Credit Divisions of branches and subsidiaries.

To measure credit risk, the Group employs several methodologies for estimating the likelihood of borrower or counterparty default. Methodologies differ depending on types of assets (e.g. consumer loans versus corporate term loans), risk measurement parameters (e.g. delinquency status and credit bureau reports versus corporate risk rating), and risk management and collection procedures (e.g. consumer lending collection center versus centrally managed workout groups).

The Group determines the level of credit risk it undertakes by setting limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to industry and geographical segments. The exposure to any individual borrower is further restricted by sub-limits covering on and off-balance sheet exposures which are set by the Credit Committees.

Off-balance sheet credit commitments represent unused portions of credit in the form of loans, guarantees or letters of credit. The credit risk of off-balance sheet financial instruments is defined as the probability of losses due to the inability of the counterparty to comply with the contractual terms and conditions. With respect to credit risk on off-balance sheet instruments, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. The actual amount of this loss is likely to be less than the total unused commitments since the commitments are contingent upon customers maintaining certain credit standards. The Group applies the same credit policy to contingent liabilities as it does to the on-balance sheet financial instruments.

Structure of credit committees

The Group has developed policies and guidelines that are designed to preserve the independence and integrity of the approval and decision making of extending credit and are aimed at accurate assessment of credit risk and its proper and timely monitoring. The policy frameworks (separate for retail lending and corporate lending) establish credit approval authorities, risk-rating methodologies, credit review parameters and guidelines for management of distressed loans.

The Group has been centralizing decision making in the Head Office over the past several years. In particular, authorities of branches and regional directorates on approval of small entrepreneurship and retail loans have been transferred to Decision Making Centers ("DMCs") in the Head office. Furthermore, most of the branch and regional directorate authorities on corporate loan approvals have also been transferred to the Head Office of the Bank.

The Group currently has the following credit committees:

- *Head office committees.*
  - *Head Office Credit Committee.* This committee is authorized to approve corporate loans of up to equivalent of USD 5 million. The committee also approves retail and small and medium entrepreneurship loans which exceed the thresholds and authorities set for DMCs.
  - *Commercial Directorate.* There are five members of the committee, including the Chair person of the Group, who presides, and four Managing Directors. The committee is authorized to approve loans exceeding the equivalent of USD 5 million.
  - *Board of Directors.* All loans exceeding 10% of the Group's total assets as well as all transactions with related parties have to be approved by the Board of Directors.
- *North Regional Directorate Committee.* The Group has a North Regional Directorate Committee, covering the north regions of Kazakhstan (Astana, Kostanay, Kokshetau and Petropavlovsk). The north regional directorate has limited authorities to grant loans.
- *Branch Committees.* Each of the Group's branches has a credit committee. The branches have limited authorities to grant loans.

Corporate loans

While considering loan applications of corporate borrowers, the related Credit Committees take into account the analysis and conclusions of Risk Management Department №1, Collateral Valuation, Legal and Security Departments.

- Risk Management Department №1. The analytic group within the Head Office, which provides advice on commercial loans based on their assessment of the borrower's business and/or the project, to which the loan relates. Their assessment takes into account a number of industry and borrower specific factors, future cash flows of the potential borrower and anticipated risk-adjusted returns for the Group. For the purpose of the analysis, risk managers utilize the rating model described below. Furthermore, the Department of Risk Management №1 is involved in the Group's loan portfolio monitoring and in the development of procedures and guidelines with respect to the Group's lending.
- Collateral Valuation Department. The Group requires collateral for almost all of its loans. According to legislation of the Republic of Kazakhstan, collateral valuation should be performed by independent collateral valuation companies ("IVCs"). The collateral Valuation Department reviews appraisal reports issued by IVCs and carries out certification and monitoring of IVCs.
- Legal Department. The Group obtains legal advice from the Legal Department regarding proposed loans and receives confirmation as to the valid corporate existence of the potential borrower and its authority to enter into loan transactions and collateral agreements.
- Security Department. The Security Department provides information on assets, credit history and reputation of potential borrowers. A central credit bureau has recently been established in Kazakhstan and this should improve the quality of information on the credit history of potential borrowers.

Retail, small and medium entrepreneurship loans

Loans to retail, small and medium entrepreneurship loans are subject to a standardized approval procedure. The Group has established two new divisions in Risk Management Department №2, the Decision Making Centers ("DMCs"). One DMC processes consumer loan applications, while the second unit makes decisions on small and medium entrepreneurship loans. In order to approve or decline an application, the DMCs analyze payment ability and creditworthiness of a potential borrower on the basis of standard terms, criteria and procedures set forth by the Group.

The DMC on retail is authorized to approve applications within the delegated authority and up to the equivalent of USD 200,000 per one borrower. The DMC on small entrepreneurship has authorities to approve applications within the delegated authority and up to the equivalent of USD 500,000. Applications with larger exposures and/or exceeding delegated authority are referred to one of the relevant credit committees in the Head Office. The DMCs conduct analysis of the applications exceeding their limits and/or delegated authority, and the relevant credit committee takes their conclusions into account in decision making.

Allowance for credit losses

The Group establishes an allowance for impairment losses on loans and off-balance liabilities where there is objective evidence that a financial asset is impaired. In order to assess the quality of an asset and to classify it for provisioning purposes, the Bank takes into account a number of criteria, including financial performance of the borrower, terms of the loan, collateral value and debt service of the borrower. In relation to loans, classified in homogeneous portfolio, portfolio approach is applied and the quality of debt service is considered.

Maximum exposure

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

The following table presents the maximum exposure to credit risk of financial assets and commitments. For financial assets the maximum exposure is equal to its carrying value of those assets prior to any offset or collateral. For financial guarantees and other commitments the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantee was called on or in the case of commitments, if the loan amount was called on. The information in relation to financial guarantees and other contingent liabilities is disclosed in Note 32.

	Maximum exposure (KZT million)	Offset (KZT million)	Net exposure after offset (KZT million)	Collateral pledged[1] (KZT million)	31 December 2013 Net exposure after offset and collateral (KZT million)
Cash equivalents[2]	145,348	-	145,348	-	145,348
Financial assets at fair value through profit or loss[3]	116,518	-	116,518	-	116,518
Loans and advances to banks and other financial institutions	139,743	-	139,743	(10,590)	129,153
Loans to customers	1,900,993	(3,220)	1,897,773	(674,261)	1,223,512
Investments available-for-sale[4]	19,756	-	19,756	-	19,756
Investments held to maturity	6,503	-	6,503	-	6,503
Other financial assets	5,589	-	5,589	-	5,589
Contingent liabilities and other credit commitments	78,452	(18,507)	59,945	(28,527)	31,418

	Maximum exposure (KZT million)	Offset (KZT million)	Net exposure after offset (KZT million)	Collateral pledged[1] (KZT million)	31 December 2012 Net exposure after offset and collateral (KZT million)
Cash equivalents[2]	56,309	-	56,309	-	56,309
Financial assets at fair value through profit or loss[3]	112,467	-	112,467	-	112,467
Loans and advances to banks and other financial institutions	146,703	-	146,703	(14,392)	132,311
Loans to customers	1,898,295	(4,229)	1,894,066	(731,039)	1,163,027
Investments available-for-sale[4]	13,965	-	13,965	-	13,965
Investments held to maturity	6,937	-	6,937	-	6,937
Other financial assets	4,831	-	4,831	-	4,831
Contingent liabilities and other credit commitments	97,241	(14,607)	82,634	(54,146)	28,488

	Maximum exposure (KZT million)	Offset (KZT million)	Net exposure after offset (KZT million)	Collateral pledged[1] (KZT million)	31 December 2011 Net exposure after offset and collateral (KZT million)
Cash equivalents[2]	63,759	-	63,759	-	63,759
Financial assets at fair value through profit or loss[3]	178,461	-	178,461	-	178,461
Loans and advances to banks and other financial institutions	53,968	-	53,968	(2,665)	51,303
Loans to customers	2,058,968	(16,161)	2,042,807	(916,957)	1,125,850
Investments available-for-sale[4]	11,312	-	11,312	-	11,312
Investments held to maturity	4,026	-	4,026	-	4,026
Other financial assets	6,430	-	6,430	-	6,430
Contingent liabilities and other credit commitments	88,268	(7,409)	80,859	(38,806)	42,053

[1] A description of the collateral presented on loans to customers is included in Note 17.
[2] Amount represents unrestricted balances on correspondent and time deposit accounts with national (central) banks, which are considered as cash equivalents.
[3] Financial assets at fair value through profit or loss are presented excluding equity investments.
[4] Investments available-for-sale are presented excluding equity investments.

The collateral pledged amount on loans to banks and other financial institutions is determined on the basis of fair value of collateral and capped by outstanding amount of loan.

The collateral pledged amount for loans to customers is represented by its fair value adjusted for costs to sell, including financial costs and adjusted for the period required to sell collateral and capped by outstanding amount of loan. Fair value of collateral is reviewed on a semi-annual basis.

As at 31 December 2013, loans and advances to banks and other financial institutions also include loans under reverse repurchase agreements in amount of KZT 10,590 million (2012: KZT 10,688 million, 2011: KZT 800 million).

As at 31 December 2013, 2012 and 2011, there were no loans to customers under reverse repurchase agreements.

Credit ratings

Financial assets are graded according to the current credit rating of international rating agencies. The highest possible rating is AAA. Investment grade of the financial assets have ratings from AAA to BBB. Financial assets which have ratings lower than BBB are classified as a speculative grade.

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

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2013 Total (KZT million)
Cash equivalents	-	-	-	144,585	-	763	145,348
Financial assets at fair value through profit or loss	-	7,702	52	77,244	8,381	23,139	116,518
Loans and advances to banks and other financial institutions	23,114	36,914	47,883	12,112	13,564	6,156	139,743
Loans to customers	-	-	-	-	2,097	1,898,896	1,900,993
Investments available-for-sale	-	-	-	7,210	5,893	6,653	19,756
Investments held to maturity	-	-	152	2,881	2,235	1,235	6,503
Other financial assets	-	9	13	149	82	5,336	5,589

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2012 Total (KZT million)
Cash equivalents	-	-	-	55,443	-	866	56,309
Financial assets at fair value through profit or loss	-	26	160	91,400	20,652	229	112,467
Loans and advances to banks and other financial institutions	-	95,645	11,864	15,043	8,464	15,687	146,703
Loans to customers	-	-	-	-	2,561	1,895,734	1,898,295
Investments available-for-sale	-	-	-	6,514	1,303	6,148	13,965
Investments held to maturity	180	-	153	4,499	1,191	914	6,937
Other financial assets	-	-	229	57	1,647	2,898	4,831

	AAA	AA	A	BBB	<BBB	Not rated	31 December 2011 Total (KZT million)
Cash equivalents	-	-	-	63,271	-	488	63,759
Financial assets at fair value through profit or loss	922	73	75	152,810	11,232	13,349	178,461
Loans and advances to banks and other financial institutions	-	13,756	11,213	23,384	1,210	4,405	53,968
Loans to customers	-	-	-	-	3,025	2,055,943	2,058,968
Investments available-for-sale	-	-	-	4,597	1,121	5,594	11,312
Investments held to maturity	333	-	154	1,883	1,608	48	4,026
Other financial assets	-	2	1,210	6	653	4,559	6,430

Since not all counterparties of the Group have credit ratings from international rating agencies, the Group has developed its own methodologies allowing it to assign internal credit ratings. Such methodologies include a rating model for corporate borrowers and scoring models for retail banking clients and small and medium enterprises. The scoring methodologies are tailor-made for specific products and are applied at various stages over the life of the loan.

Loans to customers are classified by the responsible departments on the basis of internal assessment and other analytical procedures. Taking into account past experience, in December 2010 there was an improvement of the assessment methodology of probability of default of the loans based on a deeper analysis of the financial position of the borrower and future cash flows. As a result of this improvement, added to this analysis were qualitative and quantitative factors of the borrowers, such as operational efficiency, liquidity, capital adequacy ratios, cash flows and debt servicing ratios, quality of the management, risk of the industry, presence of facts of misapplication of funds and the customers' credit history.

At present, the Bank uses the classification of loans to customers as follows:

Homogeneous loans: Loans to customers with similar credit risk characteristics (i.e. the characteristics include sector of the economy, borrower activities, type of loan program, level of defaults and other factors). Collective assessment is performed on loans that were determined not to be individually significant and on individually significant loans that did not exhibit credit losses based on the individual assessment.

Group 1: The borrower makes interest and principal payments without delay and in full. The borrower is clearly able to repay both the loan principal and interest and the borrower's high financial efficiency is expected to continue.

Group 2: The borrower makes interest and principal payments without delay and in full. The borrower is currently in a stable financial position, however, a possible negative trend may arise.

Group 3: The borrower makes interest and principal payments without delay and in full. There is evidence of some unsatisfactory financial results which may affect the ability of the borrower to repay in the future.

Group 4: The borrower makes interest and principal payments with delays and/or not in full. There is evidence of a significant number of unsatisfactory financial results which will affect the ability of the borrower to repay.

Group 5: The borrower is unable to make interest and principal payments without delays and in full. Financial efficiency is questionable and there is low probability of a full repayment in the future.

	31 December 2013 (KZT million)	**31 December 2012 (KZT million)**	**31 December 2011 (KZT million)**
Homogeneous loans	232,802	171,896	111,935
Group 1	114,615	120,877	148,867
Group 2	265,211	336,154	463,215
Group 3	805,912	836,819	1,000,285
Group 4	394,651	343,877	234,792
Group 5	87,802	88,672	99,874
Loans to customers	1,900,993	1,898,295	2,058,968

Impairment of financial assets

The following table details the carrying value of assets that are impaired and not impaired:

	Financial assets that are not impaired (KZT million)	Financial assets that have been assessed individually for impairment (KZT million)	Homogenous and individually assessed watch assets (KZT million)	31 December 2013 Total (KZT million)
Loans and advances to banks and other financial institutions	135,541	-	4,202	139,743
Loans to customers	107,338	388,364	1,405,291	1,900,993
Investments available-for-sale	21,249	-	-	21,249
Investments held to maturity	6,503	-	-	6,503
Other financial assets	5,589	-	-	5,589

	Financial assets that are not impaired (KZT million)	Financial assets that have been assessed individually for impairment (KZT million)	Homogenous and individually assessed watch assets (KZT million)	31 December 2012 Total (KZT million)
Loans and advances to banks and other financial institutions	140,613	-	6,090	146,703
Loans to customers	123,166	383,907	1,391,222	1,898,295
Investments available-for-sale	15,682	-	-	15,682
Investments held to maturity	6,937	-	-	6,937
Other financial assets	4,831	-	-	4,831

	Financial assets that are not impaired (KZT million)	Financial assets that have been assessed individually for impairment (KZT million)	Homogenous and individually assessed watch assets (KZT million)	31 December 2011 Total (KZT million)
Loans and advances to banks and other financial institutions	50,456	-	3,512	53,968
Loans to customers	129,220	480,713	1,449,035	2,058,968
Investments available-for-sale	15,419	-	-	15,419
Investments held to maturity	4,026	-	-	4,026
Other financial assets	6,430	-	-	6,430

As at 31 December 2013, the carrying value of financial assets that are overdue, but not impaired is KZT 159 million (2012: KZT 21 million, 2011: KZT 1,502 million). These financial assets are overdue for less than a two-month period.

Geographical concentration

The relevant Credit Committee exercise control over the risk in the legislation and regulatory arena and assess its influence on the Group's activity. The Group sets country limits for all countries with ratings below A- according to the Standard and Poor's classification.

The Management of the Group considers the main segment to be the Republic of Kazakhstan.

The geographical concentration of financial assets and financial liabilities is set out in tables below:

	Kazakhstan (KZT million)	CIS (KZT million)	OECD countries (KZT million)	Non-OECD countries* (KZT million)	31 December 2013 Total (KZT million)
FINANCIAL ASSETS AND PRECIOUS METALS:					
Cash and balances with national (central) banks	184,027	7,660	-	-	191,687
Precious metals	-	-	2,491	-	2,491
Financial assets at fair value through profit or loss	84,888	10,945	26,022	-	121,855
Loans and advances to banks and other financial institutions	11,861	15,959	111,921	2	139,743
Loans to customers	1,718,839	115,020	26,538	40,596	1,900,993
Investments available-for-sale	12,711	8,538	-	-	21,249
Investments held to maturity	6,011	340	152	-	6,503
Other financial assets	2,176	3,069	333	11	5,589
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	2,020,513	161,531	167,457	40,609	2,390,110
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	62,319	19,632	11,474	4,530	97,955
Customer accounts	1,597,055	45,017	35,374	4,589	1,682,035
Financial liabilities at fair value through profit or loss	42	112	2,142	-	2,296
Debt securities issued	1,003	678	251,630	-	253,311
Other borrowed funds	14,641	-	796	-	15,437
Dividends payable	-	6	-	-	6
Other financial liabilities	6,092	389	8,210	73	14,764
Subordinated debt	41,843	-	83,317	-	125,160
TOTAL FINANCIAL LIABILITIES	1,722,995	65,834	392,943	9,192	2,190,964
NET POSITION	297,518	95,697	(225,486)	31,417	

	Kazakhstan (KZT million)	CIS (KZT million)	OECD countries (KZT million)	Non-OECD countries* (KZT million)	31 December 2012 Total (KZT million)
FINANCIAL ASSETS AND PRECIOUS METALS:					
Cash and balances with national (central) banks	95,995	10,430	-	72	106,497
Precious metals	176	-	3,647	-	3,823
Financial assets at fair value through profit or loss	89,548	18,245	11,029	-	118,822
Loans and advances to banks and other financial institutions	4,153	26,941	115,339	270	146,703
Loans to customers	1,726,154	116,015	19,544	36,582	1,898,295
Investments available-for-sale	14,400	812	470	-	15,682
Investments held to maturity	6,254	350	333	-	6,937
Other financial assets	3,425	1,102	302	2	4,831
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	1,940,105	173,895	150,664	36,926	2,301,590
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	42,186	16,037	46,482	5,772	110,477
Customer accounts	1,444,520	48,349	23,191	5,819	1,521,879
Financial liabilities at fair value through profit or loss	5	66	8,806	-	8,877
Debt securities issued	2,446	317	294,452	32	297,247
Other borrowed funds	17,540	-	1,091	-	18,631
Dividends payable	35	5	-	-	40
Other financial liabilities	7,178	296	-	3	7,477
Subordinated debt	40,662	-	81,488	-	122,150
TOTAL FINANCIAL LIABILITIES	1,554,572	65,070	455,510	11,626	2,086,778
NET POSITION	385,333	108,825	(304,846)	25,300	

	Kazakhstan (KZT million)	CIS (KZT million)	OECD countries (KZT million)	Non-OECD countries* (KZT million)	31 December 2011 Total (KZT million)
FINANCIAL ASSETS AND PRECIOUS METALS:					
Cash and balances with national (central) banks	98,175	6,874	18	-	105,067
Precious metals	-	-	3,280	-	3,280
Financial assets at fair value through profit or loss	145,031	22,225	21,057	-	188,313
Loans and advances to banks and other financial institutions	2,102	8,195	43,671	-	53,968
Loans to customers	1,802,503	164,680	44,830	46,955	2,058,968
Investments available-for-sale	14,946	379	94	-	15,419
Investments held to maturity	3,057	482	487	-	4,026
Other financial assets	3,618	1,482	1,296	34	6,430
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	2,069,432	204,317	114,733	46,989	2,435,471
FINANCIAL LIABILITIES:					
Loans and advances from banks and other financial institutions	32,744	15	53,674	5,782	92,215
Customer accounts	1,344,700	60,726	16,469	6,809	1,428,704
Financial liabilities at fair value through profit or loss	5	106	37,660	-	37,771
Debt securities issued	1,565	233	322,194	95	324,087
Other borrowed funds	20,359	-	6,000	-	26,359
Dividends payable	-	6	-	-	6
Other financial liabilities	4,020	410	35	30	4,495
Subordinated debt	40,213	-	97,827	-	138,040
TOTAL FINANCIAL LIABILITIES	1,443,606	61,496	533,859	12,716	2,051,677
NET POSITION	625,826	142,821	(419,126)	34,273	

*As at 31 December 2013, 2012 and 2011, over 90% of non-OECD countries operations were represented by operations of companies registered in the Republic of Cyprus. These borrowers operate in the CIS, their assets and cash flows are also generated in the CIS.

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

Asset and Liability Management Risks

Effective assets and liabilities management is fundamental to the Bank, which allows the Bank to offer competitive products in the market while maintaining the risk and profitability balance on the level creating additional value for shareholders.

The following are defined by the bank as key areas within asset and liability management:

- Structural risk management: structural interest rate and currency risks;
- Liquidity risk management;
- Market risk management in trading portfolio;
- Capital management.

The Group's Assets and Liabilities Management Committee ("the ALMC") is responsible for managing risks the bank is exposed to while managing assets and liabilities.

The ALMC is responsible of making strategic and operational decisions with respect of managing asset and liabilities with purpose of:

- Maintaining and further increasing net income while keeping risk exposure at an acceptable level;
- Ensuring continuity of the bank operations.

In order to fulfill the objectives set above, short meetings of the ALMC take place on a weekly basis while extended meetings are organized monthly. Operational asset and liability management questions including trading portfolio performance and liquidity management are considered at the weekly meetings. At the monthly meetings ALMC discusses more strategic questions including balance sheet structure management. Various reports are presented to ALMC's attention including but not limiting to trading portfolio reports, open currency positions, liquidity gaps, cash flows, stress tests, etc.

Structural interest rate risk

To define and manage overall interest rate risk the Group applies an approach, which implies distinguishing interest rate risk in trading portfolio from structural interest rate risk since they impact equity and profit or loss differently. These two subtypes of the risk are now measured and managed separately. This section covers structural interest rate risk. Interest rate risk in trading portfolio is measured and managed by the bank as a part of market risks.

Structural interest rate risk is a risk of possible decline in interest income generated on balance and off-balance sheet positions accounted at amortized cost as a result of changes in market interest rates. Thus managing structural interest rate risk implies managing exposure of the Bank's net interest income and hence capital to market interest rate changes with the purpose of limiting and controlling possible income reductions or losses and ensuring optimal and stable interest income inflow.

To manage structural interest rate risk ALMC monitors and analyzes re-pricing gap and earnings at risk as well as interest rate margins. This helps the Group to mitigate exposure to the structural interest rate risk and maintain positive interest rate margin. The Risk Management Department monitors financial activity of the Group regularly assessing its exposure to changes in interest rates and income impact of the changes.

As for the moment most of the loans extended by the Group are at fixed rate agreements. At the same time the loan agreements allow the Group to change the interest rate thus allowing the Group to decrease interest rate risks.

The following table presents an analysis of interest rate risk. Effective interest rates are presented by categories of financial assets and liabilities to determine interest rate exposure and effectiveness of the interest rate policy used by the Group.

	31 December 2013			31 December 2012			31 December 2011		
	% in KZT	% in USD	% in other currencies	% in KZT	% in USD	% in other currencies	% in KZT	% in USD	% in other currencies
ASSETS:									
Financial assets at fair value through profit or loss	5.07	2.12	8.80	5.01	5.21	8.84	3.33	5.95	8.50
Loans and advances to banks and other financial institutions	1.46	0.89	1.18	1.82	1.17	-	1.60	5.09	0.17
Loans to customers	11.21	8.32	10.13	10.75	8.08	11.19	9.62	10.10	10.11
Investments available-for-sale and held to maturity	5.84	6.54	7.82	5.11	6.61	7.83	5.85	2.89	7.71
LIABILITIES:									
Loans and advances from banks and other financial institutions	6.15	3.50	5.08	3.33	3.28	5.37	1.68	4.55	1.16
Customer accounts	5.08	4.26	5.76	4.56	4.18	5.68	3.35	4.43	6.73
Debt securities issued	9.00	7.86	6.88	9.00	8.01	6.88	9.00	8.21	7.04
Other borrowed funds	7.06	0.48	-	7.16	0.68	-	7.24	1.33	-
Subordinated debt	7.46	7.61	-	6.49	7.61	-	9.79	8.43	-

The Group uses derivative financial instruments to mitigate the interest rate risk and control the interest rate margin by different types of products. Management monitors the interest rate margin of the Group and believes that the Group is not exposed to significant risk of change in interest rates and related cash flow interest rate risk.

Interest rate risk sensitivity analysis

The Risk Management Department periodically estimates the Group's sensitivity to changes in market interest rates and their influence on the Group's profitability. If necessary, the Risk Management Department suggests decreasing the relevant risk levels to the ALMC of the Group.

In calculating and analyzing sensitivity of net profit of the Group to structural interest rate risk, the Group applies the earnings at risk ratio (EaR). EaR is based on interest rate gap and measures the potential fluctuations in earnings over a given time interval under normal market conditions and based on the following assumptions:

- the period when possible losses are incurred, is one year. One year is viewed as a period, within which the Group may raise new funding or restructure its assets and liabilities with a purpose of returning and keeping its risks level within its risk appetite;
- EaR is calculated based on the assumption that each interest rate gap will be reassessed at a new interest rate.

As at the reporting date, in calculating EaR, as reasonably possible, the Group applied the range of interest rate fluctuations in 200 bp across the yield curve.

The following table presents the sensitivity of the Group's consolidated statement of profit or loss to the above changes to interest rates, in which all other parameters are assumed to be constant:

Earnings at risk (EaR)	31 December 2013 (KZT million)
Earnings at risk (EaR) as a result of parallel shift in the yield curve	
Earnings at risk (EaR) as a result of upward movement in rates by 200 bp per 1 year	(5,042)
Earnings at risk (EaR) as a result of downward movement in rates by 200 bp per 1 year	5,042

Earnings at risk (EaR)	31 December 2012 (KZT million)
Earnings at risk (EaR) as a result of parallel shift in the yield curve	
Earnings at risk (EaR) as a result of upward movement in rates by 200 bp per 1 year	(4,624)
Earnings at risk (EaR) as a result of downward movement in rates by 200 bp per 1 year	4,624

Earnings at risk (EaR)	31 December 2011 (KZT million)
Earnings at risk (EaR) as a result of parallel shift in the yield curve	
Earnings at risk (EaR) as a result of upward movement in rates by 200 bp per 1 year	(1,223)
Earnings at risk (EaR) as a result of downward movement in rates by 200 bp per 1 year	1,223

At the reporting date, the Group's equity is not sensitive to interest rate fluctuations, since the interest rate swaps became ineffective in 2009 and, accordingly, changes in fair value of these instruments are recognized in the consolidated statement of profit or loss.

Liquidity risk

Liquidity risk is the risk that the Group will not have enough funding at reasonable price to meet all cash outflows (on- and off-balance sheet).

ALMC controls these types of risks by means of weekly liquidity gap analysis and taking appropriate decisions to reduce liquidity risk. Current liquidity is managed by the Treasury Department through the deals in the money markets, with placement of available funds in liquid securities in line with instructions of ALMC.

The Group maintains the compliance to regulatory requirements, including term liquidity ratios and foreign exchange liquidity. The Group considers these requirements to be strict, and, as such, this measure guarantees maintaining appropriate liquidity level.

The following tables provide an analysis of financial assets and liabilities grouped on the basis of the remaining period from the reporting date to the contractual maturity date.

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2013 Total (KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	50	8,924	7,677	60,047	37,722	-	114,420
Loans and advances to banks and other financial institutions	126,770	267	8,535	3,851	82	-	139,505
Loans to customers	83,930	27,306	406,405	664,797	343,511	-	1,525,949
Debt securities included in investments available-for-sale	-	664	706	8,802	8,959	-	19,131
Investments held to maturity	76	836	-	4,927	558	-	6,397
Total interest bearing assets	210,826	37,997	423,323	742,424	390,832	-	1,805,402
Cash and balances with national (central) banks	189,585	-	-	-	2,102	-	191,687
Precious metals	2,491	-	-	-	-	-	2,491
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	5,337	5,337
Equity securities in the investments available-for-sale	-	-	-	-	-	1,493	1,493
Accrued interest income on interest-bearing assets	96,832	32,641	232,473	14,555	1,610	-	378,111
Other financial assets	2,335	487	1,702	1,045	20	-	5,589
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	502,069	71,125	657,498	758,024	394,564	6,830	2,390,110
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	79,259	10	8,530	10,029	-	-	97,828
Customer accounts	135,746	185,093	654,550	177,039	69,969	-	1,222,397
Debt securities issued	144	498	29,779	213,795	2,377	-	246,593
Other borrowed funds	-	-	106	15,003	-	-	15,109
Subordinated debt	-	-	-	97,909	3,143	22,408	123,460
Total interest bearing liabilities	215,149	185,601	692,965	513,775	75,489	22,408	1,705,387
Financial liabilities at fair value through profit or loss	136	1,455	106	-	599	-	2,296
Customer accounts	445,620	-	-	-	-	-	445,620
Dividends payable	6	-	-	-	-	-	6
Accrued interest expense on interest-bearing liabilities	4,363	8,701	8,494	1,333	-	-	22,891
Other financial liabilities	3,711	326	10,268	459	-	-	14,764
TOTAL FINANCIAL LIABILITIES	668,985	196,083	711,833	515,567	76,088	22,408	2,190,964
Liquidity gap	(166,916)	(124,958)	(54,335)	242,457	318,476		
Interest sensitivity gap	(4,323)	(147,604)	(269,642)	228,649	315,343		
Cumulative interest sensitivity gap	(4,323)	(151,927)	(421,569)	(192,920)	122,423		
Cumulative interest sensitivity gap as a percentage of total financial assets and precious metals	(0.2%)	(6.4%)	(17.6%)	(8.1%)	5.1%		
Contingent liabilities and credit commitments	8,032	2,688	19,210	33,660	3,855	61	

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2012 Total (KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	682	8,374	8,855	51,768	40,538	-	110,217
Loans and advances to banks and other financial institutions	125,830	1,610	6,718	12,106	75	-	146,339
Loans to customers	11,862	70,560	364,394	692,385	387,483	-	1,526,684
Debt securities included in investments available-for-sale	7	81	970	5,396	7,029	-	13,483
Investments held to maturity	-	-	413	5,556	841	-	6,810
Total interest bearing assets	138,381	80,625	381,350	767,211	435,966	-	1,803,533
Cash and balances with national (central) banks	103,523	-	-	-	2,974	-	106,497
Precious metals	3,823	-	-	-	-	-	3,823
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	6,355	6,355
Equity securities in the investments available-for-sale	-	-	-	-	-	1,717	1,717
Accrued interest income on interest-bearing assets	34,324	58,728	66,887	213,817	1,078	-	374,834
Other financial assets	3,175	94	1,500	62	-	-	4,831
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	283,226	139,447	449,737	981,090	440,018	8,072	2,301,590
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	75,525	880	5,852	28,007	-	-	110,264
Customer accounts	143,957	197,364	581,501	121,081	69,989	-	1,113,892
Debt securities issued	155	23	46,194	198,547	44,863	-	289,782
Other borrowed funds	-	-	16	18,229	-	-	18,245
Subordinated debt	-	-	-	101,417	12,258	6,851	120,526
Total interest bearing liabilities	219,637	198,267	633,563	467,281	127,110	6,851	1,652,709
Financial liabilities at fair value through profit or loss	783	1,338	1,242	4,412	1,102	-	8,877
Customer accounts	395,143	-	-	-	-	-	395,143
Dividends payable	5	-	35	-	-	-	40
Accrued interest expense on interest-bearing liabilities	4,120	8,251	9,426	729	6	-	22,532
Other financial liabilities	2,320	155	5,002	-	-	-	7,477
TOTAL FINANCIAL LIABILITIES	622,008	208,011	649,268	472,422	128,218	6,851	2,086,778
Liquidity gap	(338,782)	(68,564)	(199,531)	508,668	311,800		
Interest sensitivity gap	(81,256)	(117,642)	(252,213)	299,930	308,856		
Cumulative interest sensitivity gap	(81,256)	(198,898)	(451,111)	(151,181)	157,675		
Cumulative interest sensitivity gap as a percentage of total financial assets and precious metals	(3.5%)	(8.6%)	(19.6%)	(6.6%)	6.9%		
Contingent liabilities and credit commitments	5,315	6,304	40,061	26,590	4,751	242	

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2011 Total (KZT million)
FINANCIAL ASSETS:							
Debt securities and derivatives in the financial assets at fair value through profit or loss	12,500	29,872	33,636	48,241	51,702	-	175,951
Loans and advances to banks and other financial institutions	31,775	745	2,489	18,679	60	-	53,748
Loans to customers	32,470	43,609	605,174	527,473	506,562	-	1,715,288
Debt securities included in investments available-for-sale	154	-	202	3,131	7,300	-	10,787
Investments held to maturity	-	-	95	2,173	1,670	-	3,938
Total interest bearing assets	76,899	74,226	641,596	599,697	567,294	-	1,959,712
Cash and balances with national (central) banks	102,151	-	-	-	2,916	-	105,067
Precious metals	3,280	-	-	-	-	-	3,280
Equity securities in the financial assets at fair value through profit or loss	-	-	-	-	-	9,852	9,852
Equity securities in the investments available-for-sale	-	-	-	-	-	4,107	4,107
Accrued interest income on interest-bearing assets	70,578	28,335	84,731	163,312	67	-	347,023
Other financial assets	3,452	920	2,058	-	-	-	6,430
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	256,360	103,481	728,385	763,009	570,277	13,959	2,435,471
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	35,019	576	17,202	39,182	-	-	91,979
Customer accounts	79,605	144,029	411,958	237,114	72,496		945,202
Debt securities issued	234	26,124	10,351	160,381	118,048	-	315,138
Other borrowed funds	-	-	1,512	20,711	3,765	-	25,988
Subordinated debt	-	-	-	71,647	57,510	6,744	135,901
Total interest bearing liabilities	114,858	170,729	441,023	529,035	251,819	6,744	1,514,208
Financial liabilities at fair value through profit or loss	730	22,673	866	5,511	7,991	-	37,771
Customer accounts	471,264	-	-	-	-	-	471,264
Dividends payable	6	-	-	-	-	-	6
Accrued interest expense on interest-bearing liabilities	4,684	10,136	7,204	1,909	-	-	23,933
Other financial liabilities	4,356	56	83	-	-	-	4,495
TOTAL FINANCIAL LIABILITIES	595,898	203,594	449,176	536,455	259,810	6,744	2,051,677
Liquidity gap	(339,538)	(100,113)	279,209	226,554	310,467		
Interest sensitivity gap	(37,959)	(96,503)	200,573	70,662	315,475		
Cumulative interest sensitivity gap	(37,959)	(134,462)	66,111	136,773	452,248		
Cumulative interest sensitivity gap as a percentage of total financial assets and precious metals	(1.5%)	(5.5%)	2.7%	5.6%	18.6%		
Contingent liabilities and credit commitments	7,511	2,718	23,889	27,305	12,752	676	

Based on prior experience, the management of the Group considers it highly unlikely that all customer accounts seek repayment on maturity. Historically the majority of such deposits are rolled over.

A further analysis of the liquidity is presented in the following tables in accordance with IFRS 7. The amounts disclosed in these tables do not correspond to the amounts recorded on the consolidated statement of financial position as the presentation below includes a maturity analysis for financial liabilities, which indicates the total remaining contractual payments, including interest payments, which are not recognized in the consolidated statement of financial position under the effective interest rate method. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate yield curves at the end of the reporting period.

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2013 Total (KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	79,259	10	8,530	10,029	-	-	97,828
Customer accounts	135,746	185,093	654,550	177,039	69,969	-	1,222,397
Debt securities issued	144	498	29,779	213,795	2,377	-	246,593
Other borrowed funds	-	-	106	15,003	-	-	15,109
Subordinated debt	-	-	-	97,909	3,143	22,408	123,460
Total interest bearing financial liabilities	215,149	185,601	692,965	513,775	75,489	22,408	1,705,387
Financial liabilities at fair value through profit or loss	136	1,455	106	-	599	-	2,296
Customer accounts	445,620	-	-	-	-	-	445,620
Accrued interest expense on interest-bearing liabilities	10,237	24,312	58,315	84,181	24,781	-	201,826
Other financial liabilities	3,711	326	10,268	459	-	-	14,764
TOTAL FINANCIAL LIABILITIES	674,853	211,694	761,654	598,415	100,869	22,408	2,369,893
Contingent liabilities and other credit commitments	8,055	2,717	19,407	33,758	3,878	10,638	78,453
Derivative financial assets	-	-	1,444	137,813	5,188	-	144,445
Derivative financial liabilities	-	-	1,444	129,780	5,188	-	136,412

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2012 Total (KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	75,525	880	5,852	28,007	-	-	110,264
Customer accounts	143,957	197,364	581,501	121,081	69,989	-	1,113,892
Debt securities issued	155	23	46,194	198,547	44,863	-	289,782
Other borrowed funds	-	-	16	18,229	-	-	18,245
Subordinated debt	-	-	-	101,417	12,258	6,851	120,526
Total interest bearing financial liabilities	219,637	198,267	633,563	467,281	127,110	6,851	1,652,709
Financial liabilities at fair value through profit or loss	783	1,338	1,242	4,412	1,102	-	8,877
Customer accounts	395,143	-	-	-	-	-	395,143
Accrued interest expense on interest-bearing liabilities	10,017	25,275	65,512	116,308	33,621	-	250,733
Other financial liabilities	2,320	155	5,002	-	-	-	7,477
TOTAL FINANCIAL LIABILITIES	627,900	225,035	705,319	588,001	161,833	6,851	2,314,939
Contingent liabilities and other credit commitments	8,661	6,358	40,223	26,822	4,809	10,365	97,238
Derivative financial assets	-	-	-	133,733	29,953	-	163,686
Derivative financial liabilities	-	-	-	131,223	29,953	-	161,176

	Up to 1 month (KZT million)	1 month to 3 months (KZT million)	3 months to 1 year (KZT million)	1 year to 5 years (KZT million)	Over 5 years (KZT million)	Maturity undefined (KZT million)	31 December 2011 Total (KZT million)
FINANCIAL LIABILITIES:							
Loans and advances from banks and other financial institutions	35,019	576	17,202	39,182	-	-	91,979
Customer accounts	79,605	144,029	411,958	237,114	72,496	-	945,202
Debt securities issued	234	26,124	10,351	160,381	118,048	-	315,138
Other borrowed funds	-	-	1,512	20,711	3,765	-	25,988
Subordinated debt	-	-	-	71,647	57,510	6,744	135,901
Total interest bearing financial liabilities	114,858	170,729	441,023	529,035	251,819	6,744	1,514,208
Financial liabilities at fair value through profit or loss	730	22,673	866	5,511	7,991	-	37,771
Customer accounts	471,264	-	-	-	-	-	471,264
Accrued interest expense on interest-bearing liabilities	11,372	29,301	70,296	148,675	52,337	-	311,981
Other financial liabilities	4,356	56	83	-	-	-	4,495
TOTAL FINANCIAL LIABILITIES	602,580	222,759	512,268	683,221	312,147	6,744	2,339,719
Contingent liabilities and other credit commitments	7,511	2,718	23,889	27,305	12,076	676	74,175
Derivative financial assets	-	80,080	29,474	5,830	154,298	-	269,682
Derivative financial liabilities	-	101,164	29,474	5,830	154,692	-	291,160

Market risk

The Group defines market risk as currency, equity, commodity and interest rate risks related to its trading and available-for-sale portfolios, as well as currency positions.

The Risk Management Department measures the risks and generates treasury position reports, which are presented to the ALMC of the Group. The Risk Management Department calculates VaR to measure the market risk on equity, fixed income and currency positions and breaks it down to individual risk factors (currency risk, interest rate risk, equity risk etc.). This allows the Group to analyze exposure to each risk factor and make further decisions to mitigate a particular exposure. For internal reporting purposes, in addition to VaR analysis discussed above, the Group also performs sensitivity analysis on its currency risk and interest rate exposures. This sensitivity analysis is presented in these financial statements.

Currency risk

Currency risk is defined as the risk of taking losses from open currency positions and financial instruments in foreign currencies as a result of changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in foreign currency exchange rates on its open currency positions and trading portfolio.

The ALMC controls currency risk by managing its open currency positions on the basis of macroeconomic analysis and exchange rate forecasts, which give the Group an opportunity to minimize losses from significant currency fluctuations. Similar to liquidity risk management, the Treasury Department manages open currency positions of the Group using data generated by the Prudentials Monitoring and Credit Reporting Division on a daily basis.

The FMSC sets strict limits on open currency positions. This measure also limits the currency risk. In addition, the Treasury Department uses various hedging strategies including cross currency swaps in order to mitigate currency risks.

As at 31 December 2013 the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2013 Total (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	91,883	91,925	1,359	5,162	1,358	191,687
Precious metals	-	-	-	-	2,491	2,491
Financial assets at fair value through profit or loss	91,126	10,729	8,369	11,631	-	121,855
Loans and advances to banks and other financial institutions	10,261	117,488	7,178	2,999	1,817	139,743
Loans to customers	933,236	942,888	8,467	16,157	245	1,900,993
Investments available-for-sale	9,500	3,210	-	8,539	-	21,249
Investments held to maturity	4,567	1,744	-	192	-	6,503
Other financial assets	3,111	1,154	13	1,113	198	5,589
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	1,143,684	1,169,138	25,386	45,793	6,109	2,390,110
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	62,682	20,423	160	14,646	44	97,955
Customer accounts	729,006	871,413	51,029	26,061	4,526	1,682,035
Financial liabilities at fair value through profit or loss	183	1,408	-	597	108	2,296
Debt securities issued	2,423	167,237	83,425	226	-	253,311
Other borrowed funds	14,641	796	-	-	-	15,437
Dividends payable	-	-	-	-	6	6
Other financial liabilities	13,732	759	55	177	41	14,764
Subordinated debt	35,105	90,055	-	-	-	125,160
TOTAL FINANCIAL LIABILITIES	857,772	1,152,091	134,669	41,707	4,725	2,190,964
OPEN BALANCE SHEET POSITION	285,912	17,047	(109,283)	4,086	1,384	
DERIVATIVE FINANCIAL INSTRUMENTS:						
Net settled:						
- foreign exchange forward contracts	2	-	-	-	-	2
Gross settled:						
- foreign exchange forward contracts	210	(209)	-	-	-	1
- currency swaps	(47,048)	(53,170)	108,130	-	(61)	7,851
- spot	(1,530)	(1,335)	874	1,979	-	(12)
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	(48,366)	(54,714)	109,004	1,979	(61)	7,842
OPEN POSITION	237,546	(37,667)	(279)	6,065	1,323	

As at 31 December 2012 the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2012 Total (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	81,606	12,596	3,148	7,653	1,494	106,497
Precious metals	-	-	-	-	3,823	3,823
Financial assets at fair value through profit or loss	86,107	4,736	7,888	20,091	-	118,822
Loans and advances to banks and other financial institutions	14,384	120,046	9,836	1,108	1,329	146,703
Loans to customers	982,387	888,031	7,693	20,001	183	1,898,295
Investments available-for-sale	12,081	3,048	-	551	2	15,682
Investments held to maturity	5,175	1,378	-	384	-	6,937
Other financial assets	2,789	1,576	6	435	25	4,831
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	1,184,529	1,031,411	28,571	50,223	6,856	2,301,590
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	41,172	57,150	742	11,284	129	110,477
Customer accounts	827,884	610,077	50,563	27,969	5,386	1,521,879
Financial liabilities at fair value through profit or loss	5,753	3,054	-	4	66	8,877
Debt securities issued	2,437	211,866	82,553	391	-	297,247
Other borrowed funds	17,540	1,091	-	-	-	18,631
Dividends payable	-	35	-	-	5	40
Other financial liabilities	7,170	18	42	203	44	7,477
Subordinated debt	33,899	88,251	-	-	-	122,150
TOTAL FINANCIAL LIABILITIES	935,855	971,542	133,900	39,851	5,630	2,086,778
OPEN BALANCE SHEET POSITION	248,674	59,869	(105,329)	10,372	1,226	
DERIVATIVE FINANCIAL INSTRUMENTS:						
Net settled:						
- foreign exchange forward contracts	4,544	(4,522)	-	-	-	22
Gross settled:						
- foreign exchange forward contracts	(18)	18	-	-	-	-
- currency swaps	6,103	(107,762)	105,587	(1,287)	(257)	2,384
- spot	(11,287)	11,299	-	-	-	12
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	(658)	(100,967)	105,587	(1,287)	(257)	2,418
OPEN POSITION	248,016	(41,098)	258	9,085	969	

As at 31 December 2011 the Group's exposure to foreign currency exchange rate risk is presented in the table below:

	KZT (KZT million)	USD (KZT million)	EUR (KZT million)	RUR (KZT million)	Other CCY (KZT million)	31 December 2011 Total (KZT million)
FINANCIAL ASSETS:						
Cash and balances with national (central) banks	75,947	21,498	2,426	4,290	906	105,067
Precious metals	-	-	-	-	3,280	3,280
Financial assets at fair value through profit or loss	137,515	15,201	7,582	22,585	5,430	188,313
Loans and advances to banks and other financial institutions	2,855	38,800	5,749	2,214	4,350	53,968
Loans to customers	936,909	1,089,404	6,073	26,117	465	2,058,968
Investments available-for-sale	10,380	4,471	-	568	-	15,419
Investments held to maturity	2,629	583	-	814	-	4,026
Other financial assets	3,224	2,222	49	925	10	6,430
TOTAL FINANCIAL ASSETS AND PRECIOUS METALS	1,169,459	1,172,179	21,879	57,513	14,441	2,435,471
FINANCIAL LIABILITIES:						
Loans and advances from banks and other financial institutions	30,658	55,942	5,476	39	100	92,215
Customer accounts	847,899	485,772	58,681	30,954	5,398	1,428,704
Financial liabilities at fair value through profit or loss	33,182	4,445	-	8	136	37,771
Debt securities issued	2,455	214,408	79,355	231	27,638	324,087
Other borrowed funds	20,359	6,000	-	-	-	26,359
Dividends payable	-	-	-	-	6	6
Other financial liabilities	4,289	-	1	122	83	4,495
Subordinated debt	33,734	104,306	-	-	-	138,040
TOTAL FINANCIAL LIABILITIES	972,576	870,873	143,513	31,354	33,361	2,051,677
OPEN BALANCE SHEET POSITION	196,883	301,306	(121,634)	26,159	(18,920)	
DERIVATIVE FINANCIAL INSTRUMENTS:						
Net settled:						
- foreign exchange forward contracts	3,275	(3,265)	-	-	-	10
Gross settled:	-	-	-	-	-	-
- foreign exchange forward contracts	-	505	-	-	(503)	2
- currency swaps	2,137	(222,285)	123,664	1,153	73,850	(21,481)
- spot	(6,516)	5,976	(60)	585	-	(15)
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	(1,104)	(219,069)	123,604	1,738	73,347	(21,484)
OPEN POSITION	195,779	82,237	1,970	27,897	54,427	

Currency risk sensitivity analysis

The Group estimates the possible effect of a 20% fluctuation in foreign currency rates on the consolidated statement of profit or loss and consolidated equity based on the sensitivity analysis of the internally prepared open currency position report, which includes derivative financial instruments.

The analysis is based on the calculation of the impact of possible fluctuations in US dollar, Euro and Russian Rouble currency rates on the consolidated statements of profit or loss and consolidated equity. This is due to the fact that as at 31 December 2013 these were the main currencies in which the Group had open positions. A 20% fluctuation is determined as a “reasonably possible change in the risk variable” by the management of the Group. All other parameters were assumed to be constant. Negative and positive amounts in the table reflect the potential probable effect on the consolidated statement of profit or loss of such fluctuations.

	31 December 2013 (KZT million)					
	USD/KZT		**EUR/KZT**		**RUR/KZT**	
	+20%	**-20%**	**+20%**	**-20%**	**+20%**	**-20%**
Impact on profit or loss before tax	(14,151)	14,151	4,947	(4,947)	1,213	(1,213)
Impact on equity	17	(17)	-	-	-	-

	31 December 2012 (KZT million)					
	USD/KZT		**EUR/KZT**		**RUR/KZT**	
	+20%	**-20%**	**+20%**	**-20%**	**+20%**	**-20%**
Impact on profit or loss before tax	(16,666)	16,666	6,534	(6,534)	2,840	(2,840)
Impact on equity	(146)	146	-	-	-	-

	31 December 2011 (KZT million)					
	USD/KZT		**EUR/KZT**		**RUR/KZT**	
	+20%	**-20%**	**+20%**	**-20%**	**+20%**	**-20%**
Impact on profit or loss	13,476	(13,476)	7,286	(7,286)	6,470	(6,470)
Impact on equity	-	-		-	-	-

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key risk factor while all other things held constant. In reality, there is a correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger impacts should not be extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group’s assets and liabilities are actively managed. Additionally, the financial position of the Group may vary depending on any actual market movements, since the Group’s financial risk management strategy aims to manage the exposure to market fluctuations. In instances where there are significant or unexpected changes in market conditions, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the risk factors may be different from those shown above.

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

Operational Risk

The Group is exposed to operational risk – the risk of incurred loss resulting from deficiencies or mistakes, which were made by employees, functioning of informational systems and technologies, and also as a result of external events, in the course of execution of internal processes. Nowadays, for effective working the Group uses the following tools of identification and measure of operational risks that are in compliance with the world's best practice:

- Corporate Loss Database on operational risk (CLD);
- Risk Self-Assessment (RSA);
- Operational Risk Assessment Process (ORAP);
- Key Operational Risk Control (KORC);
- Key Risk Indicators (KRI).

Tools on operational risk management make it possible for the Group to identify types of activities, which are more exposed to operational risk, to value and perform monitoring of losses of the Group, which were caused by operational risks, and also to establish corresponding controls and to develop preventive measures for minimization of such risk.

38. SUBSEQUENT EVENTS

On 23 January 2014, the Board of Directors of the Bank made a decision to set up a third subsidiary LLP "KUSA KKB-3" to manage the Bank's distressed assets. It is anticipated that LLP "KUSA KKB-3" will be managing mainly commercial and residential real estate, foreclosed on distressed SME and retail loans.

On 6 February 2014, the Bank and Mr. Kenes Rakishev have reached a final agreement to purchase a 46.5% equity stake in JSC BTA Bank ("BTA") each, from JSC National Welfare Fund Samruk–Kazyna. An Extraordinary Shareholders Meeting of the Bank has approved that the Bank will purchase 298,295,649,240 shares of BTA, constituting 46.5% of the total issued ordinary share capital of BTA, in accordance with terms and conditions defined by the Transaction Documents (including fulfillment of Conditions Precedent). Meanwhile, Samruk–Kazyna will transfer its remaining 4.26% in BTA to the Bank under a Trust Agreement providing the Bank with over 50% of the voting rights and operational control of BTA.

On 11 February 2014, the National Bank of the Republic of Kazakhstan took the decision to temporarily reduce its intervention in setting the KZT exchange rate. As a result, the official exchange rate of KZT to U.S. dollar fell to KZT 184.55 per U.S. dollar as at 12 February 2014 There is an uncertainty around impact of this event on the Kazakhstan economy and banking system. The Management of the Group believes it is taking all necessary measures to support sustainability of the Group under these conditions.